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Capturing Retailers' Brand and Customer Focus

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Abstract

This article uses information from two data sources, Compustat and Nexis Uni, and textual analysis to measure and validate the brand focus and customer focus of 109 U.S. listed retailers. The results from an analysis of their 853 earnings calls in 2010 and 2018 outline that on average, both foci increased over time. Although both foci vary substantially, brand focus varies more widely across retailers than their customer focus. Both foci are independent of each other. Specialty retailers have the highest brand focus, and internet & direct marketing retailers have the highest customer focus. A positive correlation exists between a retailer's customer focus and its profitability, but not between a retailer's brand focus and its profitability. The authors use the results to generate a research agenda that can direct future research in further systematically exploring firms' brand and customer focus.

Keywords: Brand focus; Customer focus; Text analysis; Earnings call; Content analysis

Introduction

As part of creating their (implicit or explicit) marketing strategy, retailers must decide on a focal marketing strategy through the deployment of various marketing-related vehicles, tactics, and communication means (Coviello et al. 2002). The nature, scope, and focus of a marketing strategy can take many forms, although two (proto)typical foci are most widely used (Leone et al. 2006; Luo, Lehmann, and Neslin 2015; Rust, Lemon, and Zeithaml 2004). The first type of marketing strategy focuses on building and fortifying the retailer's brand. This brand focus means that the retailer is concerned with the strength of its brand in the market, its positioning, and how much consumers like it (Coviello et al. 2002). Stated differently, such a retailer has a "brand management mindset," which has several advantages. First, there are clear long-term benefits generated from strong brands (Leone et al. 2006). Second, centrally steered resource deployment in the context of push marketing and above-the-line spending is very efficient (Blattberg, Malthouse, and Neslin 2009). Third, large target markets can be served with an identical proposition (Sriram, Balachander, and Kalwani 2007); thus, the firm does not have to adjust the marketing message for multiple segments.

The second type of marketing strategy views the customer as the dominant focal unit – irrespective of the brand. Retailers that use this strategy are concerned with topics such as customer acquisition, retention, and customer lifetime value (CLV). Stated differently, such a retailer has a "customer management mindset," which has the following advantages. First, it proposes a specific customer offer that aligns with customers' past behavior and needs, thereby fostering satisfaction (Reinartz and Eisenbeiss 2015) and retention (Coviello et al. 2002). Second, it facilitates effective resource allocation because this focus aligns the resources spent with the customers' worth (Kumar and Reinartz 2018; Venkatesan 2015). Third, as the communication with customers is largely direct (e.g., mail, email, web) and thus private (Blattberg, Malthouse, and Neslin 2009), it is more difficult for competitors to interpret, understand, and copy a successful customer approach.

Of course, these two foci can be combined as well. This combination should result in – a priori – the best of both worlds, that is, having a strongly differentiated brand and interacting with customers on a continuous, individual, and customized level. However, combining foci can create internal conflicts about

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which focus (and the associated organizational units) has access to what level of marketing resources. For example, Coviello et al. (2002) note that a transactional brand approach necessitates concentrating spending on the 4Ps, whereas a relational customer approach necessitates concentrating spending on information, communication, and technology.

In addition, because these two approaches are built on different segmentation bases (attitudes and psychographics for a brand focus vs. customer value and its components for a customer focus), conflicting decisions can result (Blattberg, Malthouse, and Neslin 2009). Also, if a firm has a large number of rather small customers, a customer-focused strategy might not be profitable because of its high variable cost per customer.

Finally, it is difficult to realize the synergetic effects of these two approaches. Indeed, studies show some initial evidence that maximizing brand equity and customer equity at the same time can be challenging (Rust, Lemon, and Zeithaml 2004) because the responsibilities for customers and brands might rest in different organizational units. Thus, the respective managers might pursue aims that are not perfectly aligned. Likewise, Luo, Lehmann, and Neslin (2015, p. 379) state that "co-managing brand and customer equity is indisputably a challenge." As such, combining customer and brand foci seems to be the most difficult approach to implement.

From an academic marketing research point of view, it would be worthwhile to know retailers' specific focus. This knowledge would allow us to determine whether a retailer's marketing strategy is stable or adjusted over time – in terms of both type and level. An attempt to assess firms' focus from the outside is not a straightforward undertaking; no single go-to source of such information exists. One option is to ask the retailer's top management; however, access to top management teams is notoriously difficult, and they may be reluctant to divulge that information. Another option is to rate the retailer's marketing strategy focus from the outside, using a set of objective (e.g., advertising spending) and subjective (e.g., ratings) indicators. Again, certain objective criteria may be difficult to come by because this information is not publicized (e.g., advertising; Ptok, Jindal, and Reinartz 2018), and subjective criteria are still unproven and may be unreliable. A third option is to determine the retailer's focus by looking at how the retailer "communicates about itself." That is, based on published material (e.g., 10-K filings, transcripts of quarterly earnings conference calls, presentations at investor conferences), we could use textual analysis to analyze the firm's stated focus. Herein, we use this approach. Specifically, we measure the degree to which retailers use brand and customer terminology to communicate about themselves in their quarterly earnings conference calls. For example, we can observe the difference in marketing strategy foci in the following statement from the earnings calls of Urban Outfitters (outlining its brand focus) and Stamps.com (outlining its customer focus):

> *In the current quarter, similar to the fourth, we expect higher market brand penetration in apparel. As the year progresses, we expect market brand penetration to normalize with the mix of own brand product increasing. (Urban Outfitters, Earnings Call of Q4/2018)*

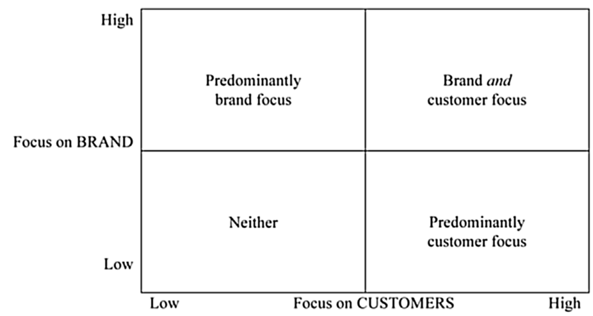

Fig. 1. Classification of focus of marketing strategy.

> *First, we plan to continue to scale up our sales and marketing with a focus on acquiring shipping customers.... We have seen a significant increase in the average lifetime value of the customer[s] that we acquire. (Stamps.com, Earnings Call of Q1/2018)*

The aim of the special issue of *Journal of Retailing* on "Metrics and Analytics in Retailing" is to gain a better understanding of marketing metrics/strategy/theory and practice using retail analytics. In line with this aim, we conduct a textual analysis to analyze retailers' published documents. Our aim is to apply an analytical approach that assesses the focus of their marketing strategy, by which we mean the "stated focus" – namely, how intensively retailers talk about the different foci when they communicate about themselves. That focus might differ from retailers' actions, although it usually does not (Graham, Harvey, and Rajgopal 2005). We aim to explore what the distribution of focus toward brands and customers looks like across retailers. In doing so, we aim to identify, for example, whether retailers exhibit a large variation in focus on the brand and the customer and whether this focus evolves and changes over time. Furthermore, we aim to generate a research agenda for academics, suggesting ways to understand how information from the firm's own sources can be used to make inferences about their strategy.

Our study offers three main contributions to the domain of retailing. First, we use textual analysis of earnings calls to measure retailers' brand and customer focus. Managers and researchers can apply our approach to other data sources (e.g., newspaper articles) to analyze the focus of other firms of interest. Second, we provide insights for retailers' management teams and researchers to understand the retailing industry's current focus. Third, our study opens up future opportunities in using textual analysis to study a firm's focus that reflects their marketing strategy.

Conceptual Background

When interfacing with its target market, a retailer must direct its resources effectively and formulate its value proposition. Herein, we restrict our attention to the two broad and major dimensions that a retailer has at its disposal for doing so, namely, the brand and the customer. As mentioned previously, these two dimensions are orthogonal (see Fig. 1), and our empirical findings support this view.

As explained previously, we see value in understanding why retailers take a brand focus, a customer focus, a combination, or neither. From an organizational point of view, brand and customer foci require very different capabilities and skill sets. For example, a retailer such as Gap is known to communicate with its market predominantly via its brands. The private labels of Gap "allow the retailer to differentiate its offerings from competing retailers" (Ailawadi and Keller 2004, p. 332). Correspondingly, the success of each of its brands is important for the retailer's overall success, and the loss of brand loyalty of any brand could significantly harm the retailer. The catalog retailer Lands' End is known to take a different approach: because the firm interacts directly with all its customers, it has much more information about the behavior of each of them. Hence, the practice of customer management becomes much more natural and obvious. An example of a retailer with neither a brand nor a customer focus is the dollar store retailer Dollarama: rather than brands or customers, Dollarama focuses on its operation efficiencies by offering a variety of merchandise with a compelling price. Finally, an e-commerce apparel retailer such as Everlane is likely to be both brand and customer focused. By being transparent about its pricing and working environment, the firm has a strong brand image of being ethical and socially responsible. At the same time, with the customer data it acquires through its online shop, Everlane understands its customers and thus can also communicate with them with targeted offers.

To make the best use of its limited resources, a retailer should be internally clear about its focus and strategy, namely, if it is focusing on its brands, its customers, both, or neither. Before answering this question, however, it is important for retailers to understand what these foci imply. Table 1 presents a comparison of these two strategic foci (Reinartz 2016).

With a brand focus, the underlying assumption is that the retailer serves a sizable segment or even an entire market with a suitable branded offering. If the offering is properly differentiated on meaningful dimensions and its positioning appropriately communicated, then it should command a price premium that compensates for the cost of branding. The branding approach may refer to a product line, a sub-brand, or the entire company. In executing this strategy, managers communicate a selected message and positioning across the target market, within which the message is, by and large, identical. Hence, mass communication is used most often. The overriding goal is to maximize the branded retailer's top-line sales, which, given a sufficient margin, ensures to make profit. Key brand metrics to monitor are consumer awareness and liking, market share, and brand sales. In this business model, success is achieved by ensuring that the brand meets the needs of a sufficiently large consumer target market and achieves the required distribution coverage (e.g., increase shelf space or number of outlets; Ataman, Mela, and van Heerde 2008).

With a focus on customers, the underlying assumption is that customers are heterogeneous with respect to their value to the organization (Reinartz, Krafft, and Hoyer 2004) – typically measured as CLV or a similar measure. In this scenario, it is logical to measure a firm's success with customers by tracking each customer's behavior and to allocate marketing mix tactics differentially across customers. Direct response communication plays a central role for these retailers, and mass advertising is less important. The core notion is that because customers differ in their current and potential value to an organization, the retailer should adjust its investments in such customers accordingly (Niraj, Gupta, and Narasimhan 2001).

These two approaches are not endpoints on a continuum; rather they are distinct dimensions along which organizations position themselves. We conjecture that while retailers have a certain degree of freedom in determining their positioning, they tend to adjust it systematically. It is exactly this systematic positioning that we aim to explore. It is also highly likely that positioning evolves. Given the evolution of technological developments, customer expectations, and competitive changes, retailers have considerable scope to adjust over time – the second aspect we explore.

Description of Approach

We use transcripts of earnings conference calls and textual analysis to measure retailers' stated brand and customer focus. It is common for listed firms based in the United States to hold a conference call every fiscal quarter to discuss their financial results (Bushee, Matsumoto, and Miller 2004; Matsumoto, Pronk, and Roelofsen 2011). The calls usually consist of two parts. In the first, also referred to as the management's presentation, firm executives present financial results, as well as their plans and outlook for the future. In the second part, also referred to as the question and answer (Q&A) part, financial analysts attending the calls pose questions to firm executives, to which they respond (Matsumoto, Pronk, and Roelofsen 2011).

Since the introduction of Regulation Fair Disclosure, the vast majority of firms make transcripts of their earnings calls publicly available. Beyond merely reporting performance results, these quarterly earnings statements serve as communication tools between the firm's management and the public (e.g., investors; Noble, Sinha, and Kumar 2002; Kimbrough 2005; Matsumoto, Pronk, and Roelofsen 2011) and provide a picture of top management's mental model (Bowman 1978). Furthermore, compared with formal disclosures such as 10-Ks and 10-Qs, earnings calls provide information directly delivered by executives in a less constrained fashion (Larcker and Zakolyukina 2012; Matsumoto, Pronk, and Roelofsen 2011). The earnings conference calls contain firms' self-disclosed information, including an analysis of previous financial performance as well as future strategic plans. Such information is also conveyed directly by firms' executives. Recognizing their value, researchers in accounting and finance have used transcripts of earnings calls as textual data for their studies (Allee and Deangelis 2015; Bochkay, Hales, and Chava 2020; Bowen, Davis, and Matsumoto 2002; Chen, Demers, and Lev 2018; Hassan et al. 2019; Matsumoto, Pronk, and Roelofsen 2011). Taking a cue from these research streams, we use these transcripts for our measurement of retailers' brand and customer focus.

One concern about examining firms' stated focus using their financial disclosure is that firms might only talk about but not

Table 1
Comparison of brand focus and customer focus.

	Brand focus	Customer focus
Underlying premise	Identify the need/desire of a (sizable) segment/market and serve that need with a suitable branded offering (differentiation, communication, premium)	Customers are heterogeneous with respect to their value to the organization. Organizations recognize and accommodate this heterogeneity by differentially allocating resources across different customers/segments.
Unit of analysis	Product/brand	Customer/segment of customers
4P execution	• Similar (or identical) across customers • Key activities: advertising, R&D • Investments/costs: largely fixed	• Varying across customers (or segments) • Key activities: sales, pricing, servicing customers, direct response communication • Investments/costs: largely variable
Communication	Predominantly nonaddressable media, mass communication (“above the line”)	Predominantly addressable media, direct response communication (“below the line”)
Key metrics	Consumer awareness and liking, market share, sales	Share of wallet, retention, customer profitability
Efficiency achieved via. . .	• Size of consumer target base • Size of shelf space/distribution coverage obtained (leads to both communication and production efficiencies)	• Retaining/fortifying high-value customers • Selectively growing customer’s share of wallet • Eliminating unprofitable customers • Allocating resources differentially between customers/segments
Distribution	Typically outsourced	Typically owned
Internal focus	Predominantly marketing focus (creating consumer pull)	Predominantly sales focus (executing push)

act upon a certain focus. However, we consider this scenario rather unlikely for several reasons. First, executives commonly believe that disclosing reliable and precise information reduces the information risk about a firm’s stock and that it is important to develop a reputation for transparent reporting (Graham, Harvey, and Rajgopal 2005). Second, firms involved in untruthful reporting face a decline in their market value (Palmrose, Richardson, and Scholz 2004) and substantial penalties, including fines and reputation loss (Karpoff, Lee, and Martin 2008). Third, studies have shown that cognition of strategies embodied in the letters to shareholders correlates strongly with firm actions (Noble, Sinha, and Kumar 2002; Yadav, Prabhu, and Chandy 2007). The results in our external validity test section also show that retailers with a higher combined brand and customer focus tend to have higher advertising expenditure. Thus, we find support for the notion that a retailer’s stated focus aligns with its subsequent actions.

We considered three potential approaches to measure brand and customer foci. First, we could measure a construct, here brand (customer) focus, by treating the text as a bag of words and measuring the occurrence frequency of a single word or a few specific words and phrases that represent the construct (Loughran and McDonald 2016). Second, we could compile a longer list of words (usually referred to as a dictionary) to capture the construct of interest (Homburg, Theel, and Hohenberg 2020; Loughran and McDonald 2016). After compiling such a dictionary, we would then follow the first approach and measure the occurrence frequency of the words in the dictionary. Third, we could use embedding approaches such as word embedding and paragraph vector, which maps words or pieces of text to vector representations, referred to as embedding vectors (Berger et al. 2020; Le and Mikolov 2014; Mikolov et al. 2013). We would then measure a construct by examining the similarity between the embedding vectors of a particular piece of text and the embedding vectors of the text representing the construct.

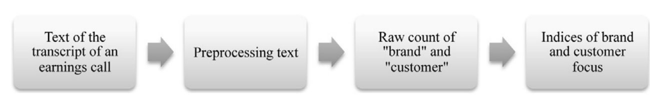

Fig. 2. Measuring brand and customer focus.

We decided to use the first approach with “brand” and “customer” as our target words. Other researchers have used such an approach in investigating the influence of personal pronoun use in customer–firm interactions (Packard, Moore, and McFerran 2018) and in examining firms’ ethical behavior (Loughran and Yun 2009). This method has the advantages of being easy to apply and replicate and producing results that can be straightforwardly interpreted (Loughran and McDonald 2016).

The basic idea of our measurement is that retailers with a greater focus on brands center their discussion more often around the word “brand,” and correspondingly, retailers with a higher focus on customers do so for the word “customer.” Fig. 2 outlines the steps we took to measure brand and customer focus.

As shown in Fig. 2, the second step of measuring brand and customer focus is preprocessing the text, which involves cleaning the text, tokenization, removing stop words, removing named entities, and lemmatization. We cleaned the text by keeping only the body of the earnings call, excluding unnecessary information such as the title and the list of participants. In addition, we corrected the format of words across lines and replaced hyphens with spaces. After cleaning the text, we tokenized the text into words. We then removed the standard English stop words, that is, words that are extremely common in most documents but do not convey significant meaning (e.g., “the,” “a”). In line with Berger et al.’s (2020) suggestion, we also removed words that are specifically common in earnings calls (e.g., “thank,” “welcome,” "question," "answer"). We further removed all the words that are part of named entities, such as names of people, dates, time, and locations. Finally, we lemmatized the words by reducing the words into their word lemma; for example, we lemmatized the word "customers" to "customer."

The next step, as shown in Fig. 2, is extracting the raw counts of the words "brand" and "customers" (i.e., the number of times both words were mentioned). Because earnings calls likely differ in length, we normalized the two terms (Loughran and McDonald 2016) by dividing the raw counts by the total number of words in the preprocessed text.

For each year, we calculated the index for the brand focus (*BF*) and customer focus (*CF*) for the transcript that belongs to quarter q of retailer i as follows:

$$BF_{iq} = \frac{f_{iq}^{brand}}{n_{iq}} \times 1000 \tag{1}$$

$$CF_{iq} = \frac{f_{iq}^{customer}}{n_{iq}} \times 1000 \tag{2}$$

BF_{iq} represents the brand focus, f_{iq}^{brand} is raw count of the word "brand," and n_{iq} is the total count of all words (both after preprocessing). Analogously, we calculated the customer focus. We then calculated the brand and customer focus of firm i in year t, which we denote by BF_{it} and CF_{it}, as the arithmetic mean of the transcripts in that year (usually four quarters).

Empirical Study

Description of Sample

In our empirical study, we combine information from two data sources: Compustat and Nexis Uni. We selected U.S. listed firms with available data in the fiscal years 2010 and 2018 from Standard & Poor's Compustat database that had the following Global Industry Classification Standard (GICS) industry codes: 255020 (internet & direct marketing retail), 255030 (multiline retail), 255040 (specialty retail), and 301010 (food & staples retail). This selection yielded an initial sample of 258 retailers. Next, we used the search engine Nexis Uni to determine that 114 of them published transcripts of earnings calls in 2010 and 2018. Furthermore, we removed the following five firms that Compustat had assigned to one of the four retail industry codes but that we did not consider retailers: Booking Holdings, Expedia, Points International, Remark Holdings, and Naspers. Our final sample consists of 109 retailers, and for each of them, we observe two years, which yields 218 retailer-year observations. We obtained 853 transcripts of earnings calls for these retailers. The average number of transcripts per retailer and year is 3.91, which indicates that most of the retailers have four earnings calls and, thus, four transcripts per year.

For each retailer and year, we obtained the following data from Compustat: total assets, sales, costs of goods sold (COGS), gross profit, advertising expenditure, and first fiscal year with available accounting data. We then calculated the (percentage) gross profit margin by dividing gross profit by sales and the age of each retailer by subtracting the first fiscal year with available accounting data from the fiscal year of the data. Table 2 shows the descriptive statistics of the retailers in our sample. Note that Compustat refers to the advertising expenditure as reported in the income statement; thus, this advertising expenditure is missing for many retailers because its disclosure is only mandatory if the advertising expenditures are material (McAlister et al. 2016; Simpson 2008).

Brand Focus and Customer Focus of Retailers

Distribution of focus across retailers

Table 3 shows that on average, the raw count of "brand" is 10.78 and the raw count of "customer" is 22.22 in each preprocessed transcript of earnings calls, which have an average length of 2,630.74 words. As a result, the average value of brand focus is 3.82, and the average value of customer focus is 8.18. We further calculated a retailer's brand (customer) focus ratio as its brand (customer) focus divided by the sum of its brand and customer focus. The average brand focus ratio is 0.30 and the average customer focus ratio is 0.70. Note that the correlation between brand and customer focus is only 0.15; this low value supports the view that brand focus and customer focus are orthogonal, such that retailers have the choice to focus on one of them, both, or neither of them.

Next, we looked at the development of the brand and customer focus from 2010 to 2018. We observed that the retailers in our sample mentioned both "brand" and "customer" more frequently in their earnings calls in 2018, which in turn leads to an increase in both the average brand focus and the average customer focus. The average brand focus increased from 2.77 in 2010 to 4.87 in 2018, which is equivalent to a percentage increase of 76.05%. The average customer focus, in contrast, increased from 7.24 in 2010 to 9.12 in 2018, equivalent to a percentage increase of 25.98%, smaller than the percentage increase of the average brand focus. Correspondingly, the brand focus ratio increased by 11.15% from 0.29 to 0.32, whereas the customer focus ratio decreased slightly by 4.48% from 0.71 to 0.68. We further calculated the Pearson's correlation coefficients between the retailers' focus in 2010 and their focus in 2018. We find that a retailer's focus in 2010 is moderately correlated with its focus in 2018; the correlation coefficient is 0.68 for brand focus and 0.60 for customer focus.

Fig. 3 shows that the distribution of brand focus is right-skewed: More retailers showed a brand focus lower than the average value of brand focus. The distribution of customer focus is smoother, with almost an equal number of retailers on both sides of the average value. Fig. 3 also outlines that the coefficient of variation, defined as the ratio of the standard deviation and the mean, is much higher for brand focus (1.11) than for customer focus (0.61). This result indicates that retailers are much more heterogeneous in their brand focus than in their customer focus.

Table 4 presents the ten retailers in our sample with the highest brand and customer focus in 2018; Panel A outlines that all "top ten brand focus" retailers belong to specialty retail, most of them clothing and accessories retailers, and Panel B shows that

Table 2
Descriptive statistics of the 109 retailers in our sample.

Variables		Total	Year	
			2010	2018
Firm age	Mean	26.94	22.94	30.94
	Std. dev.	15.11	14.60	14.60
	N	218	109	109
Total assets (in $ millions)	Mean	9,160.40	7,097.89	11,222.91
	Std. dev.	23,740.24	18,797.80	27,757.39
	N	218	109	109
Sales (in $ millions)	Mean	18,242.42	14,249.74	22,235.10
	Std. dev.	51,272.74	42,819.96	58,450.00
	N	218	109	109
COGS (in $ millions)	Mean	12,937.59	10,220.29	15,654.90
	Std. dev.	37,185.93	31,501.35	42,085.05
	N	218	109	109
Gross profit (in $ millions)	Mean	5,304.83	4,029.45	6,580.20
	Std. dev.	14,715.37	11,475.68	17,323.83
	N	218	109	109
Gross profit margin (in %)	Mean	36.11	35.87	36.35
	Std. dev.	15.21	14.90	15.58
	N	218	109	109
Advertising expenditure (in $ millions)	Mean	279.65	208.76	348.17
	Std. dev.	737.03	385.16	959.80
	N	177	87	90
Advertising expenditure as a percentage of dollar sales (in %)	Mean	3.08	2.94	3.21
	Std. dev.	2.64	2.44	2.82
	N	177	87	90

Notes: COGS = cost of goods sold; gross profit margin = gross profit/sales; age of retailer = year of data – first fiscal year of available data in Compustat; advertising expenditure as a percentage of dollar sales = advertising expenditure/sales.

Table 3
Descriptive statistics of brand and customer focus.

Variables		Total	Year		Change of mean value from 2010 to 2018 (in %)
		N = 218	2010 N = 109	2018 N = 109	
Number of words in transcripts before preprocessing	Mean	7,543.91	7,616.19	7,471.62	−1.90
	Std. dev.	2,698.25	2,810.16	2,592.48	
Number of words in transcripts after preprocessing	Mean	2,630.74	2,601.48	2,660.00	2.25
	Std. dev.	945.73	979.30	914.52	
Raw count of “brand”	Mean	10.78	8.06	13.51	67.67
	Std. dev.	13.59	10.66	15.57	
Raw count of “customer”	Mean	22.22	19.26	25.18	30.76
	Std. dev.	16.53	15.26	17.28	
Brand focus	Mean	3.82	2.77	4.87	76.05
	Std. dev.	4.25	2.87	5.08	
Customer focus	Mean	8.18	7.24	9.12	25.98
	Std. dev.	5.03	4.67	5.21	
Brand focus ratio	Mean	0.30	0.29	0.32	11.15
	Std dev	0.23	0.22	0.24	
Customer focus ratio	Mean	0.70	0.71	0.68	−4.48
	Std. dev.	0.23	0.22	0.24	

Note: brand focus ratio = brand focus/(brand focus + customer focus); customer focus ratio = customer focus/(brand focus + customer focus).

the “top ten customer focus” retailers come from two retailer sectors: internet & direct marketing retail and specialty retail. All specialty retailers also have online shops and, thus, share similarities with the internet & direct marketing retail. Yet, no particular products emerged as best suited for a customer focus; the “top ten customer focus” retailers sell a wide range of products, including photography products, clothing and accessories, and office products.

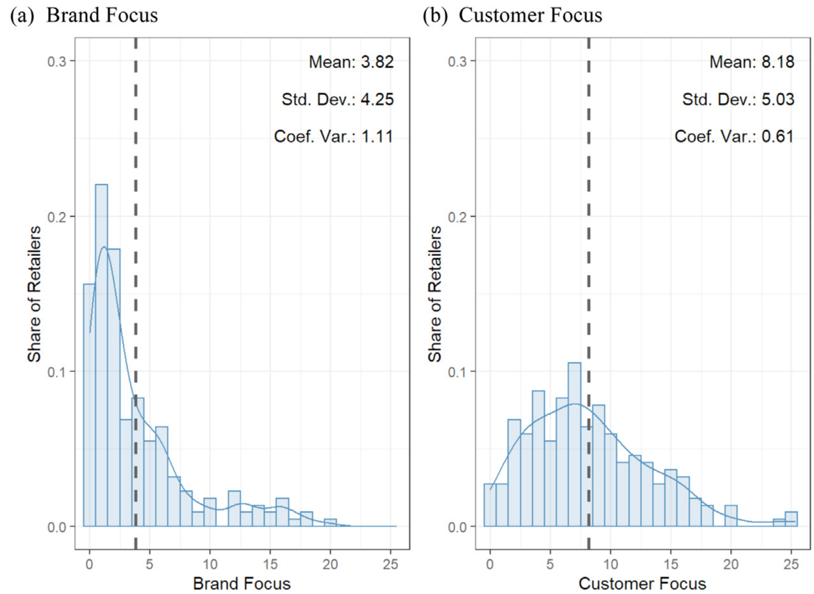

Fig. 3. Distribution brand focus and customer focus.

Table 4
Retailers with highest brand and customer focus in 2018.

Panel A: 10 Retailers with highest brand focus in 2018

Retailers	Brand focus	Customer focus	Retailer sector
Urban Outfitters	19.78	8.78	Specialty Retail
Chico’s FAS	17.80	19.94	Specialty Retail
Ascena Retail Group	17.76	8.79	Specialty Retail
Ulta Beauty	16.61	2.10	Specialty Retail
Abercrombie & Fitch	16.35	17.87	Specialty Retail
Gap	15.96	9.26	Specialty Retail
Zumiez	15.95	10.76	Specialty Retail
J Crew Group	15.74	11.91	Specialty Retail
Williams-Sonoma	15.22	15.89	Specialty Retail
American Eagle Outfitters	15.20	13.79	Specialty Retail

Panel B: 10 Retailers with highest customer focus in 2018

Retailers	Brand focus	Customer focus	Retailer sector
Stamps.com	0.99	24.61	Internet & Direct Marketing Retail
Nutrisystem	12.33	20.47	Internet & Direct Marketing Retail
Chico’s FAS	17.80	19.94	Specialty Retail
Shutterfly	6.98	19.86	Internet & Direct Marketing Retail
Amazon.com	2.55	18.19	Internet & Direct Marketing Retail
Abercrombie & Fitch	16.35	17.87	Specialty Retail
Michaels	1.33	17.73	Specialty Retail
Office Depot	0.36	17.20	Specialty Retail
1-800-Flowers.com	13.17	16.95	Internet & Direct Marketing Retail
Tandy Leather Factory	2.50	16.70	Specialty Retail

Distribution of focus across sectors of retailers

Table 5 displays the distribution of brand and customer focus across our four sectors of retailers according to the following GICS industry codes: internet & direct marketing retail, multiline retail, specialty retail, and food & staples retail. Specialty retail has the highest brand focus (4.29), and internet & direct marketing retail has the highest customer focus (12.83). Multiline retail also has a high brand focus (4.23). Food & staples retail has both the lowest average brand focus (1.89) and lowest average customer focus (6.46). In addition, among the four retailer sectors, multiline retail and specialty retail have a higher brand focus ratio (0.36 and 0.32, respectively), whereas internet & direct marketing retail and food & staples retail have a higher customer focus ratio (0.79 and 0.77, respectively).

Fig. 4 graphically depicts the distribution of retailers in 2010 and 2018 along the brand and customer focus dimensions. We observe that retailers in food & staples retail, compared with the other retailer sectors, are mostly gathered at the lower left

Table 5
Descriptive statistics of brand focus and customer focus in retailer sectors.

Variables		Internet & direct marketing retail N = 20	Multiline retail N = 24	Specialty retail N = 140	Food & staples retail N = 34
Brand focus	Mean	3.30	4.23	4.29	1.89
	Std. dev.	3.86	3.55	4.66	2.19
Customer focus	Mean	12.83	7.81	7.99	6.46
	Std. dev.	7.53	5.12	4.40	4.13
Brand focus ratio	Mean	0.21	0.36	0.32	0.23
	Std. dev.	0.16	0.24	0.24	0.19
Customer focus ratio	Mean	0.79	0.64	0.68	0.77
	Std. dev.	0.16	0.24	0.24	0.19

Notes: Retailer sectors are defined according to the following Global Industry Classification Standard industry codes: internet & direct marketing retail, 255020; multiline retail, 255030; specialty retail, 255040; and food & staples retail, 301010.

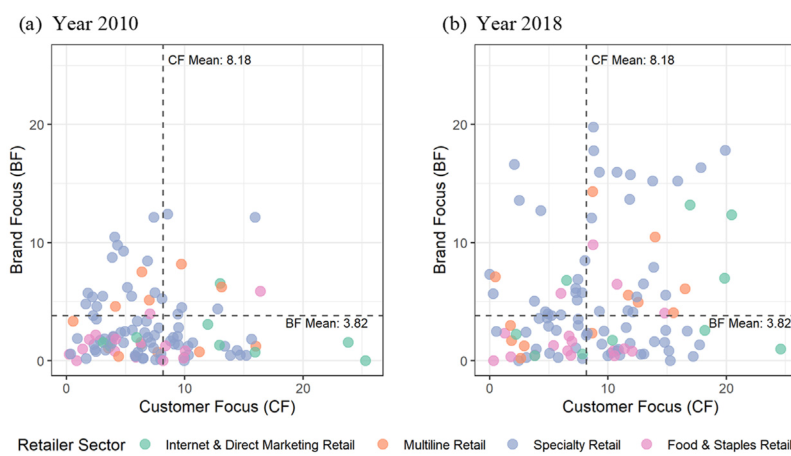

Fig. 4. Visual distribution of retailers according to customer focus and brand focus.

corner in Fig. 4, indicating the lower brand and customer focus of these retailers (see also Table 5). More interestingly, we find that specialty retailers have, on average, the highest brand focus, but their customer focus also increased strongly from 2010 to 2018. Retailers in internet & direct marketing retail have, on average, the highest customer focus. This focus remained almost unchanged from 2010 to 2018, although several retailers increased their brand focus from 2010 to 2018.

We assigned the retailers to four groups depending on whether their brand focus and customer focus is higher than the average focus of all retailers or not. Each group of retailers represents its brand and customer focus relative to its fellow retailers in the other groups. For example, the group of retailers with neither a brand nor customer focus have a lower brand and customer focus than the average focus of the retailers in our sample (although this does not necessarily mean that they are neither brand nor customer focused at all). Among the 109 retailers, the share of retailers with a predominantly brand focus (brand focus higher than the mean and customer focus lower than the mean) is 17.43% in 2010 and 16.51% in 2018. About the same share of retailers, 24.77% in 2010 and 25.69% in 2018, have a predominantly customer focus (brand focus lower than the mean and customer focus higher than the mean). However, we observed a significant increase in the share of retailers with a focus on both brand and customer (i.e., both brand and customer focus are higher than the mean), from 8.26% retailers in 2010 to 27.52% retailers in 2018, and a significant decrease in the share of retailers with neither a brand nor customer focus, from 49.54% in 2010 to 30.28% in 2018. We can also observe this development in Fig. 4, where we see more retailers in the upper-right area in 2018 than in 2010.

Validity of Measurement of Brand Focus and Customer Focus

Internal validity

We consider our measurement of brand and customer focus to have internal validity if it remains similar to that of two other approaches. First, we expanded our simple dictionaries with other words that should also capture brand and customer focus by including synonyms of "brand" and "customer." According to the Collins English Thesaurus Dictionary, we added the following unigram (i.e., a single word) synonyms of "brand" in the sense of a trademark: "trademark," "logo," "marque," "tradename," and "proprietary." For the synonyms of "customer," we include the following words: "client," "buyer," "patron," "shopper," "purchaser," "habitué," and "user." Note that we excluded "consumer" and "regular" from the "customer" list because "consumer" refers to the more general group of people consuming products or services, and "regular" is an informal word that is unlikely to appear in formal occasions such as earnings conference calls. We observed a high correlation between the measures of brand focus (0.99) and of customer focus (0.92). Therefore, we conclude that our results are not sensitive with respect to the specific words that we used to measure these foci.

Second, we used human instead of textual analysis to evaluate the brand and customer focus of the transcripts of the earnings calls of (1) the two retailers with the highest brand focus (Urban Outfitters and Ascena Retail Group),[1] (2) the two retailers with the highest customer focus (Stamps.com and Nutrisystem), (3) the two retailers with the highest brand and customer focus (as measured by the sum of the two indices; Chico's FAS and Abercrombie & Fitch), and (4) the two retailers with the lowest brand and customer focus (as measured by the sum of the two indices; Andersons and North West). In particular, we investigated whether the words "brand" and "customer" used in the retailers' earnings calls referred to the brand and customer focus that we intended to measure and did not indicate other meanings of these two words. We also examined whether retailers with a low brand and customer focus according to our textual analysis used other words than "brand" and "customer" to outline their brand and customer focus.

Looking at a random transcript of an earnings call published in 2018 from each of these eight retailers, we found that almost all the occurrences of the words "brand" and "customer" indicate the brand and customer focus that we intended to capture, and the words do not refer to other meanings. Furthermore, by reading the transcripts of earnings calls from retailers with the lowest brand and customer focus indices, we confirmed the low brand and customer focus of both firms. Stated differently, we found no other words used that would indicate a higher brand focus or a higher customer focus. Table 6 presents several examples of statements from these earnings call transcripts.

External validity

We consider our measurements of brand and customer focus to have external validity if our retailers not only talk about focusing on brand or customer (as is captured by our measure) but also take actions for the disclosed focus. Advertising expenditures reveal such actions. We, therefore, used three approaches to examine the external validity using advertising expenditures.

First, we looked at the disclosure of advertising expenditure. The introduction of the Securities and Exchange Commission's Financial Reporting Release No. 44 (FRR44) in 1994 made disclosure of advertising expenditures optional if those expenditures are not material (McAlister et al. 2016; Simpson 2008). Because advertising is one of the key actions of branding as well as acquiring and retaining customers, we expect that retailers with a greater brand and customer focus would consider advertising expenditure to have higher materiality and thus be more likely to disclose their advertising expenditure. Second, we looked at the difference in the advertising expenditure as a percentage of dollar sales between retailers with high and low brand and customer focus. We expect that retailers with a higher brand and customer focus also have a higher advertising expenditure as a percentage of dollar sales. Third, we looked at the percentage change in advertising expenditure as a percentage of dollar sales from 2010 to 2018. Building on the previous idea that retailers with a higher brand and customer focus should have higher advertising expenditure, we expect that retailers with a stronger increase in their brand and customer focus from 2010 and 2018 also have a stronger percentage increase of advertising expenditure as a percentage of dollar sales.

For our comparisons, we split the retailers in our sample according to the total focus on brand and customer focus, measured by the sum of both indices. We looked at the total focus because lower advertising expenditure due to a lower brand focus could be compensated by higher advertising expenditure due to a higher customer focus (and vice versa). Therefore, we expect that the sum of each retailer's brand and customer focus is a better determinant of the variation of advertising expenditure and related metrics.

Table 7 presents the main results, from which we formed two groups: one with a higher total focus (i.e., the sum of the two indices is larger than the median) and one with a lower total focus. Note that 87.16% of the high focus retailers disclosed advertising expenditure but only 75.23% in the low focus group. Thus, our results show that a stronger brand and customer focus increased the disclosure of advertising expenditure, which is in line with our expectations. Also, in line with our expectations, we find that retailers with a higher focus (total customer and brand) have a significantly higher percentage share of advertising expenditure as a percentage of dollar sales (3.56%) than retailers with a lower focus (2.53%). Last, when we group the retailers according to the change of their total focus, again measured by the sum of brand and customer focus, we observe that retailers with an increasing total focus have a significantly higher percentage increase (114.13%) of (absolute) advertising expenditure than retailers with a decreasing focus (34.77%). Retailers with an increasing focus also have a significantly higher percentage increase (19.34%) of the share of advertising expenditure as a percentage of dollar sales than retailers with a decreasing focus (−8.04%). These results are also in line with our expectations. Taken together, all results support the external validity of our findings.

Relationship between Profitability and Brand and Customer Focus

We also investigated whether retailers' brand and customer focus is correlated with their financial performance. Brynjolfsson and Smith (2000) show that, across internet retailers, the price dispersion could arise from the heterogeneity of customer awareness as well as retailer branding and trust. Thus, there might also exist a correlation between retailers' brand and customer focus with the price of the products sold. Considering a higher price for the same product likely implies higher profitability, we investigate the possible correlation between retailers' brand focus and customer focus with their profitability.

[1] Because Chico's FAS has the second-highest brand focus and the highest brand and customer focus, we include Ascena Retail Group, the retailer with the third-highest brand focus, instead of Chico's FAS in the group of retailers with the highest brand focus.

Table 6
Examples of statements from selected retailers.

Retailer	Examples of statements
Urban Outfitters (Brand focus: 19.78; Customer focus: 8.78)	*"We were particularly pleased with how well the brands transitioned into early spring."* *"In the current quarter, similar to the fourth, we expect higher market brand penetration in apparel. As the year progresses, we expect market brand penetration to normalize with the mix of own brand product increasing."* *(Urban Outfitters, Earnings Call of Q4/2018)*
Ascena Retail Group (Brand focus: 17.76; Customer focus: 8.79)	*"In parallel, we continue to explore options to create shareholder value, including . . . ongoing evaluation of our brand portfolio."* *"While we are still early in our journey towards a reinvigorated core, we are pleased with the improvements we're seeing in certain brands and taking decisive steps at brands that require significantly more work."* *(Ascena Retail Group, Earnings Call of Q2/2018)*
Stamps.com (Brand focus: 0.99; Customer focus: 24.61)	*"First, we plan to continue to scale up our sales and marketing with a focus on acquiring shipping customers. . . . We have seen a significant increase in the average lifetime value of the customer[s] that we acquire."* *"We charge additional service fees for the solutions, so this allows us to further increase our customer lifetime values and to leverage the investment we have already made in sales and marketing to acquire those customers."* *(Stamps.com, Earnings Call of Q1/2018)*
Nutrisystem (Brand focus: 12.33; Customer focus: 20.47)	*"Customer base continues to build and contribute to our revenue stream."* *"Our guidance assumes . . . growth in the back half of the year as monthly customer acquisition trends improve."* *"Revenue per customer for both brands is strong and continues to grow."* *(Nutrisystem, Earnings Call of Q1/2018)*
Chico's FAS (Brand focus: 17.80; Customer focus: 19.94)	*"At Chico's, . . . the merchandise has improved, and our fully integrated brand campaign appears to be building customer consideration."* *"We're learning, and we're moving quickly to adjust our strategies as needed in response to customer reaction. . . . We continue to implement strategies that best position our business and brands for the long term."* *(Chico' FAS, Earnings Call of Q1/2018)*
Abercrombie & Fitch (Brand focus: 16.35; Customer focus: 17.87)	*"We are off to a strong start . . . supported by our brands' improving health effective marketing and growing consumer confidence. We are pleased with our performance across all brands."* *"These programs are providing valuable data and insight that enable us to direct special attention to our most valuable customers and explore how to harness their engagement through exclusive products and experiences. . . . Customer-centricity remains core to our success."* *(Abercrombie & Fitch, Earnings Call of Q1/2018)*
North West (Brand focus: 0.33; Customer focus: 1.78)	*"And again, we're looking for a bigger pickup in the economy as we continue to see the military presence and investments take place."* *"We're running very good comps there, and we see that continuing. There's [been] more investment in the north, government-driven investment and some resource investments, particularly in Nunavut. And we're able to take advantage of that with stores. Our store investments and top markets have certainly helped."* *(North West, Earnings Call of Q2/2018)*
Andersons (Brand focus: 0.00; Customer focus: 0.33)	*"More specifically, we will continue our focus on operating efficiency by lowering our cost to serve and thus improve the performance of our business. We will also continue to look to improve our portfolio via asset optimization and invest in our core and targeted growth areas."* *"We continue to focus on productivity and improving execution to drive better results* for 2018." *(Andersons, Earnings Call of Q1/2018)*

As the main purpose of our study is to introduce a metric that is based on textual analysis, our analysis here is only correlational, and we do not claim any causal relationships. The proxy we use for profitability is (percentage) gross profit margin. We use gross profit margin instead of other profitability metrics (e.g., profit margin after advertising expenditures) to avoid the potential confounding influence from the advertising expenditure because advertising expenditure is also deducted from (net) profit. The gross profit margin, in contrast, is not subject to such limitations. Furthermore, the gross profit margin is widely used as a proxy for profitability in research. For example, Stahl et al. (2012) adopt gross profit margin when investigating the impact of brand equity on profit margin, and Ailawadi and Harlam (2004) use it in their study of retail margins.

We use the following linear regression to analyze the relationship between retailers' brand and customer focus and their profitability:

$$P_{it} = \beta_0 + \beta_1 \times BF_{it} + \beta_2 \times CF_{it} + \sum_k \delta_k \times X_{k,it} + \in_{it} \quad (3)$$

Here BF_{it} represents the brand focus of retailer i in year t, CF_{it} its customer focus, and P_{it} its gross profit margin. $X_{k,it}$ is the control variable k of retailer i in year t. The set of control variables includes the age of the retailer, dummy variables for the retailer

Table 7
Comparison of advertising expenditure in groups of retailers with a different total focus on brand and customers.

Panel A: Comparison of groups with high and low focus

Variables		Total	Brand focus + customer focus		T-test (*p*-value)
			High	Low	
Disclosure of advertising expenditure (Compustat) (in %)	Mean	81.19	87.16	75.23	2.27** (0.02)
	Std. dev.	39.17	33.61	43.37	
	N	218	109	109	
Advertising expenditure as a percent of dollar sales (Compustat) (in %)	Mean	3.08	3.56	2.53	2.67*** (0.008)
	Std. dev.	2.64	2.79	2.35	
	N	117	95	82	

Panel B: Comparison in groups of increasing and decreasing focus

Variables		Total	Brand focus + customer focus		T-test (*p*-value)
			Decrease	Increase	
Percentage change of advertising expenditure per retailer (Compustat) (in %)	Mean	90.14	34.77	114.13	−2.30** (0.02)
	Std. dev.	190.19	106.25	213.05	
	N	86	26	60	
Percentage change of advertising expenditure as a percent of dollar sales (Compustat) (in %)	Mean	11.07	−8.04	19.34	−2.07** (0.04)
	Std. dev.	58.88	55.15	58.95	
	N	86	26	60	

Notes: $^{*}p<0.1$; $^{**}p<0.05$; $^{***}p<0.01$.
A retailer-year observation is considered to have a high (low) brand and customer focus if the sum of its brand and customer focus is higher (lower) than the median of the sum of brand and customer focus (10.84).
Percentage change of advertising expenditure = (advertising expenditure in 2018 – advertising expenditure in 2010)/advertising expenditure in 2010.
Percentage change of advertising expenditure as a percentage of dollar sales = (advertising expenditure as a percentage of dollar sales in 2018 − advertising expenditure as a percentage of dollar sales in 2010)/advertising expenditure as a percentage of dollar sales in 2010.
A retailer is considered to have an increasing (decreasing) brand and customer focus if the sum of its brand and customer focus in 2018 is larger (smaller) than in 2010.

Table 8
Correlation matrix of variables.

Variables	Mean	SD	1	2	3	4	5	6	7	8
1. Gross profit margin (%)	36.11	15.21	1.00							
2. Winsorized gross profit margin (%)	35.67	13.11	0.98^{***}	1.00						
3. Brand focus	3.82	4.25	0.14^{**}	0.17^{**}	1.00					
4. Customer focus	8.18	5.03	0.26^{***}	0.26^{***}	0.15^{**}	1.00				
5. Brand focus deviation	0.00	4.22	0.06	0.09	0.98^{***}	0.15^{**}	1.00			
6. Customer focus deviation	0.00	4.89	0.16^{**}	0.18^{**}	0.15^{**}	0.95^{***}	0.15^{**}	1.00		
7. log(total asset)	7.75	1.69	-0.22^{***}	-0.25^{***}	0.04	0.02	0.12*	0.14^{**}	1.00	
8. Age of retailer	26.94	15.11	−0.07	−0.07	0.11*	0.04	0.16^{**}	0.15^{**}	0.49^{***}	1.00

Notes: $^{*}p<0.1$; $^{**}p<0.05$; $^{***}p<0.01$. Correlation refers to Pearson correlation. N = 218.

sectors, and the natural logarithm of assets, as a proxy for the size of each retailer. Table 8 provides the correlation matrix of all continuous variables included in the regressions.

As shown in Table 9, the result of our main model shows a positive and significant correlation between customer focus and gross profit margin. A one-unit increase in customer focus correlates with a 0.50 percentage point higher gross profit margin. The coefficient of brand focus is also positive but not statistically significant.

To check the robustness of these results, we calculated several additional models. First, we winsorized the gross profit margin at 5% and 95% to determine whether the previous result is impacted by outliers. The resulting coefficient of customer focus is stable and becomes even more significant. In addition, the coefficient of brand focus becomes larger, though it remains statistically insignificant. The insignificance of the correlation between brand focus and gross profit margin could be because the focus we measure is not equivalent to brand equity, which usually correlates positively with profit (Stahl et al. 2012; Keller 1993). The actions taken by retailers with a strong brand focus might take time to result in profits, and not all of these actions are necessarily successful. Furthermore, due to the limitation of our data, the covariates we include in our regression analysis might not be able to fully control for the potential confounding effects from some other factors.

Next, we examined the deviation of each retailer's brand and customer focus from the average value of the sector instead of

Table 9
Results of regressing (percentage) gross profit margin on brand and customer focus.

Variables	Main model Gross profit margin (%) Coef. (SE)	Robustness check Winsorized gross profit margin (%) Coef. (SE)	Gross profit margin (%) Coef. (SE)	Gross profit margin (%) Coef. (SE)
Brand focus	0.15 (0.23)	0.25 (0.20)		
Customer focus	0.50** (0.20)	0.48*** (0.17)		
Brand focus deviation			0.23 (0.25)	0.15 (0.23)
Customer focus deviation			0.59*** (0.21)	0.49** (0.19)
log (Total asset)	−0.71 (0.67)	−1.03* (0.57)	−2.37*** (0.68)	−0.71 (0.67)
Age of retailer	0.13* (0.08)	0.12* (0.06)	0.03 (0.08)	0.13* (0.08)
Year 2018	−1.56 (1.97)	−2.20 (1.67)	−0.48 (2.14)	−1.56 (1.97)
Internet & direct marketing retail	22.26*** (4.60)	16.94*** (3.91)		25.64*** (4.31)
Multiline retail	12.71*** (3.68)	11.23*** (3.13)		13.74*** (3.62)
Specialty retail	16.71*** (3.00)	13.96*** (2.55)		17.83*** (2.89)
Intercept	20.05*** (6.28)	24.81*** (5.34)	54.00*** (4.85)	23.57*** (6.39)
Number of observations	218	218	218	218
R^2	0.25	0.27	0.09	0.25
Adjusted R^2	0.22	0.24	0.07	0.22
Residual std. error	13.42 (df = 209)	11.42 (df = 209)	14.68 (df = 212)	13.42 (df = 209)
F-statistic	8.71*** (df = 8; 209)	9.67*** (df = 8; 209)	4.20*** (df = 5; 212)	8.74*** (df = 8; 209)

brand and customer focus, which we calculate for each retailer i in retailing sector j at year t as follows:

$$BF_{ijt}^{Dev.} = BF_{it} - \overline{BF}_{-ijt} \quad (4)$$

$$CF_{ijt}^{Dev.} = CF_{it} - \overline{CF}_{-ijt} \quad (5)$$

Here BF_{it} represents the brand focus of retailer i in year t, and $\overline{BF}_{-ijt}$ represents the average brand focus of retailing sector j in year t, excluding retailer i itself. This measure of brand and customer focus deviation captures the difference between a retailer's focus and that of the other retailers in the same sector and enables us to investigate the association between a retailer's profitability and its relative brand and customer focus compared with other retailers in the same sector.

We performed two regressions using the brand and customer focus deviation as independent variables, one with retailing sector dummy variables as control variables and one without. Table 9 shows that the results from these two regressions are similar to those of our previous regressions. The Pearson correlation coefficients between all the continuous variables in our regressions, as shown in Table 8, demonstrate that multicollinearity does not confound our regression results.

We also applied bootstrapping to further check the robustness of our main model. More precisely, we use nonparametric bootstrapping because it avoids making assumptions about the parametric form of the model (Chernick and LaBudde 2011). We performed 9,999 bootstrap replicates. The results shown in Table 10 show that the bootstrapped coefficients are very close to the coefficients of the main model. We also see that the coefficient of customer focus remains statistically significant at the 5% level according to the bias-corrected accelerated percentile confidence interval as well as the normal confidence interval.

Summary, Implications, and Suggestions for Future Research

Summary

Our study introduces two new metrics to shed light on retailers' strategy: brand focus and customer focus. We adopt a textual analysis approach and use publicly available communications of retailers with their stakeholders to measure the brand and customer focus of retailers and provide support for the internal and external validity of our measurement. By showing the feasibility of such an approach, we present a new possibility for retailers and researchers to measure strategic orientations, including but not limited to brand and customer focus.

Implications

Our investigation holds a number of managerially relevant implications. First, retailers can use this approach to measure their competitors' strategic orientations over different periods to better understand how these orientations develop over time. For example, according to the results of our study, retailers could observe that their competitors, on average, increased their brand and customer focus from 2010 to 2018. Hence, the ability and feasibility to measure a competitor's strategic orientation faster should help retailers react more quickly to such changes.

Second, retailers can use this approach to benchmark themselves against their competitors. In our study, we show that specialty retailers have the highest brand focus and internet & direct marketing retailers have the highest customer focus. Among these retailers, Urban Outfitters and Chico's FAS have the highest brand focus and Stamps.com and Nutrisystem have the highest customer focus. Retailers could use these insights to examine how their sector differs from sectors with a higher

Table 10
Results of robustness check using bootstrapping.

Variables	Gross profit margin (%) Original coefficient	Bootstrap bias	Bootstrap std. dev.	Normal interval 90%	BCa interval 90%	Normal interval 95%	BCa interval 95%
Brand focus	0.15	−0.0004	0.22	(−0.22, 0.52)	(−0.24, 0.50)	(−0.29, 0.59)	(−0.32, 0.57)
Customer focus	0.50	−0.0007	0.23	(0.12, 0.88)	(0.11, 0.87)	(0.05, 0.95)	(0.04, 0.94)
log (total asset)	−0.71	−0.05	0.80	(−1.98, 0.65)	(−1.93, 0.72)	(−2.23, 0.90)	(−2.17, 0.97)
Age of retailer	0.13	0.003	0.06	(0.03, 0.22)	(0.03, 0.23)	(0.01, 0.24)	(0.02, 0.25)
Year 2018	−1.56	−0.03	2.03	(−4.87, 1.81)	(−4.68, 2.06)	(−5.51, 2.45)	(−5.24, 2.73)
Internet & direct marketing retail	22.26	−0.17	6.52	(11.71, 33.17)	(12.51, 34.44)	(9.65, 35.22)	(10.86, 36.84)
Multiline retail	12.71	−0.04	2.36	(8.88, 16.63)	(8.51, 16.30)	(8.14, 17.37)	(7.65, 17.02)
Specialty retail	16.71	−0.04	2.65	(12.38, 21.11)	(12.47, 21.19)	(11.54, 21.94)	(11.64, 22.21)
Intercept	20.05	0.33	6.60	(8.87, 30.58)	(8.33, 30.13)	(6.79, 32.66)	(5.93, 32.05)

Notes: Number of bootstrap replicates R = 9,999. BCa: bias-corrected accelerated percentile. Gross profit margin is gross profit divided by sales.

focus and what particular retailers do as a result of their high brand or customer focus.

Third, retailers should carefully evaluate whether and how much they align with or go against prevailing practices in a given sector. In other words, what is the specific rationale for using a differentiated approach vis-à-vis the majority of competitors in the sector and why should it pay off? Or, in contrast, does a focal retailer expect greater payoff by aligning to sector standards? At the very least, managers should make a conscious decision about this strategic posture.

Researchers can also use our approach to measure other constructs of interest, such as digitalization or innovation, and potentially link them to desirable outcomes. Such an approach of measuring strategic management constructs alleviates the problems inherent in attempting to constantly survey managers from firms to understand strategic orientations. By using publicly available firm communications, researchers can measure firms' strategic orientations over time in a much less costly and time-consuming manner.

Suggestions for Future Research

In our study, we introduce a measurement of brand focus and customer focus and use it on a sample of 109 retailers in 2010 and 2018. We consider our study an initial step toward a number of additional future research projects. In particular, we see many opportunities in the following areas: antecedents and consequences of brand and customer focus, the firms of interest, the textual data, the textual analysis approaches, and the strategic management constructs of interest. Our study introduces two new metrics: brand focus and customer focus. By combining our metrics with additional data, future research could further investigate the antecedents and consequences of retailers' brand and customer focus. For example, future studies could examine how structural characteristics of a retail sector, such as the level of competition and fragmentation, affect retailers' brand and customer focus. In addition, future research could further explore the effect of retailers' different brand and customer focus levels on their financial metrics (e.g., profitability), particularly under certain boundary conditions. For example, future studies could examine whether a retailer should have the same focus as its competitors or differentiate itself from others and whether the results vary with the level of competition in the sector.

We examined the retailing industry, which is in line with the focus of the special issue. Future research could extend the analysis to other industries of interest and examine whether our findings for the retailing industry also hold for those industries. Furthermore, we focus on two points in time, namely 2010 and 2018. Future research could examine the development of retailers' brand and customer focus across an even longer period of time and in additional years.

In terms of the textual data, we used transcripts of earnings conference calls as our data source for our textual analysis, as researchers in other areas, particularly accounting and finance, have done (Allee and Deangelis 2015; Chen, Demers, and Lev 2018; Hassan et al. 2019; Larcker and Zakolyukina 2012; Matsumoto, Pronk, and Roelofsen 2011). In our study, we used both parts of an earnings conference call – part 1, the management's presentation, and part 2, the Q&A session. However, these two parts might differ in their brand and customer focus because executives can extensively prepare for part 1 but must stand on their own feet in the second part of the call. Future research could investigate whether a difference exists in the brand and customer focus between the two parts of an earnings conference call; results would show whether the focus is set by management or if it is determined by financial analysts. Depending on the purpose of the study, future research could also use other financial or nonfinancial documents as data sources. For example, future research could use the initial public offering prospectus to study the brand and customer focus of young firms that have gone public.

Furthermore, future research could explore other nonfinancial documents as data sources (e.g., newspaper articles, social media posts; Berger et al. 2020; Hillert, Jacobs, and Müller 2018; Loughran and McDonald 2016; Tetlock, Saar-Tsechansky, and Macskassy 2008), to discover whether such a measurement of focus on brand and customer is similar to that based on earnings calls. Differences might indicate if and where the outsiders' view of a particular firm's focus on brand and customer differs from the insiders' view, and such insights might serve as a starting point to analyze why these differences occur.

In terms of textual analysis approaches, our measurement of retailers' brand and customer focus might be even further improved by developing dictionaries for such a particular focus. For example, constructs such as sentiment and politics are currently measured by dictionaries that contain many words and combination of words (e.g., two-word combinations, or bigrams), and also weight each word or combination of words differently (Hassan et al. 2019; Loughran and McDonald 2016).

In addition, future research could adopt other approaches such as word embedding, although such approaches should be applied with caution, considering they could violate the idea that brand and customer focus are not mutually exclusive. Furthermore, the combination of brand and customer focus with other factors such as the sentiment-related terms might enable researchers to investigate whether a firm is optimistic or pessimistic about its brand or customer focus. For example, researchers could examine the sentiment of the sentence in which the brand and customer focus appears. Alternatively, future research could also look at words that indicate an opportunity or a risk. Hassan et al. (2019) uses such an idea to measure the "political risk" of firms. By conducting such analysis, researchers can examine the effects of constructs such as customer-related opportunities or risks on firms' financial performance.

Last, using textual analysis, future research could also measure other strategic management constructs of interest. Researchers have already attempted to measure a few strategic management constructs (e.g., innovation orientation, marketing excellence; Berger et al. 2020; Homburg, Theel, and Hohenberg 2020; Yadav, Prabhu, and Chandy 2007). With the appropriate methods and text data, future research could also disentangle more complicated, difficult-to-measure constructs revealed in the texts that firms publish (Berger et al. 2020).

Overall, we believe that the study of retailers', or more generally, firms' various focal points in strategy is of significance for both managers and researchers. Using textual analysis to measure firms' focus on these points is a promising topic with more potential to be explored. We hope the measurement we develop in our study and the insights we provide encourage more researchers to use textual analysis to examine strategic decision making in the future.

Retailers decide on a focal marketing strategy through the deployment of various marketing-related vehicles, tactics, and communication means. The nature, scope, and focus of a marketing strategy can take many formations. Yet, there are two (proto)typical and widely used foci. One type of marketing strategy, here referred to as brand focus, entails to build and fortify the retailer's own brand and is concerned with the strength of its brand in the market, its positioning, and its liking. Another type of marketing strategy takes the customer as the dominant focal unit, to which we refer here as customer focus.

We use information from two data sources, Compustat and Nexis Uni, and textual analysis to measure and validate the brand focus and customer focus of 109 U.S. listed retailers. The results from our analysis of 853 earnings calls of those retailers in 2010 and 2018 outline the following results:

1. Both foci vary substantially but retailers' brand focus does even stronger than their customer focus, as indicated by the coefficient of variation (brand focus: 1.11 vs. customer focus: 0.61).
2. Both foci are (almost) independent from each other as the low correlation of brand and customer focus of only 0.15 outlines.
3. Specialty retailers have the highest brand focus and internet & direct marketing retailers the highest customer focus.
4. The average brand focus increased from 2.77 in 2010 to 4.87 in 2018 (+76.05%). The average customer focus is higher in both years, 7.24 in 2010 and 9.12 in 2018 but it only increased by 25.98% from 2010 to 2018.
5. There exists a positive correlation between a retailer's customer focus and its profitability but not between a retailer's brand focus and its profitability.
6. Retailers with a stronger total focus on brands and customers are more likely to disclose advertising expenditure than retailers with a weaker focus (87.16% vs. 75.23%).

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