

Small independent retailers: digitalize or disappear? An empirical study based on dynamic capabilities

Christophe Bezes
ISTEC Business School, Paris, France

Abstract

Purpose – This study analyzes how small French retailers are adapting their front-office to the digitalization of their business environment.

Design/methodology/approach – The qualitative study focuses on dynamic capabilities of 27 independent French retailers, in a wide variety of sectors.

Findings – The digitalization of small retailers does not date from the pandemic health crisis. Small retailers are willing, agile and organized to make controlled progress, ranging from the visibility on social networks to online sales with its specific logistical constraints. Even if their presence on marketplaces is trickier to implement, it represents the culmination of the digitalization process, once their online store has been launched. The digital transformation of independent retailers should be less radical than for large retailers.

Research limitations/implications – By distinguishing between the concepts of adaptive, absorptive and innovative capabilities, this research highlights strong differences between small retailers, that is SMEs, and larger companies. In terms of adaptive capabilities, it confirms that small retailers are not embracing digitalization as a fad, but because of real changes in the market, and particularly in demand. In contrast to large companies, small retailers drive it more around external objectives linked to their intimate knowledge of changing customer behavior (customer centricity). In terms of absorptive capabilities, the success or failure of digital transformation weighs directly on the entrepreneur's shoulders, but is less hampered by technological legacy. Despite interviews only conducted in the Paris region, it converges with professional studies carried out on a larger scale in France. Its widespread use is certainly easier in countries at the same stage of commercial development.

Practical implications – In terms of innovative capabilities, independent retailers need to focus on four key areas: reinventing the in-store experience; increasing visibility on social networks; creating an online store; being present in one or two marketplaces or creating a common platform with other local merchants.

Originality/value – This research is one of the first to analyze the digital transformation experienced by small structures. It draws on the concept of dynamic capabilities, well-suited to technologically and commercially dynamic markets. It puts into perspective studies carried out in other countries on less diversified types of shops. Unlike other studies examining the front office, it does not exclude stores and SEO in marketplaces.

Keywords Dynamic capabilities, Online store, In-store experience, Digital retail transformation, Market-place, Survival of independent shops

Paper type Research paper

1. Introduction

Digital transformation is a crucial issue for small independent retailers since they do not have large resources. Their future looks bleak (Coca-Stefaniak *et al.*, 2005) as they compete with large retailers which are digitalizing in order to improve their operational efficiency and their customers' omnichannel experience.

While small-scale retailing accounts for 80–90% of all retailing in emerging countries (Aithal *et al.*, 2023), it is steadily declining in developed countries. In France, two symptoms bear witness to this.

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- (1) In the last 100 years, the number of stores has fallen by half, particularly in rural areas, isolated towns, vulnerable urban areas, inner-city side streets and shopping malls (Allain and Epaulard, 2023; Grimmeau and Wayens, 2016).
- (2) Between 2000 and 2020, the vacancy rate for retail space doubled to 13% in medium-sized towns (Caisse des Dépôts, n.d.), with a growing proportion of structural vacancy (Grimmeau and Wayens, 2016).

When the number of stores falls sharply as a result of the focus on experience and niche products (Alba *et al.*, 1997), adding a merchant website to a store could significantly boost sales (by 14% for very small businesses). However, 17% of independent French retailers do not have a website or an online platform, nor even make use of social networks. In contrast, just 9% use all three channels. Those who do have a website, only 28% use it to sell online, while the rest limit it to a showcase role (CCI Pays de Loire, 2021).

Yet, despite the proliferation of research into marketing responses to the Covid crisis, there is little research on digitalization by small retailers. With the exception of Cho (2015), research focuses on retailers' adoption of technology without taking the store itself into account (Aithal *et al.*, 2023; Eiriz *et al.*, 2019).

Gong and Ribiere (2021, p. 12) define digital transformation as “a fundamental change process, enabled by the innovative use of digital technologies accompanied by the strategic leverage of key resources and capabilities, aiming to radically improve an entity and redefine its value proposition for its stakeholders”. In an increasingly turbulent environment, small retailers need to develop “cognitive and creative capacities” to sense, select and seize market opportunities better than their competitors, by calibrating the necessary technological and commercial resources (Teece, 2007, p. 1323).

To better understand their digital transformation (Rupeika-Apoga *et al.*, 2022), the present research mobilizes the dynamic capabilities (Teece, 2007). In a neo-Schumpeterian logic and in line with the Resource-Based View of the firm (Wang and Ahmed, 2007, Teece *et al.* (1997, p. 516) define this concept as “the firm’s ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments”. This research shows how small retailers rely on their adaptive, innovative and absorptive capabilities (Wang and Ahmed, 2007) to drive the digital transformation of their front-office.

2. Digital transformation and dynamic capabilities: literature review

2.1 Independent retailing faced with digital transformation

2.1.1 *Reasons for the structural disappearance of independent retailers.* A small retailer is defined as an entity that offers its products or services to end customers on an isolated basis, that is legally, commercially and financially independent. There are 430,000 in France, with an average workforce of 5.9 (Allain and Epaulard, 2023). This definition excludes franchisees whose procurement, communication/business development activities are supported by large corporate chains (Runyan and Droge, 2008; Aithal and Maurya, 2017).

The independent retailers in France began to disappear in the 1950s due to and because of: primarily internal reasons, dependence on wholesalers, outdated sales practices, small store size limiting profitability, limited investment capacity (Jacques, 2017) and obligations to keep accounts and deduct VAT (Grimmeau and Wayens, 2016).

From 1960 onwards, these reasons became external, linked to the evolution of the competitive structure, which the theory of the wheel of retailing explains in terms of price pressure (Hollander, 1960). The emergence of hypermarkets, followed by smaller self-service outlets, specialized category killers and hard discounters, radically altered the sector’s value chain. The rise of e-commerce, drive-through and home delivery have amplified the decline of small retailers (Allain and Epaulard, 2023). The development of more efficient retailer

networks in terms of front and especially back-office operations, the growth of retailing in shopping centers and transit areas and the rising cost of the best locations, deprive small retailers of customer flow (Jacques, 2017). To be viable, a small retailer now needs to have 466 sq.m. of retail space (Grimmeau and Wayens, 2016).

Over the past 20 years, e-commerce has captured 12.4% of the French retail sector (Fevad, 2023). All sectors are concerned, including food, with the success of click'n-drive. The convenience, price advantages and choice (long-tail theory) of e-commerce have a major impact on small businesses.

On one hand, the independent shops are penalized for their narrow catchment areas, inefficient supply chains, low margins and often by a lack of originality (Coca-Stefaniak *et al.*, 2005). On the other hand, those that focus on a market niche and differentiate themselves through the customer experience are thriving (Allain and Epaulard, 2023; Bezes, 2013). Instead of being a competitor, e-commerce becomes an ally: it boosts the visibility of a poorly located store, extends its catchment area, improves its efficiency and rebalances its commercial activity (Grimmeau and Wayens, 2016). The initiatives taken by independents to accelerate their digital transformation are a better way out than the many safeguard plans launched by the government or towns (Allain and Epaulard, 2023).

2.1.2 Digital transformation for small retailers. Digital transformation is a concept long left vague (Zaoui and Souissi, 2020) and “normatively positive” (Solberg *et al.*, 2020, p. 107). This transformation “is not a choice, but an imperative” for survival (Dussart, 2017, p. 87). It is an effective way of adapting a hitherto unagile organization to its market environment (Kane, 2019).

Such adaptation can pursue two non-antagonistic objectives: an internal objective, focused on improving productivity and an external objective, focused on reinventing the business model.

These objectives underpin the three levels of digital transformation: (1) higher margins and greater organizational responsiveness, but without a paradigm shift in management. (2) Transformation that goes beyond company boundaries (sharing information and resources with other companies, new value propositions). (3) Exploitation of the dynamics created by these new ecosystems (Cennamo *et al.*, 2020). In the case of small retailers, these objectives seem to be essentially external and still limited to level 1 of this digital transformation.

Back in Kirby and Turner (1993) identified the digital transformation of small retailers as an internal performance issue, with the aim of improving management control. Today, digital transformation also covers external performance. In retail, five dimensions enhance value creation for the customer: the automation of routine processes, which increases convenience; the individualization of interactions based on the smart data; the enrichment of these interactions with augmented reality and AI; the seamless integration of channels and processes, which optimizes the fluidity of contacts; the transparency and control of information, which facilitates customer empowerment (Reinartz *et al.*, 2008). In a one-stop shopping logic well suited to customers with little involvement, marketplaces develop these dimensions to the limit and impact commerce as a whole (Hagberg *et al.*, 2016).

Nevertheless, not much research studies the digital transformation of independent retailers. With self-administered questionnaires in Portugal, Eiriz *et al.* (2019) show that adoption of the relevant technology is poorly planned and mostly triggered by competitive pressure. Aithal *et al.* (2023, p. 82) report that the pandemic accelerated their awareness and adoption of technologies mainly related to “digital payments, merchandise procurement and bookkeeping”. The technologies adopted by small Indian retailers, are “low-cost, easy-to-use, and provide value to both the small retailers and their customers” (p. 94).

Drawing on the theory of planned behavior (TPB), Aithal *et al.* (2023) point out that adoption is influenced firstly by normative factors (customers, service providers, competitors) then by attitudinal beliefs (cost reduction and convenience) and finally by the

retailer's responsiveness to the technology. The market environment thus shapes the decision to adopt a given technology.

In terms of resources, small retailers favor solutions that facilitate in-store purchasing and transactions, followed by a presence on social networks, while online sales seem to be more the preserve of large retailers (Eiriz *et al.*, 2019). These authors doubt the profitability of those technologies, even customer-oriented ones, when they are only adopted under pressure from competitors. This observation is in line with Cho's (2015) study of digitalized florists in North America. Using the Resource-Based View, Cho shows that their operational agility in fulfilling orders enables to increase their online sales, irrespective of their own technological competence, if they use external service providers. Nevertheless, these online sales do not increase their total sales. This result can be explained by a reaction motivated solely by competitors' digitalization, coupled with the need for additional human resources allocated to delivery.

However, these studies never analyze the motivations of independent retailers for adopting market-places, even though they are likely to speed up their switch to e-commerce providers – such as Amazon Marketplace, Amazon Handmade for crafts people, or Facebook Marketplace – which provide tools and advice, sometimes commission-free. Neither do they explore cooperation between local retailers to jointly develop an online platform and last-mile logistics (Durand, 2005). Finally, they place little emphasis on what the retailers interviewed have to say. The forthcoming empirical study aims to fill some of these gaps applying the concept of dynamic capabilities.

2.2 Dynamic capabilities as a tool for analyzing digital transformation

Sometimes reduced to simple organizational routines or best practices (Eisenhardt and Martin, 2000, p. 1106), these capabilities « encapsulate both explicit processes and those tacit elements (such as know-how and leadership) embedded in the processes », « to integrate, reconfigure, renew and recreate its resources and capabilities and, most importantly, upgrade and reconstruct its core capabilities in response to the changing environment to attain and sustain competitive advantage » (Wang et Ahmed, 2007, p. 35). These are highly firm-specifics and therefore hard to imitate.

By reducing their costs and increasing their value proposition, digital transformation promotes the competitiveness of SMEs in their markets (Marx *et al.*, 2021; Skare *et al.*, 2023). Despite the lower digital literacy of their staff and the weakness of their cybersecurity. Digital capability and digital orientation improve their digital transformation and revenue growth (Rupeika-Apoga *et al.*, 2022). Although more sensitive to shocks than the larger ones (Skare *et al.*, 2023) and less quick to initiate their digital transformation (Rupeika-Apoga *et al.*, 2022), these « more decentralized organizations with greater local autonomy are less likely to be blindsided by market and technological developments » (Teece, 2007, p. 1323). In his view, entrepreneurs are better able than other managers to break out of routines and to seize opportunities creatively and radically.

To analyze the digital transformation of small retailers, dynamic capabilities can be broken down into several elements. The most relevant and actionable typology seems to be the distinction between adaptive, absorptive and innovative capabilities (Wang and Ahmed, 2007). Those components are used as a framework for analyzing the interviews.

2.3 Theoretical background

Wang and Ahmed (2007, p. 37) define adaptive capability “as a firm's ability to identify and capitalize on emerging market opportunities”. It aims to identify external opportunities by monitoring the market, customers and competitors: in our study, events that have changed the business for small retailers, changes in customer behavior.

Innovative capability is the “firm’s ability to develop new products and/or markets, through aligning strategic innovative orientation with innovative behaviours and processes” (Wang and Ahmed, 2007, p. 38): problems attracting customers to the store, measures taken to remedy them, attitudes towards social networks, online sales and marketplaces.

Absorptive capability is “the firms’ ability to acquire external, new knowledge, assimilate it with existing, internal knowledge and create new knowledge” (Wang and Ahmed, 2007, p. 38): technology implementation.

3. Retailers and the digitalization of their business: empirical study

3.1 Methodology

Like most empirical studies mobilizing dynamic capabilities (Wang et Ahmed, 2007), except when their effects on performance are analyzed (Marx et al., 2021; Rupeika-Apoga et al., 2022), this study is exploratory.

A deductive thematic analysis was first used to deduce from the literature, the themes addressed in the interviews (Mayring, 2014). The interview guide assesses dynamic capabilities of the small retailer using the following questions (Table 1).

Although a qualitative study is not intended to be representative of the whole population concerned, it focuses on a large sample of 27 small French retailers operating in Paris and the Paris region (18% of the French population). They were selected on the basis of several strict criteria. They had to be owners of their businesses, and therefore commercially and financially independent. They also had to represent all the major sectors of commerce (research products, experience products, services). Some had to be highly competitive with

Adaptive capabilities	Innovative capabilities	Absorptive capabilities
<ul style="list-style-type: none"> - What events have most changed your business over the last 5 years? - How has your business evolved over the past 5 years in the light of these events? - Have you noticed any differences in your customers’ in-store behavior? Which ones? - What specific problems do you currently face in attracting new customers to your store? 	<ul style="list-style-type: none"> - What actions have you taken to remedy the situation? - Faced with competition from e-commerce and new in-store consumer behaviors, what are you doing or thinking of doing to boost your in-store sales? - What do you plan to attract new customers? - Have you developed a showcase website, a merchant website? Why? - Are you present on any platforms or marketplaces? Which ones? Why? - To date, how are your sales split between stores and the internet? Is this ideal for you? Why? - What is the monthly or annual traffic in your store and on your website if you have one? - Do you think your store will continue to be your main source of sales in the future? Why? 	<ul style="list-style-type: none"> - What difficulties do you encounter in implementing your digital transformation? - Have you ever considered collaborating with other small businesses to launch a joint online sales platform?

Table 1.
Questions related to
dynamics capabilities

Source(s): Table by author

e-commerce, such as bookstores and personal goods, others much less so, such as food and pharmaceuticals (Table 2).

Semi-structured interviews lasting between 30 and 45 min were conducted face-to-face or remotely. The interviews satisfy the principle of saturation: after a first wave in February–March 2021, an analysis identified missing information before a second wave in February–March 2022. This iterative process results in “a plausible and coherent organization (of the data), ensuring the intelligibility of the speech” (Mukamurera *et al.*, 2006, p. 112). Once these data had been collected and fully transcribed, they were manually extracted, categorized, coded and summarized (Mayring, 2014). The richness of the verbatims collected justifies their central position in the results reported.

3.2 Results and discussion

3.2.1 Adaptive capabilities in response to 2019 pandemic and changes in consumer behavior. 3.2.1.1 2019 pandemic: trigger or accelerator for digital transformation? Covid is presented as the trigger for the digitalization of firms and independent retailers (Rupeika-Apoga *et al.*, 2022; Aithal *et al.*, 2023). However, the interviews reveal a mixed situation, with three fairly balanced groups.

Group 1 is made up of food retailers only been slightly affected by the closure of non-essential businesses. They remain resistant to the digitalization of their activity and benefit from the return to local shops: “people were afraid to go to supermarkets” [23]. “They realize the importance of local merchants” [9].

Group 2, with its more diversified profiles, had already embarked on digitalization, which was accelerated by the temporary closure of their stores: “our presence on the Internet was driven by Covid” [20].

However, this group emphasizes the impact of digitalization with the rise of distance purchasing and social networks [20], increased competition from online platforms [7; 14; 26] and e-commerce, which reduces in-store traffic [7; 8; 14; 26]. Here, the challenges of digitalization seem to take precedence over those linked to the intensification of traditional competition. A barber [8] illustrates the general opinion: “more and more customers are ordering products online. Booking platforms have changed the way they book appointments.” The last-mile issue has forced them to develop click-and-collect or subcontract to delivery platforms “which have considerably altered customer consumption habits”, particularly in catering [22].

However, for *Group 3*, the largest, the health crisis triggered awareness of an urgent digital transformation: “I hadn’t thought about it before because my customers are local” [1]. “We had to close our store and we saw an increase in online sales” [14].

The introduction of click and collect was the most frequently cited factor: “it just enabled the store’s expenses to be paid through takeaway sales” [18]. Many developed online sales and communication on social networks: “we set up a click and collect service. We have also strengthened our presence on social networks” [2]. A restaurant owner [21] sums up the rather conservative approach of *group 3*: “for me, the pandemic was a crushing blow. Without it, we might never have turned to e-commerce, marketplaces or social networks.”

Digital transformation often began before the pandemic, under the influence of customers.

3.2.1.2 A rise of digital technology stimulated by changes in consumer behavior. According to Eiriz *et al.* (2019) and Aithal *et al.* (2023), the adoption of digital tools is linked to changes in the market environment and not to retailers’ liking for the technology. However, it is difficult for them to prioritize the impact of new customer behavior and increased pressure from competitors.

Table 2.
Sample questioned

Sector	Code	Monthly in-store traffic	Social network presence	Showcase website	Online store	Monthly website traffic	Presence in marketplaces	Breakdown of sales between stores and websites
Bookshop	1	Don't know (DK)	Yes		Yes	DK	Considered on Shopify or Amazon	Mainly store
	2	DK	Yes		Yes	DK	Amazon, Fnac, Rakuten	Mainly store
	3	DK	Facebook, Instagram		Yes	DK	Amazon, eBay	
	4	DK	Facebook, Instagram, Twitter		Yes	DK	No	
Toys	5	DK	Yes		Yes	DK	Amazon	Mainly store
	6	3,000–4,000	Yes		Yes			Equally online and store
Electronics	7	500–600	Yes	Yes	No	200		100% store
	8	200	Yes		Yes	DK		Mainly store
Beauty	9	DK	Instagram mainly, Facebook and Snapchat		Yes	DK	Facebook Marketplace	
	10	DK	Instagram		Yes		Treatwell; interested in others	
Personal and household goods	11		No	No	No		No	
	12	DK	Instagram, Pinterest, Facebook	No	Yes	DK	No	Mostly online (store newer than website)
	13	DK	Instagram, Facebook	No	No		No	Exclusively in-store
	14	500				1,000	Amazon, eBay, Shopify and WooCommerce under consideration	40% online, 60% in-store
	15	100	Facebook, Instagram		Yes	500	No	20% online, 80% in-store
	16	DK	Facebook	No	No		No	100% store
	17		Yes		Yes		Yes	Predominantly online

(continued)

Sector	Code	Monthly in-store traffic	Social network presence	Showcase website	Online store	Monthly website traffic	Presence in marketplaces	Breakdown of sales between stores and websites
Accessories and gifts	18	600	Facebook, Instagram		In progress		Local merchant portal	100% store
	18	Pop-up shop	Yes		Yes	DK		Almost exclusively online
	19		Snapchat, Instagram, Facebook		Yes			Mainly store
Catering	20	DK	Facebook, Instagram, TikTok		Yes	DK	Deliveroo, Uber Eat, Just eat	Mainly store
	21		Present but not very active	Yes	In progress		Delivery platforms	Mainly store
Food	22	750	Marginally on Facebook	No	No		No	100% store
	23		No	No	No		No	100% store
Other	24		No	No	No		No	100% store
	25							30% online, 70% in-store
	26	8,000–9,000	Yes	No	No		No	100% store
	27		No	No	No		No	100% store

Source(s): Table by author

With the exception of one nail salon [10], all the other retailers report signs of customer empowerment. Customers are becoming more value analysts, in their choice of product and information channel. They spend less, are more responsive to promotions and try to negotiate [6; 18; 19]: *“in stores, they will test things without buying them and negotiate prices by relying on the Internet”* [2]. And when they spend as much as they used to, it’s on better *“quality, creativity and originality”* [26].

But the changes are most noticeable upstream of purchase: *“customers make fewer impulse buys and take more time to think”* [14]. *“They come with an idea and don’t have time to chat or look around. They compare the prices and quality on the Internet and ask for personalized advice. They want to be sure they’re making the right choice”* [15].

Some respondents emphasize the lack of contact and even that customers do not come into the store out of a concern for hygiene: *“since the pandemic, many customers prefer to order takeaway rather than eat in”* [22]. *“They place more emphasis on the cleanliness of the salon and adhere to appointment times more in order to avoid waiting”* [8]. *“They make greater use of contactless payment and avoid handling items”* [4].

As well as these negative aspects, some retailers report beneficial changes: *“my customers are more loyal and grateful.”* [15]. *“They are more environmentally conscious”* [6].

The interviews conducted here seem to place greater emphasis on consumers than on competitors.

In summary, to identify external opportunities, small retailers focus on changes in consumer behavior far more than on technological breakthroughs or competitors’ initiatives. This result confirms Teece’s (2007) ideas that individual entrepreneurs are more in direct contact with the field than other managers, but also that “customers are sometimes amongst the first to perceive the potential for applying new technology” (p. 1323).

3.2.2 Innovative capabilities in distribution channels. For small retailers, innovative capabilities relate less to the product offering than to the improvement of the traditional channel (the store) and the development of new communication or distance-selling channels favored by their customers and prospects.

3.2.2.1 Store traffic: a nagging problem. Changing behaviors, lack of visibility for their stores and heightened competition from incumbents and pure players are all leading to a drop in traffic (Jacques, 2017; Allain and Epaulard, 2023; Grimmeau and Wayens, 2016): *“because they’re accustomed to buying online, it’s increasingly difficult to entice new customers to come in”* [6].

Problems with merchandising and even more so with location are the main causes. GPS no longer allows people to discover an unknown shop at random on a street: *“the problem is really location; people don’t know we exist, so it’s very much word-of-mouth”* [20]. In the past, a poor location put a store at a disadvantage compared with other, better-located stores. Today this lack of visibility, combined with high prices and limited choice, also penalizes it compared with more aggressive online competitors. *“The big chains have greater visibility. You have to get noticed by passers-by and win the loyalty of those who come once by chance or out of curiosity”* [15]. *“To cope, I focus on top-quality products and exceptional customer service. To reach a wider audience, I take part in local events and also use social networks and other platforms”* [26]. Much more than in the past, today’s big challenge comes from e-commerce that *“use augmented reality or 3D modeling to offer personalized products delivered to the home”* [15].

To improve their store’s reach or rebalance the business by developing e-commerce, the adoption of digital tools is pragmatic. Contrary to the findings of Eiriz et al. (2019), adoption appears to be planned and gradual: initially, activation of social networks to leverage traditional word-of-mouth at lower cost. Then, more involving creation of content aimed at a community of customers. Finally development of a showcase or merchant website, depending on each retailer’s objectives and logistical constraints.

3.2.2.2 Why do retailers choose to capitalize on their stores?. Not only food shops, but also other retailers continue to rely primarily on the store: *“to attract customers, I create regular events. I’ve also developed loss-leader products, such as gift cards”* [2].

The choice of focusing on the store is often explained by objective misgivings about or a visceral rejection of online sales. One wine merchant sums up these subjective as well as objective fears: *“I came close to selling online, but when you sell wine, you need special and expensive packaging. You also need security and guarantees. So I didn’t do it. I just send e-mails to my customers to let them know about tasting evenings. I also haven’t set up a website because I don’t want to be copied”* [24].

This choice is also explained by the retailers’ feeling, well-founded or not, that they can exploit a market niche: *“retailers have had to find ways of standing out from the crowd by offering unique new products or focusing on specific niches”* [4]. This over-focus on the store can also be skewed by the profile of the customers who frequent it: *“local and older customers are the most loyal”* [14].

To generate traffic, some retailers set up a relay point [2; 18], particularly at the start of their business: *“it brought me customers, but the return is too low compared to the work involved in storage”* [18].

Nevertheless, this fierce determination to keep their stores means they have to step up their presence on social networks.

3.2.2.3 Increasing word-of-mouth around the store through an active presence on social networks. Of those who build everything around their store, most rely on traditional word-of-mouth [6; 11; 14; 15; 18] and sometimes on sponsorship [2; 20]: *“Satisfied customers are my best ambassadors”* [6].

To generate in-store traffic, the most popular solution is to combine word-of-mouth with a presence on social networks rather than advertising in the local press. Sometimes, this option seems like a necessary evil: *“we’re obliged to have a minimum presence on the networks, because today’s customers don’t use anything else”* [4]. *“We’ve had to adapt by joining Snapchat, Instagram and even Facebook. Sometimes, we pay them for advertising us”* [20]. For others, the approach is more proactive: *“Today, social networks are vital. Our clientele is younger because it comes from social networks. I’m not happy about it, but you have to adapt to survive (. . .). We started with Facebook, without success, then created an Instagram page where we published photos; our subscribers increased. We then launched promotional offers for people who came via social networks”* [21].

Social networks offer several advantages in this regard.

- (1) Launching the business: *“in addition to flyers distributed, social networks facilitated communication before the opening of the store. A small community has been formed”* [3].
- (2) Developing the visibility of the business outside the usual catchment area and among younger customers: *“previously it was the location but now the networks really count to attract”* [20]. *“Posts on Instagram and to a lesser extent on Facebook and Snapchat enable us to target a younger, so-called connected clientele”* [9].
- (3) Producing content so as to promote novelty around the store: *“social networks allow us to interact with our community, which attracts new customers to our salon”* [8]. *“Publishing the latest trending styles on Instagram helps draw customers into the store and give them more options to choose from”* [10].

Whatever their activity, social networks are now essential for boosting in-store traffic; so is an online site.

3.2.2.4 Preferring a showcase site to an online store. As an extension of social networks, some retailers develop a showcase site: *“with social networks, you can share product photos,*

special offers, events or customer testimonials. Then there's the website, which really helps, even if customers can't buy directly from it. You can choose search engine optimization and appear in the top ten. That makes customers want to come" [4].

But they may decide not to go as far as selling online:

- (1) So as not to cannibalize their store: *"I have a showcase site, but not a merchant site, because my products need to be handled in order to be appreciated" [7];*
- (2) Because of concerns about the specific logistics of online sales: *"we have a showcase site, but not yet a merchant site, as we're not ready to manage orders efficiently. Currently, I'm hesitating between creating my online store or using platform" [22].*

Many prefer a showcase site for logistical reasons.

3.2.2.5 Switching to an online store or a marketplace?. Although half of the merchants surveyed have not started selling online, others are doing so with good website traffic and a fairly well-balanced sales mix (Table 1). *"One advantage of online sales is that you can reach a wider public, with no geographical limits. It also allows customers to save time. But managing returns and refunds is more complex than doing it in-store" [8].*

Some merchants have developed websites that can hold their own with the major players. *"My site isn't just a showcase, it offers customization of floral arrangements and lets you select a delivery date and time" [26].*

There's a logical progression from a successful presence on social networks to meeting customers' requests. *"We developed our social networks, then our online store because our customers demanded it [5]. Alignment with the competition is also an important reason: 'we needed to catch up with our competitors' [5]. 'Nowadays all restaurants sell online or use platforms. So we had to move forward to make sure we were seen . . . The aim is to arouse consumers' desire without having to come to the restaurant" [21].*

Others see having an online store as a tool for efficiency: *"selling online reduce operating costs and offer a personalized shopping experience 24/7" [14]. "It is less costly than a store because it requires neither business premises nor additional sales staff" [8].*

In some cases, retailers hesitated to revert to a showcase site, but eventually gave up: *"during lockdown, we couldn't have managed with just a showcase site. Afterwards, we kept the e-commerce site, as people continued to place orders. It brought us new customers, since we deliver all over France" [20].*

Without even realizing it, some of them have succeeded in deploying a truly omnichannel strategy: *"being present both online and physically is important to expand our catchment area, generate additional income and coping with competition, because today the whole company is going digital. We've created an attractive, functional website and have an active presence on social networks. We offer special promotions and package deals to encourage customers to try our products. We collaborate with local businesses to increase our visibility and organize joint events" [8]. 'Small-scale actions in every way attract people without costing a lot" [18].*

Along with the tailor [15], the florist [26] is the most advanced in this area: *"I've implemented several marketing strategies. First, I invested in a strong online presence. I created a professional website and I'm active on Facebook and Instagram to promote my products, share my creations, interact with potential customers and offer discounts. Next, I created local partnerships with bridal boutiques and event planners. Together, we attract customers interested in each other's services. I've also participated in local events" [26].*

But the most divisive issue is listing on marketplaces. While they seem well suited to independent commerce, only a few of the retailers are present on Amazon, and to a lesser extent on e-Bay, Rakuten or Fnac, sometimes out of compulsion, sometimes out of a desire to open up to the world [2; 6; 14]: *"with Uber, Deliveroo or Just Eat, how can we guarantee our customers a unique experience? Yet we've been forced to do it. It's regrettable but do we have a*

choice?” [21]. “*We are present on certain platforms, but we prefer in-store sales*” [2]. “*On Amazon, I can access many potential customers, but also benefit from their logistics and secure payments*” [6].

Several of those interviewed are considering marketplaces in order to capture more customers, better compete with their online competitors [2] and offer an additional sales channel [10]. Some are testing them: “*I’m concerned about their high costs and the loss of control over the customer experience*” [22].

Others applaud the platforms’ initiatives to help small merchants [9], but are not fooled by their professed philanthropy: “*it’s hard to argue that this isn’t a good initiative, even if they do take a commission on every sale*” [17]. Better management of online payments, shipping and returns through “*integrated functionalities to manage these processes*” could actually encourage them to choose Shopify, Amazon or WooCommerce [14], especially “*if our site becomes too difficult to maintain*” [1].

Paradoxically, those inclined to “wait and see” outnumber the marketplace detractors. They mention the priority given to social networks or their own online store [3], or logistical constraints: There is a need for larger stocks to meet demand [12] or to deliver nationwide [13]. Some mention technical problems concerning social commerce, such as the lack of a proper site: “*I wanted to do Instagram business, but all this linking is done with a site*” [18]. While not denying their advantages, those who reject platforms point to their costs [26] and the loss of control: “*I don’t want to depend on an intermediary who takes a commission. I want to keep direct contact with my customers without going through a platform that manages the relationship for me. I also don’t want to be drowned in the mass of similar offerings and be compared on price alone*” [15].

The development of a merchant site seems to presage referencing by a market place, despite the technical and organizational difficulties.

3.2.2.6 So what does the future hold for physical stores?. Despite the ongoing closure of stores or their refocusing on experiential products (Alba *et al.*, 1997), the vast majority of retailers are confident in the future of their stores. This is particularly true of food retailers, who are proud of their independence in the face of supermarkets and e-commerce, even though some mention unfair competition [23; 24]: “*in a wine store, there’s the individual merchant, if he is able to give advice . . . Wine isn’t nothing; when you have a store too, it’s not nothing*” [23].

Nevertheless, other retailers are more cautious, and emphasize the complementary nature of the store and online sales, though not mentioning the risks of cannibalization (Cho, 2015). Some insist on important contingency factors: “*shops won’t disappear completely, especially in services that digital technology can’t replace*” [10]. Many emphasize the need to combine offline and online: “*my store will always be my main sales outlet, but we need to improve our website, as people are going out less and less*” [6]. “*Even if my online sales increase, my store will remain my main source of sales because it’s essential for maintaining the link with my customers and creating a real shopping experience*” [2]. “*It’s much easier to build customer loyalty in a physical store than on the Internet, but the Internet is a plus*” [20]. “*Some retailers refuse to digitalize their business. But I think they’ll consider adopting these methods*” [21]. “*Today, a small business can’t survive without developing a complementary online store, as it represents 70% to 80% of the company’s success. However, we’re going to set up a new physical store*” [9].

Finally, some respondents, not always the most digitalized, insist on the absolute necessity of e-commerce: “*e-commerce has become indispensable. It provides opportunities that we would never have been able to get in a store*” [19]; “*In five years’ time, we’ll be living in an all-digital age*” [10].

Only the tailor, although protected in principle by his profession as a craftsman making experience products, envisages a scenario of complete transition: “*my store will no longer be*

my main source of sales. Internet sellers are offering made-to-measure garments. Some use augmented reality or 3D modeling. My store will gradually be transformed into a point of welcome, advice and customer loyalty, a showcase and relay for my online store. It will enable me to maintain the human contact and customized service that set me apart" [15].

In summary, the innovative capabilities of independent retailers are more reactive than proactive. They focus on improving the existing channel (boosting in-store traffic and word-of-mouth through greater visibility on social networks), followed by the search for genuine external opportunities (diversifying sales channels by making greater use of the various e-commerce possibilities).

3.2.3 *Absorptive capabilities to implement technologies.* In our sample, the technologies adopted are always customer-oriented. All the interviewees are present on Google or Facebook: *"through Google, it's just to get in touch"* [28]. On the other hand, many people are unaware of the easy-to-use tools offered by Google or Facebook: *"Tools for directing traffic to stores? I've never heard of them"* [17]. *"I'm rather overwhelmed by the different options"* [22]. In addition to this lack of knowledge of online sales and communication tools, the greatest difficulties experienced concern:

- (1) Lack of time and in-house skills: *"I have to find a balance between running both my store and my online store. I need to delegate to qualified staff"* [15]. *"It takes time to manage the account myself"* [10]. *"When it opened, with only a few customers on it at the same time, the site crashed"* [1]. *"Little by little I realized that creating a website isn't that easy, and I called in specialized IT contacts for support"* [19].
- (2) Lack of finances for outsourcing: *"my main difficulties are the time and resources needed to maintain an active online presence, competition from large retailers with bigger marketing budgets, and the need to remain creative in order to capture customers' attention"* [8]. *"To be visited, you need to be on the first page, and this visibility comes at a high price"* [23];
- (3) Logistical difficulties: *"orders, payments, shipments and returns"* [8]; *"lack of space for click and collect"* [3].

But contrary to the findings of [Eiriz et al. \(2019\)](#), the technologies chosen are neither the most "low-cost" nor the "easiest to use". Even though Google-My-Business is free and automatic, very few retailers mention it. Many retailers are proactive in outsourcing: *"creating a merchant site has a cost that proves necessary; I've hired someone to create content on social networks"* [21; 20]. *"It's an investment that has paid off"* [1]. Others are resourceful: *"a student is doing the site for me"* [18].

Some end up becoming experts: *"Improved it little by little by comparing it with other sites. Google My Business can be coupled with Google Maps, to locate us and also for our SEO"* [12]. *"Treatwell, which lets you search for and book beauty treatments online, has brought a lot of traffic to our store"* [10]. *"To manage comments, I use reputation management tools like Yotpo or Trustpilot"* [14]. *"We've set up a secure payment system and, in the event of a return, an easy procedure to follow"* [8].

The manager of an online lingerie boutique sums up her state of mind well: *"it was difficult initially because we were starting from scratch. We had to photograph the clothes, find a developer for the site and organize it, all the while paying careful attention to image rights. Once the system was up and running, it became much easier, but the problems concern the logistics and organization of the whole process"* [17].

Here too, contrary to [Eiriz et al. \(2019\)](#), retailers seem to have little doubt about the profitability of the tools implemented, due in particular to their ability to improve sales on both their channels [20]. But others regretfully admit that they haven't yet really studied figures [5].

In summary, while small retailers often use their adaptive and innovative capacities in a reactive way to trigger the digital transformation of their front-office, they are more proactive when it comes to implementing it. Among dynamic capabilities, this absorptive capacity is certainly the one that most increases digital maturity (Marx *et al.*, 2021). As Wang and Ahmed (2007, p. 37) point out, some adopters are more “efficacious” than others, and are more likely to make a long-term commitment to adopting these new technologies without backing down at the first failure.

4. Conclusion and implications

This research explores a topic that is little addressed: the digital transformation of independent retailers faced with the digitalization of their business environment. The analysis distinguishes between the different types of front-office digitalization (social networks, show case and merchant sites). Unlike other studies, it does not exclude SEO in marketplaces or physical stores.

In France, the digitalization of small retailers does not seem to date from the pandemic health crisis, even if it increased their awareness. More than previous studies, this study demonstrates the pragmatism of most small retailers. While they are clear-sighted about the advantages of e-commerce, they also demonstrate an astonishing capacity for adaptation and resilience. Much less worried than expected about the survival of their stores, they reveal themselves to be willing, agile and organized to make controlled progress, ranging from the quest for visibility on social networks to online sales with its specific logistical constraints. Even if their presence on marketplaces is trickier to implement, it represents the culmination of the digitalization process, once their online store has been launched. As the result, the digital transformation of independent retailers should be less radical than that envisaged by Reinartz *et al.* (2008) or Hagberg *et al.* (2016) for large retailers.

This study puts into perspective the conclusions of studies carried out in other countries, on less diversified types of shops. In contrast to what Cho (2015) reported, retailers who have set up an online store seem to have increased their overall sales, rather than making a zero-sum or even negative transfer from store to website, which is perhaps further evidence of their maturity.

4.1 Theoretical implications

This research is one of the first to analyze the digital transformation experienced by small structures. It draws on the concept of dynamic capabilities, well suited to technologically and commercially dynamic markets. By distinguishing between the concepts of adaptive, absorptive and innovative capabilities (Wang and Ahmed, 2007), it highlights strong differences between small retailers, that is SMEs, and larger companies.

In terms of adaptive capabilities, it confirms that small retailers are not embracing digitalization as a fad, but because of real changes in the market, and particularly in demand. Large companies which benefit from substantial technological, human and financial resources, are beginning to organize their digital transformation around internal objectives (firm centrality). The latest technological developments play a major role in making top managers aware of a possible technological stall, and in the fear of disruption fostered by their legacy. Conversely, with the exception of the most resistant, small retailers drive it more around external objectives linked to their intimate knowledge of changing customer behavior (customer centrality).

In terms of absorptive capabilities, difficulties in implementation are more often linked to a lack of time and skills in-house, while larger companies are more likely to come up against reluctance and power plays among their staff (Solberg *et al.*, 2020). In SMEs, the success or

failure of digital transformation weighs directly on the entrepreneur's shoulders, but is less hampered by technological legacy. While the original modernization of retailing (1950–1960) was driven by NCR Corporation, the decision to digitalize, contrary to the findings of [Aithal et al. \(2023\)](#) in India, does not seem to have been mainly triggered by external service providers.

4.2 Managerial implications

Analysis of innovative capabilities shows that independent retailers are under no illusions about their ability to compete in terms of costs, and therefore prices, with large chains and pure players. In light of the interviews conducted, they need to focus on four key areas to safeguard and develop their business.

- (1) Reinventing the in-store experience by focusing on both affective and cognitive elements. Reciprocity in terms of listening and gratitude, complicities between the retailer and customers. Also, entertainment in a welcoming, family-oriented store atmosphere should foster relational affinities based on empathy and chatter. These affective elements would feature most prominently in reviews left on social networks. On a more cognitive level, this means personalized advice, shared knowledge and passion and quality assistance, including on-site repairs. Unable to offer the full range of products as on the internet, stores would focus on exclusive limited-edition or more technical products presented on social networks with videos encouraging customers to come and discover them in-store. The advantage would be to guarantee attractiveness and better margins provided that the retailer can offer, involving experience products that are not yet commonplace.
- (2) Increasing visibility on social networks in order to drive traffic to the store, with two objectives in mind: to compensate for the relative invisibility of a store that GPS no longer allows consumers to discover nearby and to target a younger clientele. At the very least, this means using more professional tools, for example Meta Business Suite for publishing content on Instagram and Facebook at the most appropriate time, TikTok advertisements to reach a wider target or Google Store Visits to increase in-store visits by optimizing the impact of published ads. Other possibilities would be developing community bonds, organizing regular competitions and working with influencers.
- (3) Creating an online store, if possible on one's own, using Wix, Shopify or WooCommerce, provided the logistics can be handled.
- (4) Being present in one or two marketplaces or creating a common platform with other local merchants. This last initiative (levels 2 and 3 of digital transformation) would enable them to invent original ecosystems resulting in value propositions different from those of major retailers or platforms. This idea is considered interesting by a part of our sample but rarely used probably due to too great a desire for independence.

More so for small retailers than for large ones, stores would be able to live on, without being reduced to hubs or simply showrooms with little or no individuality.

Finally, this qualitative research presents some limits, in particular, the possibility of generalizing. Although the sample is large for a qualitative study and sufficiently diverse, it is limited to France, and in particular to the Paris region. However, its results are consistent with other French studies carried out on a larger scale and in more rural areas, such as a study made in 2020 on 1,250 independent retailers by the CCI Pays de la Loire: in Paris city itself, the vacancy rate is close the rate of French medium-sized towns. Its widespread use is certainly easier in countries at the same stage of commercial development. As the prism of

this study is marketing, absorptive capacity deserves to be further explored with a more organizational approach.

The main line of research would be to conduct a quantitative study to better measure and understand the correlation between online and in-store sales, on one hand, and the merchant's profile, the size and nature of the business, the localization and the tools chosen on the other. A second qualitative line of research would be to consider, on the basis of the stakeholder theory, how marketplaces and small retailers could better coordinate in commercial and logistical terms. Another qualitative study focusing on the back office could look at more internal objectives of small retailers' digital transformation, including optimizing their management and logistics.

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About the author

Dr Christophe Bezes is a Professor in Marketing at ISTECH Paris and an associate researcher at the University of Montpellier. He is also the founder of a consulting company: Click M'Brick. Omnichannel retailing has been the focus of his studies and research since 1990. He has mainly published in the *Journal of Business Research*, the *International Journal of Retail and Distribution Management* and *Recherche et Applications en Marketing*. Christophe Bezes can be contacted at: c.bezes@istec.fr

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