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An exploratory study of networking among small, independent, midwest specialty store retailers

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An exploratory study of networking among small, independent, midwest specialty store retailers

by

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CHAPTER 1: INTRODUCTION

Small businesses play a major role in the U.S. economy. According to the Small Business Administration, the number of small businesses in the United States has increased 49% since 1982 (Facts about Small Business, 1996). Because they are increasing in numbers, small business dominated fields are expected to contribute about 60% of new jobs from 1994-2005, and of these newly created jobs, about 85% will be in the retail or services areas (Facts about small business, 1996).

A large portion of all apparel and accessory stores qualify as small businesses. According to the U.S. Bureau of the Census (1982), 51% of all apparel and accessory establishments had 19 employees or less and about 25% of all apparel and accessory establishments were either sole proprietorships or partnerships. However, approximately 33% of all apparel and accessory establishments had less than $250,000 in annual sales (U.S. Bureau of the Census, 1982). At the same time there has been an immense number of consolidations in the retail industry. This has created fewer but larger retailers who have exerted more power in the marketplace and often have even diminished the need for small town retailers (Arthur Andersen LLP, 1997). Often consumers will leave their local rural communities in order to shop at the regional malls. This is said to occur when small retailers lack a niche market and are competing for the same target markets as the larger national chains who are located in nearby regional shopping malls (Papadopoulos, 1980). Even with these consolidations, the United States still has an abundance of stores. Retailers occupy over 18 square feet of retail space for every person in the United States.
This leaves a lot of choices for consumers, who can choose to shop with small rural retailers or with larger regional and national retailers.

According to the Small Business Administration (1996), the formation of new small businesses in the United States has increased over the last several years. There were approximately 819,000 new firms in 1995, 1.5% over the record 807,000 in 1994 (Facts about small business, 1996). These new businesses entering the market place each year are at risk since most small business failures occur in the first five years of establishment (Khan & Rocha, 1982; Packard & Carron, 1982). Another problem contributing to the failure of several small rural retail establishments is that many rural areas are declining in population, resulting in the demise of many downtown business districts (Arthur Anderson LLP, 1997). Although the number of business failures decreased by .05% between 1994 and 1995, in previous years the number of business failures increased 43.7% in 1991 and 9.9% in 1992. The reality of small business failure is important because small businesses employ approximately 53% of the private workforce and are responsible for around 50% of the private gross domestic product in the United States (Facts about Small Business, 1996).

Star and Massel (1981) found from a sample of retailers in Illinois, that rural retail businesses with annual sales volume under $240,000 had lower survival rates than larger urban retailers with larger sales volume. They also found that sole proprietorships had lower survival rates than partnerships or corporations. A large number of small, independent, apparel retailers may be at risk of failure because they are sole proprietorships or have small annual sales volumes. The larger national chains continue to
take market share from smaller retailers as no small retailer can compete head on with the national chains by carrying the same merchandise. Due to economies of scale, the small retailers will never order the quantities necessary to compete in price with the regional and national retailers (Arthur Anderson LLP, 1997).

Several studies have found that managerial inexperience and incompetence is the major cause of retail failure (Gaskill, Van Auken, & Manning, 1993; Haswell & Holmes, 1989; Larson & Clute, 1979; Peterson, Kozmetsky, & Ridgway, 1983). In contrast, another study found store management to be the most significant factor associated with profitable stores (Shim & Drake, 1991). Because many small independent apparel specialty retailers are sole proprietorships, they really do not have anyone to turn to regarding managerial issues. An apparel retailer, whether large or small, performs overlapping duties in functional areas such as executive management, operations, finance, marketing and merchandising (Kunz, 1995). Often, the goals of one of these functional areas can conflict with that of another. For example, from a merchandising standpoint, a large variety of merchandise may be very desirable in order to offer the consumer a wide range of unique merchandise. Simultaneously, from an operations standpoint, it may be more ideal to limit the variety and have more depth attempting to achieve economies of scale. The difference between a larger retailer and a small independent specialty retailer is that the members in the large firm can negotiate with each other to resolve the conflict or adapt to market conditions. A small independent specialty retailer, especially if it is a sole proprietorship, only has one or perhaps two people who perform all of the functions with little margin for cooperative decision making, adaptation, or flexibility. Additionally, they
have direct accountability to their employees and to their customers with whom they often
have strong affiliations.

Many retailers are often highly satisfied with the strong affiliations that develop
from business exchange. Contrary to the principle of profit maximization, where profit
seeking behavior is the motivation of all transactions (Uzzi, 1996), many small retail
owners don’t go into business for the sole reason of making money, but rather for more
personal reasons. Reasons could range from wanting to prevent the loss of an area
business (Kosters, Damhorst, & Kunz, 1996) to wanting the independence of working for
oneself (Packard & Carron, 1982).

Working as your own boss can however be a financially rewarding system.
According to Arthur Anderson LLP (1997), the top 100 chain stores have approximately
27.5% of all retail sales in the United States. This indicates that there are opportunities
for smaller stores, however they need information to successfully compete for the same
share as the larger national chains or to redirect their target market efforts (Arthur
Anderson LLP, 1997). One way for small independent retailers to cope with the issues of
small business without hiring expertise or turning to government funded sources such as
the Small Business Administration for assistance is to form a network with other non­
competing small-sized retailers.

One small business network called “STAR” has existed in the midwest for over 20
years. The network consists of 55 non-competing small independent specialty store
apparel retailers located in the upper Midwestern states. All current members must
unanimously agree before membership is extended to a new retailer. Because of their self-
imposed limited membership, this organization currently has a waiting list for requested membership. Entrepreneurial research has found that entrepreneurs may form network relationships with other businesses as a way to keep on top of current trends and to assist with problem solving efforts. They also may form more information network relationships with family, friends, and other businesses as sources to turn to for support to maintain motivation (Tjosvold & Weicker, 1993). Therefore, factors that encourage members to participate in strategic networks very well may go beyond profit maximization and rather provide support and relationships of other types.

**Purpose**

An increased understanding of how networks function as well as understanding the types of benefits obtained has implications for both future research and the future of small businesses. With the growing numbers of small apparel retailers and the high failure rate, the benefits of strategic networks and the knowledge of how to form a network could provide insight for the future success of small apparel retailers as well as provide opportunities for further research in this area.

The purpose of this study is to discover and understand the relationships, the degree of commitment, reciprocity, and general benefits provided by the “STAR” network. According to Szarka (1990), the disadvantages small businesses face due to their size can be offset by the support provided from networks. Studying how the network works, and the characteristics necessary for a successful operation, can help other small apparel retailers in forming other similar networks.
To truly understand the benefits of networking, it is necessary to understand the “STAR” network’s background, history and origin. There are no direct monetary benefits for joining, so why does the network exist? Many small businesses are located in small communities (Carusone & Moscove, 1985) and the specialty store retailers in this network, for the most part, are located in communities with populations under 25,000. Previous research has found that many small independent retailers in smaller communities have been reluctant to initiate or participate in any types of cooperative programs (Carusone, & Moscove, 1985), so what does this network provide that is appealing to the retailers? Exploring the relationships amongst the retailers, the characteristics of those relationships, and the expectations the retailers have of the network in order to uncover why the retailers stay in the network, the benefits they receive, and the extent of commitment to the network are also important to the future success of small business. No literature was found that directly related to existing networks made up of small independent apparel retailers. It seems this may be a truly unique situation necessitating an exploratory study.

Research relating to strategic networks, exchange, and social capital theory provide a theoretical framework for the study. These three theories all have a similar premise regarding relationships and the ‘give-and-take’ processes within those relationships. To some extent they all contend that there is a necessary level of trust among people in the relationships (Bagozzi, 1975; Borch & Arthur, 1995; Coleman, 1988). Along with trust, the relationships are based on the norm of reciprocity. Reciprocity has to do with helping people who have helped you and expecting the same in
return (Gouldner, 1960). This process of giving and returning is perceived as a trade of equivalent forms, otherwise the exchange would be unequal (Simmel, 1950). The term reciprocity, therefore, implies a perceived balance in that one person or member does not give or receive more than another. Looking at exchange theory, strategic networks, and social capital in terms of the levels of trust, commitment and reciprocity will provide a framework for analyzing and understanding the relationships in the “STAR” network as well as the level of commitment to the group as a whole and how the network and individual members impact each other.

Networking is seen as an ideal device for small businesses in order to thrive in the changing business environment (Donckels & Lambrecht, 1997). Kean (1997) adapted Gronmo’s (1987) typology of strategic positions between consumers and other actors in channel relationships, such as producers, wholesalers and retailers, to the strategic position of retailers and the relationships between retailers with other members of the supply chain, as well as relationships among retailers themselves. Based on that typology, retailers can have common or conflicting interests with each other, as well as common or conflicting interests with other members in the channel system. The combination of these relationships helps determine whether the retailers will be powerless, protected, potentially influential, or potentially powerful in the marketplace. Kean’s (1997) adaptation of Gronmo’s (1987) typology will be used to help interpret the relationships amongst the retailers in the “STAR” network and how network affiliation can influence retailers’ perceived power in the marketplace.
Objectives

Within the conceptual framework of exchange theory, strategic networks and social capital, and Kean’s (1997) adaptation of Gronmo’s (1987) typology of strategic positions, the following research questions were developed based on themes identified in the literature.

1. How do network relationships form?
2. What types of exchanges take place between network members?
3. What benefits are provided through network affiliation?
4. What factors contribute to network longevity?

Objectives were developed from the research questions. The objectives of this study are to understand the mechanics as well as the types of benefits a network can provide for small rural apparel retailers and the relationships that are formed among members in the network. This knowledge could then be used to help other small rural apparel retailers in forming a similar network. Exchange theory, strategic network theory, and social capital will provide the framework for understanding the types of relationships and exchanges that take place among network members and findings will advance theory development as well. Kean’s (1997) adaptation of Gronmo’s (1987) typology of strategic positions in relation to retailers will also provide a framework for understanding relationships among members in the network as well as potential benefits attainable in the marketplace. The objectives of this research study are to:

1. determine the structure, mechanics, history, origins and the fundamental driving force of the “STAR” network;
2. discover the relationships that exist in the network and the benefits derived from an exchange theory, social capital and strategic networks perspective.

3. uncover reasons why the network functions as a unit in the competitive marketplace using the tenets from exchange theory, social capital, and strategic networks;

4. understand how the network impacts the retailers’ perceived strategic positions in the marketplace using Gronmo’s (1987) typology of strategic positions for groups as applied by Kean (1997) to retailers in the fashion system;

5. derive what components are necessary for the successful operation of the network which could be used to assist other small independent apparel retailers in forming a strategic network.

**Definition of Terms**

**Balanced exchange:** When benefits derived are perceived as equal or nearly equal to costs (Homans, 1961).

**Business failure:** Business closings with a financial loss to one or more creditors (Small Business Administration, 1990).

**Costs:** An exchange theory tenant referring to “any status, relationship, interaction, milieu or feeling disliked by an individual” (Nye, 1979, p. 2).

**Exchange:** The direct or indirect transfer of either tangible or intangible goods between two or more parties (Bagozzi, 1975).

**Independent retailer:** Unfranchised sole proprietorship or partnership.
Outshopping: “The behavior of consumers who live in one area but travel to another area to make retail purchases” (LaForge, et. al., 1984, p. 22).

Profit: Situation where rewards exceed costs in a relationship.

Prolonged engagement: “the investment of sufficient time to achieve certain purposes; learning the “culture,” testing for misinformation,” as well as “building trust” (Lincoln & Guba, 1985, p. 301).

Reciprocity: The process of equivalent giving and receiving in a relationship (Simmel, 1950).

Reward: “pleasures, satisfactions, and gratifications the person enjoys” (Thibaut & Kelley, 1959, p. 12).

Rural: For this study it is defined as a town population of 50,000 or less.

Small retailer: For this study, a small retailer has fewer than 20 employees and annual sales under $500,000.

Social capital: “Mutual relations, interactions, and networks that emerge among human groups and the trust, obligations and norms that arise from them and adhere to the social structure” (Wall, 1996, p. 1).

Specialty store: “A limited-line retail outlet that typically carries a deep selection of a restricted class of goods” (Beisel, 1987, p. 37).

Strategic network: Linkages across firms based on cooperation and long-term commitment in order to exchange or share information and resources (Borch & Arthur, 1995).
Strategic position: The ability of a group “to advance its own interests in relation to other groups” (Gronmo, 1987, p. 45) in the marketplace.

Triangulation: The use of multiple and different sources and methods (Lincoln & Guba, 1985).

Trustworthiness: Relates to how a researcher can “persuade his or her audiences that the findings of an inquiry are worth paying attention to” (Lincoln & Guba, 1985, p. 290) in qualitative research.
CHAPTER 2: LITERATURE REVIEW

Factors Contributing to Small Business Success and Failure

It is important to understand the merchandising practices of small retailers. According to Behavioral Theory of the Apparel Firm, an apparel firm is made up of a coalition of individuals who are all working towards common goals of the apparel firm (Kunz, 1995). The coalition consists of five separate constituencies including executive, merchandising, marketing, operations and finance which perform all the business functions of the apparel firm. The goals of the individual constituencies may conflict with each other, however, these conflicts are solved through negotiation, and the ultimate focus is satisfying the needs and wants of the firm’s target customer (Kunz, 1995). However, in small apparel retail establishments, especially in the sole proprietorships, it is often one person, the owner, who performs all of these functions. Conflicts cannot be easily negotiated since all of the business functions are being performed by the same person.

In an apparel firm, the merchandising constituency is the firm’s profit center since the merchandise selected is what provides the firm with its income (Kunz, 1998). According to Glock and Kunz (1990, p. 30-31), “merchandising is the planning, development, and presentation of product lines for identified target markets with regards to prices, assortments, styling and timing.” Since merchandising functions ultimately provide the retailer with its income, it is important to understand these functions in relation to small business success.

The following sections will focus on previous research that has been conducted regarding small business success and failure. The first section focuses on small firm target
market selection, since all decisions made in an apparel firm are focused on the target market (Kunz, 1995). The following sections relate to the areas outlined in the merchandising definition including small business planning practices, product line development practices of small businesses, and the presentation of merchandise in small apparel retail establishments. Sections regarding management experience, financial management and human resources are also reviewed.

Use of Target Marketing

It is important for small apparel retailers to have a good understanding of who their target market is since all merchandising decisions should be based on the target market’s preferences and needs. Shim and Drake (1991) found that profitable women’s apparel retailers were positively associated with target market knowledge and customer services. Very often small apparel retailers are located in smaller cities and towns requiring the small retailer to attract customers from outside the immediate area (Carusone & Moscove, 1985; Kosters, Damhorst, & Kunz, 1996). Without a strong understanding of who the target customer is, it is difficult to draw customers from within or outside the towns. In many cases, the ability to draw customers from a larger geographical area is needed to maintain profitability.

Often, smaller retailers try to compete with chain stores and discount retailers in pricing instead of selecting a specific target market and developing a merchandise assortment in relation to the target market (Carusone & Moscove, 1985). It is difficult if not impossible for small apparel retailers to successfully compete using a pricing strategy since they do not have the volume or financial clout with vendors to achieve special buys
and discounts. Also, by carrying merchandise similar to that of the regional discount retailers, there would be little incentive for local residents to shop in the community, thus they outshop, or leave the community to do their shopping (Papadopoulos, 1980; LaForge, Reese, & Stanton, 1984). By targeting a different segment of customers, or providing something different in products or services than regional and national retailers, the small apparel retailer can work at satisfying the customers’ needs and can theoretically produce stronger customer satisfaction gaining an edge against other retailers (Peterson, 1991; Watkin, 1986). Watkin suggests this can be accomplished by using a focused strategy whereby a certain consumer lifestyle segment is concentrated on and services are optimized solely for that market segment (Watkin, 1986). This could be an important strategy for creating customer loyalty since it is likely that businesses competing in small local markets will require repeat business in order to survive (O’Neil & Duker, 1986).

Planning Practices

Several studies have found small businesses perform very little planning, and the little planning that was done was unstructured and random (Rice & Hamilton, 1979; Sexton & Van Auken, 1982). Other studies have found that planning did improve the decision making in small firms which ultimately resulted in increased sales and profits (Robinson, 1979; Robinson 1982). Gable and Topol (1987) found that small retailer owners who identified themselves as engaging in some type of formal planning were more likely to set goals and objectives in areas such as advertising and sales than were small retailer owners who identified themselves as non-planners. However, these studies included all types of retailers, not solely apparel retailers. Little research has focused on
the planning practices of small apparel retailers especially with regard to merchandise planning.

Merchandise line planning should be based on an evaluation of the past season’s performance, and what current trends and issues will impact projections for the future. Merchandise budgets, identifying the planned dollar investment by category, and assortment plans, which help identify new merchandise to be introduced, should be developed based on the budget (Kunz, 1998). This should all be done in context of the needs and wants of the target customer. Without doing this planning, it would be easy for the retailer to be improperly stocked, as well as not having the right merchandise at the right time for the particular target market. Several studies identified the lack of inventory control or developing a merchandise plan as a major problem area and cause of small business failure (Gaskill, Van Auken, & Manning, 1993; Khan & Rocha, 1982; Larson & Clute, 1979).

**Line Development**

The process of product line development relates to translating a line plan into actual merchandise to be carried in the store (Kunz, 1998). However, since many of the studies mentioned above found that little planning actually occurs, it would also seem likely that line development in the firms is not based on any previous planning. The process of developing a merchandising line that satisfies the wants and needs of the target market while providing a profit for the firm is part of the buying process. Arbuthnot, Sisler, and Slama (1993) conducted a study of 313 small retailers in regard to merchandise selection criteria and the retailers’ perceived satisfaction with store performance. They
found that the quality of the product (including fit, construction, fabrication and product styling), aesthetic qualities, and fashionability were all rated higher in importance for merchandise selection for those retailers who perceived a higher level of satisfaction with store performance. This indicates that retailers who have more satisfaction with store performance realize that they cannot compete with the larger chains and discount retailers selling basic merchandise. Rather, they focus on higher quality, fashionable merchandise. This could be a successful strategy as long as the merchandise is selected to meet the wants and needs of the target customer.

Another study found that buyers for small apparel retailers indicated their most important information source was their own personal judgement followed by customer comments and salesperson comments (Arbuthnot, Slama, & Sisler, 1993). Since many small business owners are also the buyers, and the majority do not have experience or education related to apparel merchandising, these findings imply that many merchandising decisions are not based on a plan, previous years sales, forecasting, nor by considering gross margin.

In addition to having the right merchandise, small retailers also need to ensure the right merchandise is at the right price while still providing a profit for the firm. Jackson, Hawes and Hertel (1979) found that cost-based pricing is the dominant pricing strategy for small retailers. This means that retailers begin with whatever the cost of the product was to them and add an arbitrary percent increase to arrive at the first retail price. No studies were found that looked at how small retailers use gross margin in making product line and pricing decisions. Gross margin determines how much money is available for
paying other expenses not related to the purchase of merchandise (Kunz, 1998). Small retailers need to estimate an achievable overall gross margin and then make purchasing decisions that allow them to attain the margin. Rather than using a cost-based type of pricing strategy, certain products found at a good price could possibly be priced with a higher markup to help achieve the gross margin. Products that would not provide significant dollar margins may be best overlooked unless they would act as a loss leader by drawing in customers who would then buy other products; thus, recouping the margin loss. Pricing strategies should be based on two factors: (a) the gross margin that the firm needs to achieve to make a profit as well as (b) the price that the target customer is willing to pay. Several studies have identified both small profit margins and lack of operating capital as common problems faced by small businesses (Hoy & Vaught, 1980; Khan & Rocha, 1982; Larson & Clute, 1979).

**Line Presentation**

The presentation of the merchandise to the ultimate consumer is an important part of the merchandising process. The way in which the merchandise is made visible to the customers can assist in drawing attention to the merchandise and elicit interest to buy (Kunz, in press). The presentation of the merchandise should include the store layout, fixturing, lighting, signage, pricing and delivery strategies, customer service and inventory management. Presentation really goes hand in hand with the line development. If too much merchandise is ordered, not only has the retailer over invested in inventory, but the presentation may appear too cluttered, and therefore doesn’t draw adequate attention to the merchandise. If too little merchandise is initially ordered the retailer may not have the
ability to order more, resulting in a presentation that would also not maximize sales since consumers would not perceive a good selection. Shim and Drake (1991) found that the most important promotional activities associated with profitable small apparel retailers included fashion shows and visual promotion. Both of these are ways to present the merchandise to the target customer. A small apparel retailer can have a defined target market as well as the right merchandise at the right price for the target market, but if the merchandise isn’t presented in an appealing manner, the customers won’t buy. The merchandise has to get the attention of the customer first before sales will occur.

**Management Experience**

Several studies have found that managerial inexperience and incompetence are the major causes of retail failure (Gaskill, Van Auken, & Manning, 1993; Haswell & Holmes, 1989; Hoy & Vaught, 1980; Larson & Clute, 1979; Peterson, Kozmetsky, & Ridgway, 1983) while another study found store management to be the most significant factor associated with profitable stores (Shim & Drake, 1991). Gaskill, Van Auken, and Manning (1993) surveyed previous owners of small apparel businesses which failed; they found that over 60% of those surveyed had no previous experience with small business ownership, and only 20.2% had graduated from college. Small business owners and managers in a nationwide survey most frequently cited availability of better management education as a means of reducing small business failures (Peterson, Kozmetsky, & Ridgway, 1983).
Financial Management

Cash flow problems and lack of operating capital have been cited as factors relating to small business failure (Gaskill, Van Auken, & Manning, 1993; Hoy & Vaught, 1980; Larson & Clute, 1979). In particular, accounting records have often been found to be inadequate, or completely non-existent in small businesses (Haswell & Holmes, 1989). This could be partially due to managerial inexperience. Larson and Clute (1979) examined records of 359 small businesses in the Chicago area who had gone to the Small Businesses Administration for help due to financial problems. They found that 40% of the businesses were lacking in accounting knowledge. Khan and Rocha (1982) found the majority of small retailing firms did not follow any precise accounting procedures. More importantly, O’Neill and Duker (1986) found the advice given by accountants as the only significant factor related to a firm’s success.

Human Resources

Small businesses, and in particular, those located in small towns and rural areas can have a difficult time finding and retaining good employees. Hoy and Vaught (1980) interviewed owners and managers of 150 small manufacturing and retail businesses. Human resource issues were expressed as a major concern by 44% of the interviewees. In particular, “managers reported that they had trouble recruiting, selecting, training, and motivating employees (Hoy & Vaught, 1980, p. 20).

Networks

Forming cooperative networks may provide an opportunity for small businesses to gain knowledge and make improvements in some of the areas previously mentioned.
relating to potential small business failure. Networks providing relationships between small businesses and the market environment in which they exist are important to the small business owner (Birley, Cromie, & Myers, 1991). Networks provide opportunities for small businesses to be competitive in today's volatile marketplace (Donckels & Lambrecht, 1997). Some of the disadvantages small businesses face due to their size can be offset by the supportive environments provided by networks (Szarka, 1990).

Small business owners are often reluctant to participate in cooperative programs (Carusone & Moscove, 1985). One study conducted in the southwest found that small, independently owned specialty store owners placed little importance on workshops and seminars for making purchasing decisions, and a negative relationship was found between owners' perceived store performance satisfaction and the importance of seminars and workshops (Arbuthnot, Sisler & Slama, 1993).

Types of Networks

Different types of networks have been identified. Exchange networks include companies and organizations with whom the small business has commercial transactions (Mitchell, 1973). These types of networks are based on competitive advantage; firms utilize such relations to achieve business objectives (Charan, 1991; Jarillo, 1988; Johannisson, 1986).

Contrary to the exchange network, a communication network consists of companies, organizations and individuals with whom the small business has non-commercial relations (Donckels & Lambrecht, 1997; Mitchell, 1973; Szarka, 1990). In these types of networks no tangible commodity trade takes place. The emphasis is on
gathering information and sharing of information (Szarka, 1990). Examples given for this type of network included advisors and consultants (Szarka, 1990) as well as family members and other entrepreneurs (Donckels & Lambrecht, 1997).

Social networks, on the other hand, emphasize friendship and involve an emotional relationship with other parties (Donckels & Lambrecht, 1997; Mitchell, 1973). This network consists of family and friends (Szarka, 1990) but may also develop with consultants and other entrepreneurs (Donckels & Lambrecht, 1997). This type of network appears to provide a source of emotional support for the small business owner.

Donckels and Lambrecht (1997) also distinguished between formal and informal networks. In a formal network there is a link between the network as an organization and the individual small business owner. Proven and Milward (1995) described this type of network as centralized in that there is a central group in the network that formally organizes the network activities.

An informal network (Donckels & Lambrecht, 1997) or personal network (Johannisson, 1986) involves all personal contacts made by the small business owner in an effort to gather information (Birley, Cromie, & Myers, 1991) with little formal structure or organizing attempted. Birley, Cromie and Myers (1991) found that most small businesses had personal networks consisting of business associates, friends, relatives, accountants, attorneys, as well as some persons involved with small business support agencies. Donckels and Lambrecht (1997) looked at small business owners’ involvement with external consultants, seminars, trade fairs and discussions with relatives as indications of networking; while Tjosvold and Weicker (1993) studied the relationships developed
between entrepreneurs and their bankers, suppliers, government officials and others during the development of their businesses.

Many studies on networks have focused on exchange networks where firms are vertically linked in the marketplace, for example, between buyers and suppliers (Barringer, 1997; Gales & Blackburn, 1990; Gassenheimer & Calantone, 1994; Sriran, Krapfel, & Spekman, 1992; ZuHone & Morganosky, 1995). Human and Provan (1996) studied two formal networks in the secondary wood product industry. One network had members who held vertical industry linkages, or were in different areas of the supply chain. The other network had mainly members with horizontal industry linkages and contained companies whose product lines were relatively homogenous and could be considered potential competitors. They found that horizontally linked networks provide firms with greater opportunity to learn from each other. These relationships between the firms with homogenous product lines appeared to be more of a communication network, based on the level of information that was shared between firms.

Networks in the Retail Industry

Few studies have been done on networks in the retailing industry. Most research has focused specifically on franchising as a strategic alliance for the small business owner (Justis & Chan, 1991; Peterson & Dant, 1990; Pilling, 1991; Withane, 1991) rather than voluntary network associations. One study on voluntary strategic alliances in the men’s wear retail industry was conducted in the Netherlands (Reijnders & Verhallen, 1996). The alliances in this study were identified as “retailer sponsored cooperatives” or a type of formal network (Reijnders & Verhallen, 1996, p. 38). Services included areas such as
centralized advertising, store location and layout assistance, financial and accounting assistance, as well as assistance with training. In this case the network was formal in structure and exchange relationships between retailers were not mentioned. Reijnders and Verhallen (1996) found retailers involved in this type of strategic alliance to have a higher level of professionalism, show more aggressiveness in the marketplace, as well as have a higher willingness to outsource certain functions to the alliance than did retailers not involved in a strategic alliance.

**Network Relationships**

Exchange theory, strategic networks, and social capital all relate to relationships and the ‘give and take’ processes within those relationships. To some extent each perspective contends that a level of trust is necessary among people in a relationship (Bagozzi, 1975; Borch & Arthur, 1995; Coleman, 1988). Along with trust, the relationship is based to a large degree on reciprocity. Reciprocity has to do with helping people who have helped you and expecting the same in return (Gouldner, 1960). This process of giving and returning is perceived as a trade of equivalent forms, otherwise the situation would be judged unequal and would be unlikely to continue over time (Simmel, 1950). The term reciprocity, therefore, denotes that one person or member does not perceive that he or she gives or receives more than another. Social capital theory is built upon the notion that individuals within the group can all achieve benefits if each member makes a similar sized contribution to the group’s designated effort (Putnam, 1995).

The bond that holds a network together is the degree of similarity in members’ desired goals and the cooperative effort in reaching those goals (Uzzi, 1996). Looking at
exchange theory, strategic networks, and social capital in terms of the levels of trust, commitment and reciprocity provides a framework for analyzing and understanding the relationships in the STAR network as well as the level of commitment to the group as a whole and how the network and individual members impact each other.

Exchange Theory

Exchange, in terms of exchange theory, has to do with the elements or concepts including rewards, costs, and profit (Homans, 1961). An exchange can be utilitarian where goods are given in trade for money or other goods. The motivation behind this type of exchange is the anticipated use of the goods. An exchange can also be symbolic where there is a transfer of psychological or social support between the parties (Bagozzi, 1975). The implication of an exchange is that both parties give and receive (Houston & Gassenheimer, 1987). The ultimate goal of the exchange process is to gain something. Reward refers to “pleasures, satisfactions, and gratifications the person enjoys” (Thibaut & Kelley, 1959, p. 12). A successful exchange occurs when both parties involved in the exchange perceive that what was received and rendered in the exchange is that which was agreed to (Houston & Gassenheimer, 1987). Costs are also involved in the exchange. Costs are defined as “any status, relationship, interaction, milieu, or feeling disliked by an individual” (Nye, 1979, p. 2). In business, costs can also be tied to financial or tangible losses. Since people want to gain rewards, exchange can be halted if one person perceives that the costs outweigh the rewards (Homans, 1961). When rewards exceed the costs involved, the result is profit. Exchange relationships will cease to continue if the parties involved in the exchange do not perceive they are making some type of profit (Homans,
1961). However, when costs are perceived to be substantially greater than the benefits received, the exchange relationship may also cease to exist. The most profitable exchange is therefore the one that provides the best ratio of rewards to costs (Nye, 1979). The principle concept of exchange theory implies that people want to avoid costs while seeking rewards. In the process of seeking rewards, people do have to accept some costs, however, they will do so by choosing the best possible outcome and attempt to maximize profits (Nye, 1979).

Exchange theory does involve trust and reciprocity in that the persons involved in a long term relationship expect something in return, and they trust that the other person in the exchange process will act in the way that was agreed upon. If both parties don’t feel that the exchange is in some way profitable, the relationship would not continue over time and substitute partners would be sought. The differences between exchange theory and strategic networks and social capital would include exchange theory’s focus on individual gratification. Primarily, each party wants to maximize the profits in an exchange with a lesser or secondary consideration given to other parties involved. Therefore, there is not a large degree of commitment to the group, as the relationship ceases to exist once a party’s individual gratifications are no longer being met. Exchange theory also implies that parties involved in a relationship expect reciprocity to be immediate. Relationships cease to exist if the parties involved do not receive benefits immediately in the exchange process (Nye, 1979).
Strategic Networks

The research relating to strategic networks has focused on the supply chain, such as networks between retailers and manufactures (Baker, 1990; Borch & Arthur, 1995; Uzzi, 1996). Limited research was found relating to networks entirely consisting of retailers. However, concepts from strategic network research provides a framework for understanding the nature of networks in general.

Network theory argues that rather than the selfish, profit seeking behavior supported by market theory, the focus is shifted away from immediate economic gains and more towards long-term relationships. These relationships are based on trust and reciprocity (Uzzi, 1996). Uzzi (1996) termed these types of close relationships as embeddedness. Embeddedness has three features including trust, information transfer and joint problem solving (Uzzi, 1996). Uzzi (1996) found that trust facilitated the exchange of information and resources critical for company survival. Joint problem solving between firms was also facilitated through close relations. According to Uzzi (1996), embeddedness develops through personal relations as well as third party referrals, where a person with ties to two other unconnected firms acts as a go-between using the common link to establish trustworthiness.

Strategic networks involve cooperative relations among firms for exchange or for sharing information or resources (Borch & Arthur, 1995). The role of long-term commitment, reciprocity, and trust can help reduce the uncertainty about the future which is inherent in small independent apparel retailing. The underlying concept of strategic network theory regards the activities of a firm in a network as a cumulative process
through which an increased dependency develops over time because of business exchanges as well as through social bonds in the network (Borch & Arthur, 1995). A mutual trust develops leading to commitment to the relationship (Borch & Arthur, 1995). Benefits of this type of network include an increased flexibility of partners based on high levels of trust, open flow of confidential information between partners, reduced conflict, and long term relations (Borch & Arthur, 1995). But this commitment is partly due to the belief that directly helping one member also indirectly benefits the one who is helping. Jarillo (1988) sees strategic networks as long term, purposeful relationships that enable firms to gain a competitive advantage.

The network of small independent apparel retailers provides an opportunity to look into these cooperative relationships. Network theory has focused on supplier-customer relations. It is easier to see how by helping someone else, you are also helping yourself; however, in this group of independent retailers, helping another retailer does not automatically mean you will also reap tangible or intangible benefits.

Social Capital

The word capital is often thought of as synonymous with financial capital. However, there are several forms of capital. Similar to strategic network theory, but originating in the fields of political science and sociology, social capital is referred to as “both the mutual relations, interactions and networks that emerge among human groups and the trust, obligations and norms that arise from them and adhere to the social structure” (Wall, 1996, p. 1). Social capital, like other forms of capital, is productive and
helps make certain outcomes possible. But unlike other forms of capital, relationships among members is inherent in its structure (Coleman, 1988).

Social capital theory really refers to the "resource potential of social relations" (Sharp, Peter, & Imerman, 1996). This involves exchanges in which an expenditure of time and energy is required (Bourdieu, 1986). The expenditure is not profitable in direct monetary terms, so these relationships are not directly based on the idea of a monetary return on investment. According to Putnam (1995), social capital allows members of a network to pursue shared objectives more effectively. Underlying social capital is the important concept that the more we connect with other people, the more we trust them (Putnam, 1995).

Unlike strategic network theory where relationships develop because helping another actually benefits all individual parties involved, social capital is more about working together for mutual benefit of the group (Flora, 1997). The group norms actually become independent and supercede those of the individual members and therefore the members don’t expect personal gain over what is good for the group (Coleman, 1988).

Social capital has been looked at in terms of families and their outside community (Coleman, 1988), rural communities (Sharp, Peter & Imerman, 1996; Wall, 1996), as well as regarding local government (Putnam, 1993). No studies were found that looked at social capital in the social system of small independent apparel retailers. However, since many independent apparel specialty retailers are located in a small town environment, findings in regards to rural community relationships may be significant with regard to this network.
Theory Continuum

Based on the principals of exchange theory, strategic networks and social capital, the three can be thought of as being on a continuum. All involve trust, reciprocity, and immediacy of benefits, but at different levels. At one end of the continuum, exchange theory involves seeking individual gratification. Persons seek relationships where profits are maximized and the best possible outcome for the individual is chosen (Nye, 1979). The exchange involves immediate reciprocity where one entity is traded for another and the members trust each other that the exchange will be executed as they agreed upon (Houston & Gassenheimer, 1987). At the opposite end of the continuum is social capital, where individuals work together for the mutual benefit of the group (Flora, 1997). Members do not expect personal gain over what is good for the group (Coleman, 1988). This suggests that reciprocity doesn’t have to be immediate, and that there is a greater level of trust and commitment to the group as a whole. In between the two is strategic network theory. According to strategic network theory, mutual trust also leads to commitment to the group (Borch & Arthur, 1995). The commitment grows as members see that by sharing the benefits and costs in an exchange they help each other as they indirectly help themselves. The members within a strategic network share the benefits and costs in an exchange (Borch & Arthur, 1995). Therefore, like social capital, they have mutual trust and commitment to the group, however it is because it is profitable for each of the members individually to work together. The continuum ranges from individual gratification to group gratification as seen in Figure 1.
Determining where the network of small independent Midwest specialty store retailers falls on this continuum will assist in analyzing and understanding the relationships in the network, the benefits provided by the network, and the level of commitment, reciprocity and trust involved.

Figure 1. Theoretical continuum from individual gratification to group gratification.

Strategic Positions for Small Retailers

Participation in networks can provide the small business owner with an opportunity to "stay small but act big" due to increased resource exchanges (Human & Provan, 1996, p.240). Therefore, involvement in a network could increase the strategic position of a small business in the marketplace. Gronmo (1987) developed a conceptual framework of the strategic positions of consumers. According to Gronmo (1987), although consumers may have conflicting interests, such as instances where they are competing for the same resource, there are also a number of circumstances where they have common interests. Gronmo (1987) described three general categories of common interests. The first type of commonality among consumers involves having a similar role, such as the role of being a purchaser. Another circumstance includes situations such as consumer cooperatives where by working together they have developed certain norms and
values. The norms and values develop when members actively support the cooperative and thus find ways to work together. The last circumstance regarding commonality involves conflicts such as consumers having common conflicts with other members in the supply chain. In this case, internal relationships between consumers develop through a common external conflict. Based on these common interests and conflicts, Gronmo (1987) developed a typology of strategic positions for consumers. The premise of the typology is that “the more common the interests and the greater the collectivity among consumers, the better their strategic position” (Gronmo, 1987, p. 47). Gronmo (1987) defines strategic position as a group’s “ability to advance its own interests in relation to other groups in society” (p. 45). The strategic position of the consumer depends on the nature of the relationships between consumers as well as with other members in the supply chain. Based on the combination of relationships, Gronmo (1987) developed four major strategic positions, potentially influential, potentially powerful, protected, and powerless.

Kean (1997) adapted Gronmo’s (1987) typology of strategic positions between consumers and other actors in channel relationships to the strategic position of retailers modeling the relationships among retailers and between retailers with other members of the supply chain. According to Kean (1997) retailers can be potentially influential in relation to other members with whom they have common interests. By contributing to the pursuance of the other members’ interests, retailers will also further their own interests. In this case, retailers have common interests with each other and with other members in the supply chain. In the case of the STAR network, the specialty store members have joined the network and thus have common interests with each other, and also may have common
interests with manufacturers and manufacturers reps. By forming the network the retail members may have the opportunity to be potentially influential in the marketplace when they would not have been able to achieve that strategic position as an isolated, individual specialty store.

However, market influence is not a realistic strategy when retailers unite as a group and yet have conflicting interests with other members in the supply chain. In this case, they must use power to advance their own interests. For example, the retailers can force other members in the supply chain to act in agreement with their interests. Small, independent retailers cannot expect to directly compete with larger retailers when it comes to market power (Watkin, 1986). Small retailers do not buy in the same quantities, and therefore cannot acquire the same discounts as retailers who can buy in larger quantities, and who make up a larger part of the manufacturer’s business thus having more power. By forming a cooperative network, small retailers may be potentially powerful in that it is not just one small specialty store as a potential customer, but rather an entire group of customers.

If the internal relationships among the retailers are typified more by conflicting rather than common interests, it becomes very difficult to have any type of collective action. Retailers as a whole may not have the same opinion on business issues and thus have conflicting interests with each other. Simultaneously, they may have common interests with other members in the supply chain. In this case the position would be one of protection. An example includes legislation (e.g., fair trade and pricing regulations) that protects the small retailer, who without collective action, would have little voice in the
market as compared to larger retailers. Prior to joining the STAR network, individual retailers may have been in the protective position where they didn’t have or didn’t realize they had common interests with other retailers similar to themselves. Perhaps their only defense was to establish common interests with members in the supply chain, for example, good relationships with sales representatives.

The last suggested strategic position occurs when retailers have conflicting interests with other retailers and also with other members in the supply chain. In this case, the retailers are powerless because they cannot find a common cause that unifies them.

“As a single unit, the small independent retailer has no power in the market and is subject to decisions already made by more powerful retailers and manufacturers” (Kean, 1997, p. 176). The STAR group appears, by the longevity of its existence, to have been successful in resolving conflicting interests through discussion and exchange of information with members. The Gronmo model would suggest that by forming the STAR network, members should gain buying power, establishing a strategic position in the regional apparel market that yields better prices, delivery schedules, advertising dollars, as well as markdown dollars.

Kean’s adaptation of Gronmo’s typology of strategic positions provides a framework for evaluating the strategic position of members of the STAR network in relation to the midwest apparel market. Discovering the differences in strategic positions of members both before and after they became members of the STAR network can help to explain some of the repositioning strategies forming a network can achieve.
Qualitative Methodology

Qualitative methods were chosen for data collection procedures. Qualitative inquiry is typified by an effort that establishes boundaries for the study as well as assists the researcher in retaining only that information relevant to the focus of the study (Lincoln & Guba, 1985). Rather than collecting data to study preconceived hypotheses (Taylor & Bogdan, 1984), qualitative research is concerned more with process and getting at the underlying meaning (Creswell, 1994). Therefore, qualitative research studies begin with only equivocally formulated research questions, thus the research design remains flexible since data collection is simultaneous with data analysis (Creswell, 1994). Yin (1994) states that often a study will need to have minor and sometimes even major changes in order to follow up on an unexpected lead. Because there was no literature that directly related to networks of small, independent, rural, apparel retailers, the study was approached without firm assumptions but with guidance provided by these firmly established theoretical frameworks.

Trustworthiness is related to how a researcher can “...persuade his or her audiences that the findings of an inquiry are worth paying attention to” (Lincoln & Guba, 1985, p. 290). Trustworthiness was established through many techniques. Lincoln and Guba suggested that prolonged engagement and triangulation assist in establishing credibility. For this study, credibility was established through a prolonged engagement with the network as a whole group, and with individual members. The first contact with
the network as a unit of analysis was in May 1997 at the network’s semi-annual seminar, and the last contact was in January 1998 at the Minneapolis market. Individual members were contacted as a second focus of analysis within this same time frame as well and into May, 1998. Triangulation, when a combination of research methods and data sources are implemented in a single study (Patton, 1980), was used in data collection in order to get consistent and dependable data. Focus group discussions, personal interviews, telephone interviews, participant observation, and review of the network bylaws, newsletters, and documents were the methods of data collection for this research study. An additional researcher was present during focus group discussions, participant observation, and some of the personal interviews in order to establish dependability of the data.

The Single Case Study Approach

The phenomenon of a small, independent, rural, apparel retailing network is a unique case that warrants using the case study method (Yin, 1994). Yin (1994) states that case studies are preferred when ‘how’ or ‘why’ questions are being asked, when the researcher has little control over elements, and when the focus is on a contemporary phenomenon. The existence of this network of small, independent, often rural, apparel retailers is indeed a contemporary phenomenon warranting further research. In describing how to research strategic networks in general, Borch and Arthur (1995) suggest a case study approach be used to study multiple sources of data. A single case study was chosen due to the dynamic nature of a network and the need for a deeper understanding of the inner workings of such a specific type of a network. Since no such cases of networks of small, independent, rural apparel retailers were found in the literature and the researcher
was unaware of the existence of other similar networks, a single case study was justified due its relevatory nature (Yin, 1994).

Sample

Case History

The existence of a specialty store network was discovered when an area apparel retailer hosted the STAR network’s summer seminar in 1996. Part of their seminar that year included a tour of Iowa State University’s Textiles and Clothing Department. Many Textiles and Clothing professors recognized the uniqueness of the group, and their willingness to share information with each other. After initial contact with the network’s elected secretary, a copy of the current membership list was obtained. A formal letter was sent to all members outlining the study and requesting their permission and willingness to participate. After two weeks a reminder letter was sent to those who had not yet responded. Permission or interest in the study was initially indicated by 55% of the members (see Appendix A).

The network consists of 55 non-competing small, independent, specialty store apparel retailers located in Kansas, Iowa, Minnesota, Missouri, Nebraska, North Dakota, South Dakota, and Wisconsin. To provide anonymity an acronym for the network was selected. The network, in this study called STAR, has existed for over 20 years. In 1964 the original founder recognized the value of forming a network after attending a convention at which stores from all over the country were in attendance. On the last day of the convention the stores had discussions about problems they were facing, and an attempt was made to find solutions. However, the stores were located far apart
geographically, and they had varying sales volumes, so little was resolved. Nonetheless, it was those discussions that stimulated further consideration in terms of overcoming obstacles. The discussions would have been beneficial if the stores had comparable sales volumes and were located in the same geographical area. On December 18, 1964, the founder wrote a letter outlining his ideas and sent it to several area merchants in the Midwest. The first organizational meeting was held on January 17, 1965. There were 18 in attendance from 5 different upper midwestern states. Membership was then and is today, by invitation only. Membership guidelines were established at that first meeting but continue to evolve as the specialty store market changes.

**Membership**

Whenever a prospective member is presented for membership, his or her name must be presented to the entire membership for acceptance. Any member can deny membership to any proposed member. Total membership cannot exceed 55 members. They currently have a waiting list for new members.

Membership is restricted to retailers in the midwestern states who frequently attend the Minneapolis regional market. No member may be located within 50 miles of another member unless the present member agrees to the arrangement. Any member with more than 6 women’s specialty stores can no longer be a member of the network.

**Present organization structure.** The network’s election of officers is held in the fall at the Minneapolis apparel market. There is a Board of Directors consisting of 6 members plus one Secretary/Treasurer. The previous President may serve as a non-voting member of the board for one year.
The STAR network has an annual summer seminar, as well as network meetings while at the Minneapolis market for both the fall and spring buying trips. The rest of the year they keep in contact with each other through the weekly newsletter or by personal telephone calls. Initial membership is $25.00 while dues are $20.00 per month. A $15.00 credit is made to each members' account each month they contribute information for the newsletter. Three months of free dues are credited to each member's account for each paid-up new member they bring into the network. The network also pays a 5% of gross purchases finders fee to any paid-up member who finds a special buy which is offered to everyone in the network.

The network's Secretary and President were contacted for permission to (a) hold a focus group at the network's next annual summer seminar as well as (b) interview the network members individually to provide another perspective for analysis. They agreed to allow focus groups as well as participant observation for the entire three-day seminar. The participant observation allowed a collective view of the network to see how members interacted with each other in a natural setting. The focus group provided information which was used in the development of the personal and telephone interview schedule. The personal and telephone interviews provided a means to access the members one-on-one.

Notes were taken throughout the participant observation at the summer seminar and during the Minneapolis market trip. A content analysis was done on the network's newsletters. A total of 25 interviews of network members were audio taped and used in data analysis.
Data Collection Instruments

Members Collectively

A semi-structured focus group schedule was developed based on a review of literature of social capital, networks in general, exchange theory, and issues faced by small apparel retailers. The focus group schedule consisted of seven questions (see Appendix B). Questions relating to benefits provided by the network, reciprocity, and commitment were included in the focus group schedule. The credibility of the focus group schedule was confirmed by two experts in the textiles and clothing field. The focus group was conducted at the network’s summer seminar in May, 1997. Permission had been given by the network’s current president and secretary and by participating members. The focus group was scheduled in the summer seminar agenda which was sent to all network members via the network’s weekly newsletter. The focus group consisted of 14 members willing to participate.

Members Individually

Based on the information from the focus group, a semi-structured interview schedule was developed (See Appendix B). The focus group transcripts were analyzed and coded, themes emerged, and the interview schedule was based on the emergent themes. The original interview schedule was pre-tested with one of the network members, and minor revisions were made. The interviews were done either over the telephone or at the informant’s retail store. One interview was conducted at the Minneapolis market. The interviews ranged from 30 minutes to 1 and ½ hours. The complete set of collection instruments is included in Appendix B.
Prior to data collection, approval was obtained from the Iowa State University Human Subjects Review Committee for the use of human subjects (see Appendix C).

**Data Analysis**

“Data analysis is an ongoing process in qualitative research” (Taylor & Bogdan, 1984, p. 128). During data collection, the data was continuously analyzed, and emerging themes were noted. Themes were then developed into categories. During participant observation at the network meetings and at market, observer’s comments were noted to identify ideas and interpretations that emerged throughout the process. Based on this continuous analysis, the interview schedule was adapted to include more questions to obtain more of an in-depth understanding of the network (Taylor & Bogdan, 1984). For example, it became apparent that members had contrasting views in evaluating their business success and therefore viewed the benefits of the network differently. Based on that emerging theme, more questions were instituted regarding why the members first decided to open their own businesses, and what they hoped to achieve through network membership.

The interview transcripts, field notes, and network newsletters were coded by categories. This process started by first listing all themes, ideas, and interpretations that occurred in the initial and ongoing analysis. This comprehensive list was then reviewed and developed into categories and some categories were eliminated or merged with other categories. Remaining data were reviewed and either determined not useful for the study, or were found to fit into existing categories. The conceptual categories were reviewed by other researchers in Textiles and Clothing and differences were negotiated. In order to
establish dependability of the data analysis, the primary researcher coded the data and approximately 20% was verified by another researcher.

In order to better investigate the interpretation of the categories, further review of literature was completed. For example, further studies regarding networks in the marketing field were found beneficial in interpreting some of the network characteristics. When several STAR members mentioned their heavy reliance on their mailing lists as a form of marketing and promotion an additional search of the literature regarding direct mailing practices of small retailers lent support to this finding (Davis, 1996).
CHAPTER 4: RESULTS AND DISCUSSION

Analysis of Categories

The analysis first began by separating data into categories. Coding categories were developed in two ways; (1) deductively based on theses found in the review of literature; and (2) inductively as themes emerged during the focus group, interviews and participant observation that were then formed into categories. These categories established the boundaries for the study. Categories included network characteristics, business benefits provided, strategic position, commitment, reciprocity, and trust. These categories were also broken down into sub-categories. Themes also emerged from the data that did not fit into these categories and were not emphasized in prior network research. These themes were developed into new categories which included confidence, social ties, and evaluation of business success. A listing of all categories and subcategories can be found in Appendix D.

Network Characteristics

Organizational structure. The STAR network would be considered a formal communication network since there is a strong link between the network as an organization and the individual members (Donckels & Lambrecht, 1997). Network activities are centralized as there is a core group in the network that organizes the activities. Organizing was predominately done by the Board of Directors, and especially by the Secretary/Treasurer, the only paid non-elected member of the board. The Secretary/Treasurer was responsible for compiling the information members sent in for the newsletter and for mailing it on a weekly basis. This position was also responsible for
planning and coordinating the dinner and the meeting at the Minneapolis apparel market. The summer seminar was usually hosted by the current President of the Board. The planning, therefore, was the responsibility of the current host along with assistance from other STAR members. The exception to this occurred if the current President’s location was not easily accessible by all members in the seven state region. In this case the President would co-host the seminar with another member who had a more centrally located store.

As stated by several network members, the main purpose of the STAR network is to “share and visit and get ideas from other people.” This premise is consistent with a communication network. A communication network consists of companies, organizations and individuals with whom the small business has non-commercial relations (Donckels & Lambrecht, 1997; Mitchell, 1973; Szarka, 1990). In these types of networks no regular trade takes place. The emphasis is on gathering information and sharing of information (Szarka, 1990). Members in the network, for the most part, did not have commercial or business transactions with each other. The exceptions included those members who participated in a joint jewelry purchase. Two members in the network regularly traveled to the east coast to buy costume jewelry. They discovered that they needed to order in greater volume to do business with certain vendors. The idea of stores participating in a “jewelry pre-pack” buy was suggested to other members. Although this would be considered a type of centralized buying, participation decisions were made on a voluntary basis, and the board was not involved with its organization. Rather, the original members who came up with the idea organized the buy. Other members often mentioned or
requested exchanging merchandise with another member store, but this was not considered centralized buying. Randomly, members teamed up to purchase lines that had higher minimum order quantities than an individual store could afford on its own.

**Member demographics.** Members are considered as individual stores. Since several member stores are partnerships, the number of actual people exceeds the membership total of 55 stores. Based on the STAR membership list, 22% of the members were men, and 78% of the members were women. All of the member stores carried women's missy sized apparel, however, some stores also carried additional categories. A breakdown of the stores carrying these additional categories carried shows: 72% petites, 34% women's large sizes, 40% juniors, 6% bridal, 23% men's, 19% children's, and 13% shoes.

Of the informants, most owned only one store, although several owned two or three retail establishments. The size of the towns ranged from populations as small as 775 to populations of 17,000. The only exception was from one informant who was no longer a member of the STAR network. She stated that there were no other stores in the network that were similar to hers. The fact that her store was in a much bigger market than all of the other stores in the STAR network was a contributing factor to her leaving the network. The number of years informants owned their stores ranged from 3 to 30 years with a mean of 18 years, and the number of years they had been members of the STAR network ranged from 2 to 26 years with a mean of 7.64 years. The majority of the informants had attended at least one of the summer seminars during their membership. See Table 1.
Table 1. Informant Demographic Information

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<th>Number of Stores Currently Owned</th>
<th>Number of Years Store Owned by Informant</th>
<th>Number of Years Involved with STAR</th>
<th>Attended One or More Summer Seminars</th>
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<td>26</td>
<td>Yes</td>
</tr>
<tr>
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<tr>
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<tr>
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<td>180,000</td>
<td>1</td>
<td>26</td>
<td>2</td>
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</tr>
</tbody>
</table>
Member individuality. Early in the project it became apparent that the STAR network was made up of independent, individual members. In the introductory letter sent to all of the members, the network was mistakenly referred to as a "buying group". Many of the members who responded by telephone and letter were very quick to point out that this network "definitely was not a buying group" and that they all did their own individual buying. The independent nature of many small retailers has been known to prevent participating in horizontal cooperative networks (Carusone & Moscove, 1985). What makes this network different is that the network was formed by small specialty store retailers; it is run by small specialty store retailers; and yet everybody runs their own operations independently. One member stated that her husband calls them the "alpha females" due to the strong attitudes and opinions of the members. Although the majority of members are female, there are male members as well. The importance placed on member independence was expressed by a board member:

"These are very independent people and they're held together in this group. The minute they start to feel like something is being railroaded down their throats they will be gone so fast it will make your head spin."

Because the importance of member individuality was recognized as being essential to the long term survival of the network, all activities and level of participation are on a voluntary basis and there is no seniority or "pecking order" in the network. However, members also felt that everyone should participate at some level. Most expected members to live up to some type of standard regarding involvement. Some examples of how this was expressed include:
"In my opinion, they should absolutely make every effort to attend the seminars...otherwise all this information you are getting is interesting, but you can't relate to what type of store it came from."

"You should go to the meetings because that is where you get a lot of the information. And you learn who you can really share with by listening about their store."

"The more you are involved, the more you get out of anything, you really do. It is good to be involved because as you get to know the people, you know the kind of store they have so you know who to call first for what your need might be."

Although every current member interviewed felt that there was some type of standard of involvement that people should try to live up to, they were reluctant to actually set a mandatory standard of involvement. This again reflects the importance placed on individuality. They reasoned that each person would get out of the network exchange what he or she put in, and that the volatile nature of the retailing industry required involvement for survival. When considering mandatory participation requirements, informants felt that it would be "a very difficult thing" and that it was easy to be "too quick to judge somebody." With the ups and downs that small specialty store retailers go through throughout the years, a mandatory standard of involvement wasn't seen as a feasible solution for encouraging involvement. The main type of encouragement had to do with contributing to the weekly newsletter. Members who contribute items for the newsletter receive a discount on their monthly dues. Hence, they were both tangibly and intangibly rewarded for their contributions to the group.

**Personal Interaction.** Although the main contact and source of information in the network came via the weekly newsletter, it appeared that most members felt that the personal face to face interaction was essential to getting the most out of the network.
Informants who had been to at least one previous summer seminar really felt it was the only way to really get to know which stores were most like their own. Although meetings are held during the Minneapolis apparel markets, many felt that “it is just not enough time to get to know people and to get to know their stores.” The majority of the informants regularly attended the summer seminars which were held at a member’s store. Only four of the informants had not ever attended a seminar, or had not attended in a number of years. Reasons for not attending the annual seminar had to do with the month of May being a hard time of year to get away for three days, while one informant was regularly on vacations during that time. One informant explained the range in attendance:

“Oh, if we get 20 to 25 members at a seminar, that is pretty average. It is because you have to leave your store for three days. We have personal things that happen, and some people have never been to a seminar and don’t recognize how important it is.”

The general consensus amongst the informants who regularly attended summer seminars was that once a member attended his or her first seminar, it would take something really serious to keep him or her from attending another one. Getting members to their first seminar appeared to be a key factor in regular attendance. Since the majority of the informants were highly involved with the STAR network, it appeared that highly involved members were more likely to be participants in this study than less involved members. However, an effort was made to interview the less involved members to gain their perspective.

Members who regularly attended summer seminars were able to list a number of other members with whom they contacted regularly outside of meetings and seminars. They listed members that they shared merchandise with or just called to share information
or to bounce an idea off of them. For example, one member talked about trying to make a
decision to move to a new location.

"We would be doubling our size if we went into that [space]. So we had all these
decisions to make and we went right over and talked to [member]. We brought all
of our paperwork and sat at her desk and said okay, tell us what to do. We have a
lot of respect for her because she is a really good business woman."

It also became evident as informants listed members they interacted with the most,
that there was a core group of members within the STAR network. There were five
members who were consistently listed by the informants. One member listed by everybody
was the Secretary/Treasurer, other frequently listed members had been previous network
Presidents, regularly went to New York markets, or coordinated joint jewelry buys.

The members had different stores with whom they shared merchandise. However,
several members were recognized as being "experts" in certain areas. One member was
seen as the "numbers" person and the person to contact for technical questions. Another
member was consistently listed as the "best buyer" and the person to go to for information
on the New York market. A couple of other members were known for doing a lot of
promoting and advertising.

Informants who did not regularly attend the summer seminars had a more difficult
time naming other network members with whom they stayed in contact. Two of the
members felt they probably talked to one or two members outside of the newsletter and
meetings, but didn’t name any of the members. Two other members simply stated that
they did not contact other members outside of meetings, and instead relied more on the
newsletter.
The summer seminar provides the opportunity for personal interaction away from a business setting, such as that which occurs when the members meet at the Minneapolis apparel market. The summer seminar consists of three days of relaxed interactions. The first evening of the 1997 seminar was a cocktail party held at the host member's store. Everyone mingled and people were very open and friendly. Although activities and speakers were scheduled the next two days, emphasis was on the informal exchange of information and ideas. One informant felt members got a lot more out of the seminar when they didn't have a "pure lecturer" but rather something more interactive. Many opportunities were provided for members to interact with each other such as during meals and particularly during the "round table" where members take turns exchanging information on promotions, what is selling, or anything else of importance. Informants felt that "the biggest value is when we sit around and talk to each other" and that they "came out of it with a lot more usable information." A successful network appears to need opportunities for members to interact with each other personally or in an unstructured environment to form personal business contacts.

Membership restriction. The STAR network has membership restrictions. Part of the restriction concerns the number of members. Currently the maximum number allowed is 55 members. The main reason for the restriction on the number of members had to do with the weekly mailings. Currently, weekly mailings are usually about four pages. Members felt this length was good and they had time to read the information in their busy schedules. The Secretary/Treasurer felt it was important to include all information members sent in, and if the number of members in the network increased, the contents of
the newsletter would have to be edited. It was felt that “personal perspectives” shouldn’t enter into the newsletter content decisions since what may not be important to one member may be for another. It appeared that the individuality of the members was important here as everyone’s voice was felt to be equally important and an information gatekeeper was not needed.

The other restriction on membership had to do with the non-competitive nature of the network members. Any new prospective member must have his or her name put in the newsletter for all members to evaluate. Any current member can deny membership if they feel the prospective member would be in competition with his or her store. The general guideline is that members are at least 50 miles apart, but that “isn’t necessarily a magic number.”

All of the informants were adamant about the importance of this restriction. It was felt that information was easily shared with everyone because members were not competing with each other. Human and Provan (1996) found that when horizontally linked networks included competitors, members viewed their competitors as resources for their firm. Tjosvold and Weicker (1993) interviewed entrepreneurs in Canada who had created new businesses in the previous five years. These businesses were not restricted to a particular type of business. Their findings suggested that members with cooperative goals rather than competitive goals worked together towards a mutual benefit. They were able to more freely express their ideas and were more open with important information. This resulted in members discovering new ideas. Although Tjosvold and Weicker’s
(1993) study refers more to members' goals as either being cooperative or competitive, the basic premise related to this study.

In the network under study, the informants couldn't think of any reason they would not share information with other members. Because they were not in direct competition with any of the members they were open with their information. The importance of a non-competitive environment was expressed in the following statements.

“I have to protect myself from those [prospective] members being in the group because I do share so much information. And we try to protect ourselves with a 50 to 60 mile barrier... by doing that I feel that I need to give as much as I can since I am keeping my competitors out.”

“I don't want a store, like we have a little [state] town that is only 10 miles away from me, and I certainly would not want her to be a member of our organization simply because she would get the wonderful ideas, to share with her what we are going to be doing promotion-wise or going to be coming up with in the next three to four months. I am very much for restrictions.”

“We have a 60 miles radius and I couldn’t share with someone close to me. It would make a tremendous difference if we didn’t have the restriction.”

Many informants indicated that they had to pull in customers from a large trading area. They couldn’t survive by relying on town residents alone. For this reason it appeared essential for all members to be geographically distant non-competitors so that members wouldn’t feel threatened. The general consensus indicated that the amount and kinds of information exchanged would be greatly hindered if the members did not have the opportunity to keep their competitors out of the network.

**Business Benefits of Networking**

In the review of literature section, seven dimensions relating to the success and failure of small businesses were identified. In this study only four of those emerged as
areas where information exchange occurred. Those areas included the use of target marketing, planning practices, line development, and line presentation. Out of 75 weekly newsletters consisting of 665 articles, topics relating to target marketing included target markets, in-store services, examples of promotional direct mailers and examples of promotional ads. These made up approximately 41% of all articles contributed.

Approximately 8% of the newsletter articles related to planning practices that included pricing, promotional events, and cash flow advice. Newsletter articles pertaining to line development included new line opportunities, S.O.S. to all stores when a piece of merchandise was needed to complete a coordinate group for a customer, members looking for someone with whom to split an order, information on how lines worked for members, hot sellers, group purchase opportunities, as well as questionnaires on which vendors did or offered the best for each member. Articles regarding these areas of line development made up approximately 15% of all newsletter articles. Approximately 3% of newsletter articles related to line presentation which included display ideas and fixture types. The remaining 33% of newsletter articles included information on upcoming network meetings, membership lists, proposed new members, membership profiles, notices of going out of business, generally how business was doing, as well as articles where members just let out their frustrations.

Management experience and financial experience were not areas in which exchange of information was evident. However, all of the informants had at least had previous retail experience, and many had previous supervisory experience of some sort. Those who had previous financial experience, such as accounting experience or banking really felt that was
beneficial for becoming a small business owner. One informant explained the importance of doing your own accounting books:

"They say you can hire somebody to do that, but I think the major difference is...you know if you are doing your own books when you have a problem very early. And then you have time to do something about it. Whereas if you are having an accountant or somebody do it, it might be a month before you know you have a problem...You know immediately that you are starting to get a cash flow problem or that you are spending too much in a certain area."

Although having financial experience was seen as being helpful for small business owners, this wasn't an area where a lot of information was exchanged between members.

All informants expressed the management difficulty of finding good sales help. This was also evident as members mingled during the summer seminar. Frustrations mainly had to do with the federal minimum wage increase. It was also clear that the small retailers couldn't offer health plan benefits because they could not "get a good deal". Some information was shared during the summer seminar regarding incentive programs for employees and other benefits that could be offered such as flexible hours and paid vacation. However, informants did not mention this as an area where information was regularly exchanged, and articles regarding human resource issues were not found in the weekly newsletters.

**Marketing**. Information on marketing and promotions was by far the most shared information, especially in the newsletter. In terms of target marketing, articles were submitted regarding communicating with customers, ways to lose sales, and how to utilize mailing lists. All informants had mailing lists and indicated that it was their best form of advertising. The predominance of direct mail as the main advertising medium is consistent with research findings that direct mail is best suited for small businesses and has become a
viable threat to newspapers (Davis, 1996). Many members already had established
customer mailing lists before they became members, but several others indicated that they
"sure did after the first seminar." Even those who had existing mailing lists found ways to
use them differently. During summer seminar, some members shared that they kept
customer birthdays on file and sent customers a small gift such as a pair of earrings on
their birthday. One informant picked up an idea from another member to send coupons to
around 30 customers from her mailing list each week instead of one big coupon
promotion. She found by doing that she was able to maintain a continuous flow of
customers.

By far the most information found in the newsletters had to do with different
promotions and sales concepts that members used. All the informants indicated that
exchanging promotional ideas was one of the biggest benefits of the STAR network
membership. Many felt that after being in the business so long it was hard to come up
with new ideas alone. By exchanging promotional ideas they could try something they
would not have thought of before and there was less risk involved knowing that the ideas
were "tried and true" and had "already worked well for others." Finding an interesting
promotion in the newsletter also provided a reason to contact other members in order to
get more information on that particular promotion. Thus, the newsletter stimulated
further exchanged efforts between members.

Members shared the kind of business promotions they used and what did and
didn't work with each one. Informants easily described different promotions and sales
they tried because they picked the idea up through the newsletter or from a meeting that without the network contact, they wouldn’t have thought of on their own.

**Planning practices.** Informants really did not share much in regards to budget or assortment. The only information shared in this area had to do with pricing. A newsletter article informed members about the importance of not using the same mark-up percentage on merchandise from vendors when discounts were given versus merchandise from vendors that did not offer any terms or discounts. The emphasis was on the ability to maintain a good gross margin. Another article provided ten steps to improving cash flow problems. Members also checked with other members on pricing issues. They would see how other stores were pricing a particular line and how it was doing for them.

In terms of pricing, information was often exchanged regarding the merchandise deals they were able to achieve in market. Information was shared in the newsletter concerning the cost of the merchandise, the original price or first price, and special promotional events. Members were excited about these special promotional pricing strategies because it was one way they could compete with larger retailers. One member who had picked up a line of designer jeans because of a special offer was able to sell 70 pairs of jeans during a six day sales promotion. It appeared that the exchanging of this type of information enabled other members to see the possibilities available through the merchandise deals offered at market.

**Line development.** Information shared in regards to line development had to do with picking up new lines. When asked how their businesses would differ if they hadn’t
joined, many felt that they definitely wouldn’t have as many successful merchandise lines.

For example:

“Oh, I think we wouldn’t be doing quite the volume. I think there would be some brands we wouldn’t have in here.”

Another member described an idea that she credited with keeping her store in business:

“A couple of years after we opened [the town] had a big celebration and it was the national teddybear convention. We have a teddybear artist in town and he brought all of these teddybear artists and collectors from all over the world to [town]. We went to a STAR meeting…and several people were mentioning [brand] sweatshirts. And they do this little sweatshirt that says London, Paris, Rome, and then they will name drop your town. And by London it has Big Ben, and by Paris it has the Eiffel Tower…and by your town you can put whatever you want. So we got them in that said London, Paris, Rome, and [town] with a little teddybear beside it…and those people came and they bought those sweatshirts and they bought those sweatshirts. And I reordered and I reordered and I reordered…But honest to God, I think we might have closed up the doors if we didn’t have those stupid sweatshirts. It was like the light at the end of the tunnel kind of thing…We would not have probably heard about [brand] if it hadn’t been for STAR. That is what kept us in business for our first year.”

Second to newsletter articles focusing on promotions, the next most frequently exchanged information had to do with successful lines. Several times during the year the newsletter contained questionnaires that members were to complete and return about which lines were their most successful and which lines weren’t working out well at all. This information was then given back to all those who participated. Minneapolis market week meetings also provided many with opportunities to try new lines. It was found not to be unusual for manufacturers to go out of business with no notification as to the status of their orders. Informants indicated that when this happened they could rely on information from network members on how to fill that gap.
Another merchandising benefit had to do with completing a coordinate piece of a group once the sizes and items began selling. The newsletter often contained an S.O.S. where one member would request other members to call if they had a piece of merchandise needed for a customer. It provided an excellent way to please the customer and to benefit both stores participating in the business transaction.

Line presentation. Information exchanged regarding line presentation mainly had to do with the visual display of merchandise. Newsletter information revealed articles on how to evaluate a window display. A speaker at the summer seminar talked about store lighting issues and how different lighting could be used for better merchandise display.

Overlapping concepts of presentation and promotion had to do with the service of providing fashion shows. Information was exchanged by members on different types of fashion shows they had, from a small, informal luncheon fashion show in the store, to a large fashion show off-site with meals provided. This was seen more as a way to display merchandise and do something for the community as many fashion shows were done by the request of a local organization. However, the fashion show models often purchased much of the merchandise they wore. Incentives were often provided to models in the form of discounts on merchandise for that day. One member put together a packet of information on how to put on fashion shows, and it was made available to any member who wanted it.

Strategic Position

Potentially influential. According to Kean (1997) retailers can be potentially influential in the marketplace when both the retailers and other members in the supply
chain have common interests. By contributing to the pursuance of the other members’ interests, retailers will also further their own interests. In the case of the STAR network, the members have joined the network because of their common horizontal interests with similar customer bases and climatic conditions. Members also have many common vertically linked interests with the manufacturer’s representatives because of the changing market. Years ago it appeared that salespeople did not really strive for the smaller retailers’ business. However, with the shrinking size of the regional apparel markets, many manufacturer’s representatives now seek to nurture all the business they can get.

This idea of common interests became apparent especially during regional market week in Minneapolis. Several vendors or manufacturer’s representatives were given the opportunity to present their lines to the member stores as a group. The network also provided members with STAR stickers to wear while at market and to place on their orders so that manufacturer’s representatives were informed that they were dealing with a member of the STAR network.

Potentially powerful. Although the interests of members were usually consistent with those of the manufacturer’s representatives, there were times when those interests conflicted. In this case, the retailers could become potentially powerful through the network’s use of power to advance their interests. Ideally, retailers have the potential to force other members in the supply chain to act in agreement with their interests (Kean, 1997). Although the STAR network didn’t really rely on force, network members felt that manufacturers’ representatives were less likely to pull something over on them when a
‘wrong’ to the individual could be brought before a group of 55 stores. One informant explained:

“We also share information on vendors, about be careful with this one I got burned, or if you have problems with returns and refunds. When you aren’t hooked up with anybody else you just don’t know. So salesmen don’t tend to throw baloney at me when I come up with a sticker.”

Since the interests of the retailers in the network usually coincided with the interests of the manufacturer’s increased sales, the network association assisted retailers in becoming potentially influential in the marketplace (Kean, 1997). On occasion when the retailers interests and the manufacturer’s interests conflicted, the network provided a source of validation and enabled retailers to become potentially powerful in the marketplace when pursuing their interests (Kean, 1997).

According to Toffler (1990) knowledge can substitute for other resources, and therefore knowledge is power. New knowledge, thus can speed up processes and substitute for time expenditure. The STAR network turns knowledge into power through the exchange of information. The exchange generates new ideas for network members to try, and thus enables the network members to try new profitable ideas. The knowledge therefore can substitute for the expenditure of time and energy that could be spent trying to think of new ideas that may or may not be profitable. The knowledge of “tried and true ideas” that have previously been successful provides an opportunity for members to not only save time but also try something that has worked in other similar situations.

Theoretical Continuum

Exchange theory, strategic networks and social capital all involve varying degrees of trust, commitment and reciprocity. Based on those varying levels, they can be thought
of as on a continuum. At one end of the continuum, exchange theory involves seeking individual gratification. Persons seek relationships where profits are maximized and the best possible outcome for the individual is chosen (Nye, 1979). The exchange involves immediate reciprocity where one entity is traded for another and the members trust each other that the exchange will be executed as they agreed upon (Houston & Gassenheimer, 1987). At the opposite end of the continuum is social capital, where individuals work together for the mutual benefit of the group (Flora, 1997). Members do not expect personal gain over what is good for the group (Coleman, 1988). This suggests that reciprocity doesn’t have to be immediate, and that there is a greater level of trust and commitment to the group as a whole. Between the two, strategic network theory is located. According to strategic network theory, mutual trust also leads to commitment to the group (Borch & Arthur, 1995), but the commitment results because by helping other members they indirectly help themselves since the members within a strategic network share the benefits and costs in an exchange (Borch & Arthur, 1995). Therefore, like social capital, they have mutual trust and commitment to the group, however it is because it is financially profitable for each of the members individually to work together.

Trust. According to network theory, relationships are based on trust (Uzzi, 1996). Due to the trust, close relationships form. Uzzi (1996) termed these types of close relationships as embeddedness. Embeddedness has three features including trust, information transfer and joint problem solving (Uzzi, 1996). Uzzi (1996) found that trust facilitated the exchange of information and resources critical for company survival. Trust developed between STAR members partly due to the fact that no competitors were in the
network. Members did not feel like they could not trust each other because they were not in competition with the other members. Trust also developed through long-term relationships and social ties. As members formed relationships, they also developed trust.

One example of this trust had to do with the jewelry pre-packs. Members could voluntarily participate in a group costume jewelry purchase organized by two of the network members. The drawback was that members who participated did not know what the merchandise would be until the receipt of goods. Informants who participated in the jewelry buy trusted the other members to spend their money. They felt they could "trust their judgement." Others felt it was good to get some "new blood." One informant commented that one time the jewelry pack contained pieces she would not have normally bought, and figured they would not sell. When the merchandise did sell, she realized that she did not know everything. This trust went both ways and enhanced the development of long-term relationships on a professional and personal level. One of the members who did some of the jewelry pre-packs commented that while it was good for her own business because she could get better quantity deals, she had to keep in mind she was not buying just for herself. She tried to stick to more basics and to not purchase too much high-end merchandise so that the jewelry packs would be beneficial to the whole group.

According to strategic network theory, people help others because they too will get something out of the relationship. However, there were many instances where members helped other members, even when it would not increase their competitive advantage. One informant described a time when she was having personal and financial troubles.
"Years ago when I had marital problems which led to financial problems, it was STAR that really helped me. So belonging to an organization like this gets you close to people, and they become your friends, and they become quite a help. When I went through divorce, and that time I even went through bankruptcy...I was devastated...So many stores helped, they would say we’ll bill it to our store and we will have it shipped to you, and many, many stores helped me out that way because I had no credit at that time. So that really saved me, and that went on for quite a few, I would say about two years.”

The helping members trusted that the member would eventually pay them for the merchandise. They did not receive any competitive gains by helping this member. These types of relationships are more closely related to social capital theory in that the relationships involve exchanges which require an expenditure of time and energy (Bourdieu, 1986). This type of expenditure is not profitable in direct monetary terms. So these relationships were not directly based on the idea of a monetary return. According to Putnam (1995), social capital allows members of a network to pursue shared objectives more effectively. Underlying social capital is that the more we connect with other people, the more we trust them (Putnam, 1995).

Commitment. The mutual trust that develops also enhances commitment to the relationship (Borch & Arthur, 1995). According to Borch and Arthur (1995) strategic networks include an increased flexibility of partners based on high levels of trust, open flow of confidential information between partners, reduced conflict, and long term relations.

STAR members were committed to each other through their willingness to help each other and exchange information. However, they also appeared to by committed to the network as a whole as evidenced by their willingness to share ideas in the newsletter and during their meetings. Social capital is about working together for mutual benefit of
the group (Flora, 1997). In the purest form of social capital, group norms actually
become independent from the individual members and members therefore don’t expect
personal gain over what is good for the group (Coleman, 1988). Though driven to
maintain a profitable business, members of STAR were concerned enough for the group
that they shared the ‘secrets’ of their business success.

The importance of commitment to the group was apparent through the network’s
stance on confidentiality. This issue surfaced when a manufacturer’s representative
complained to a STAR member that he did not appreciate the negative comments
regarding his line. When asked why he thought STAR was critical of his line, the
representative replied that another member told him about some comments made during
recent STAR meetings. The network responded to this breech of confidentiality in the
newsletter. Several responded that members should never reference the network when
making derogatory comments so as to “not ruin a good thing for everybody.” However, it
was felt that when members were complementary of a vendor, then it would be
appropriate to reference the STAR network since “the salesmen will be flattered and
everyone will think of STAR in a favorable light.” In this sense, it appeared that
commitment to network confidentiality as a whole was very important.

Reciprocity. Informants felt that reciprocity, or the process of equivalent giving
and receiving in a relationship was a very important part of the network (Simmel, 1950).
Several newsletters contained articles advising “the more you help others, the more willing
they will be to help you.”
Informants felt that it was important for everyone to share information. One informant stated that “as long as they are always willing to share with us, we are willing to share pretty much anything from our store.” Another informant felt that “if people are not going to share information and be active in our group, then they really need to move along and drop out of the group.” It appeared that members didn’t mind sharing information with others as long as those others shared information too.

Members also felt that what they paid in dues and time was well worth the cost. They felt that as long as they picked up one good idea or a new line, the benefits out weighed the costs.

The STAR network position on the continuum. The premise of the STAR network was that by helping others you end up helping yourself, and everybody benefits. Since members are able to increase their competitive advantage through reciprocity, exchange theory and strategic network theory apply. However, STAR members did not expect reciprocity to be immediate, but rather they felt that if they could help a member out now, there would probably be a time later when they too would need assistance. Although being successful, profitable business owners was important for all members, they were not out to succeed at the expense of the other STAR members. STAR members felt they were more successful in their businesses due to exchange of information that was stimulated by the high level of trust developed through long-term relationships between members as well as commitment to the STAR network. Therefore, strategic network theory applies to the STAR group more than exchange theory.
Members were also committed to the network as a whole, and often did selfless things in order to help members they also considered as friends. STAR members were committed to network confidentiality and to supporting all network members in whatever ways they could. Therefore social capital also applies to the STAR network. For that reason, the STAR falls between strategic network theory and social capital on the continuum from individual gratification to group gratification. See Figure 2.

Figure 2. The STAR network’s placement on the theoretical continuum from individual gratification to group gratification.
Emergent Categories

Confidence

The confidence members felt they gained through association with the network emerged from the data. Informants gained confidence in their decisions because they could always check with other members to see how they had done things which reduced the risks involved. The network relationships also appeared to provide members with the confidence and support to make it through tough times in the business. According to informants:

"You can’t realize, unless you are in this business, what a comfort it is to have this network out there. For whatever kind of information you need."

"A person really gets addicted to our letters from STAR. It is always so reassuring to know you’re not the only one out there."

"I think the rapport with other people, knowing that you aren’t the only one that is having trouble one year with dresses for example. Or that is no longer coordinate groups that are selling, it is items, or you know, just the feeling from other people who are in the same situation as you even though they may be in a different area. They still have the same problems many times."

A major benefit of the network for the members simply was just realizing they weren’t the only ones out there. By knowing there were others in the same situation experiencing the same things was reassuring to the members. Therefore, a network may not just provide ways to stay more competitive, but it can also provide a support system for small retailers.

Social Ties

Also related to confidence and support networks are the social ties that are formed. It was clear that members formed close ties and friendships with other members
who were actively involved. Those informants that were not actively involved in the network and didn’t attend meetings appeared to be less likely to form social bonds. Members felt that with every seminar “you get closer to the people.” Johannisson (1996) stated that “the most important ties in the personal network are almost as often social as business oriented” (p. 253). Social ties originate in friendship and they add to a business owner’s self-confidence (Johannisson, 1996). This appears to be the case with the STAR network. Many of the informants felt that although the business information was extremely important, the most important benefit was the social ties formed. According to informants:

“It is nice to be able to help a friend. And I consider the gals and guys in STAR friends. They are a nice group of people. They are a fun group and they work very hard at their things. And sure, you always learn something, you just always learn something.”

“When you have 55 friends at market it is very impressive. You are going down the aisles going hi, hi, hi, hi, hi. Because someone who is not a member doesn’t do that. They are on their own.”

At market it is impossible not to continuously run into other STAR members. Many informants related this as being a major difference between going to market as network members, and what going to market was like before they became members. Knowing that there were other members out there to turn to and to exchange information with provided members with confidence.

Although the formal purpose of the network is to share and provide information to each other in order to make each other’s businesses better, it is apparent that social ties do form when members are actively involved. In this way, the network can also become a social network for many members. Social networks emphasize friendship and involve an
emotional relationship between members (Donckels & Lambrecht, 1997; Mitchell, 1973). This type network often consists of family and friends (Szarka, 1990) but may also develop with consultants and other entrepreneurs (Donckels & Lambrecht, 1997). This would be the case with the STAR network. Members joined for the business benefits, but social ties formed as members became more involved. These social ties appeared to provide a source of emotional support and friendship for members.

Some of the informants indicated that they were involved in other networks. One indicated that while she really got most of her merchandising ideas from another network due to her different target market, she stayed active with the STAR network because of the friendships that had formed. This indicates that different network associations may provide different types of benefits for different members.

Evaluation of Business Success

One interesting theme that emerged had to do with differences between members who joined the STAR network during their first five years of business, and those that joined after they had been in business at least ten years. Members who joined during their first five years of business often credited the network with helping them stay in business. In fact, a number of informants felt that they would be out of business today if they had not become members. Other members joined after they had already been in business a good number of years. They didn’t credit the network with their ability to stay in business. They often mentioned that they enjoyed being able to help people; and since they had been in business so long, they had gone through about everything already. They usually emphasized the social aspects of the network the most.
Perhaps a reason this network has continued over time is due to a maintained balance or ratio between members who have been in business for many years and new store owners. The more recent store owners are able to learn and receive information and guidance from the more experienced store owners who are willing to nurture new store owners. Those receiving eventually over time become the providers to a new group of member store owners.
CHAPTER 5: CONCLUSIONS

Summary

Small businesses are integral to the U.S. economy. They are expected to contribute about 60 percent of the new jobs for the years 1994-2005. Of these newly created jobs, about 85 percent will be in the retail or service areas (Facts about Small Business, 1996). However, Star and Massel (1981) found from a sample of retailers in Illinois, that rural retail businesses with annual sales volume under $240,000 had lower survival rates than larger urban retailers with larger sales volume. This study investigated one way for small, independent retailers to cope - through the formation of a network with other non-competing small retailers.

Few studies have been conducted on networks in the retailing industry. Most research has focused specifically on franchising as a strategic alliance for the small business owner (Justis & Chan, 1991; Peterson & Dant, 1990; Pilling, 1991; Withane, 1991) rather than voluntary network associations. One study on voluntary strategic alliances in the men’s wear retail industry was conducted in the Netherlands (Reijnders & Verhallen, 1996). The alliances in this study were identified as “retailer sponsored cooperatives” or a type of formal network (Reijnders & Verhallen, 1996, p. 38). Services included areas such as centralized advertising, store location and layout assistance, financial and accounting assistance, as well as assistance with training. In this case the network was formal in structure and exchange relationships between retailers were not mentioned.
A review of literature also revealed several areas that impact the success or failure of small businesses. These categories included small firm target market selection, small business planning practices, product line development practices of small businesses, merchandise presentation, management experience, financial management and human resources. Since many of the retailers in the STAR network have been in business for over 20 years, perhaps the network provided information about some of these areas which enabled the some of small retailers to thrive.

The objectives of this study were to (1) determine the structure, mechanics, history, origins and the fundamental drive of the STAR network; (2) discover the relationships that exist in the network and the benefits derived from an exchange theory, social capital and strategic networks perspective; (3) uncover reasons why the network functions together in terms of exchange theory, social capital, and strategic networks; (4) understand how the network impacts the retailers' strategic positions in the marketplace using Gronmo’s (1987) typology of strategic positions for groups as applied by Kean (1997) to retailers in the fashion system; and (5) derive what is necessary for the successful operation of the network which could be used to assist other small independent apparel retailers in forming a strategic network.

Exchange, strategic networks, and social capital theory provided a framework for the study. All three involve trust and reciprocity, but at different levels. Therefore, they can be thought of on a continuum. At one end of the continuum, exchange theory involves seeking individual gratification. Persons seek relationships where profits are maximized and the best possible outcome for the individual is chosen (Nye, 1979). The
exchange involves immediate reciprocity where one entity is traded for another and the members trust each other to execute the exchange as they agreed upon (Houston & Gassenheimer, 1987). Existing at the opposite end of the continuum is social capital, where individuals work together for the mutual benefit of the group (Flora, 1997). Members do not expect personal gain over what is good for the group (Coleman, 1988). This suggests that reciprocity doesn’t have to be immediate and because there is a greater level of trust and commitment to the group as a whole the reciprocal return can occur at a later date.

In between the two strategic network theory is located. According to strategic network theory, mutual trust also leads to commitment to the group (Borch & Arthur, 1995), but the commitment results because by helping other members they indirectly help themselves because the members within a strategic network share the benefits and costs in an exchange (Borch & Arthur, 1995). Therefore, like social capital, they have mutual trust and commitment to the group, however it is because it is profitable for each of the members individually to work together.

If the members of the STAR network work together and have exchanges with each other, there would be levels of trust involved in the relationship. There could also be different levels of commitment to the group as a whole. Therefore, the STAR network was found to fit somewhere on the continuum between exchange theory and social capital. Because the STAR network was found to have these exchange relationships, they contributed to the network members receiving some type of benefit in the marketplace. Participation in networks can provide the small business owner with an opportunity to
“stay small but act big” due to increased resource exchanges (Human & Provan, 1996, p.240). Kean’s adaptation of Gronmo’s typology of strategic positions provided a framework for understanding the strategic position of members of the S.T.A.R. network in relation to the marketplace. The four strategic positions for retailers in the marketplace include potentially powerful, potentially influential, protection and powerless (Kean, 1997). Discovering the differences in strategic positions of members both before and after they were members of the STAR network can help to explain some of the advantages forming a network can achieve in the marketplace.

Because the purpose of this study was to discover and understand the relationships, the degree of commitment, reciprocity, and general benefits provided by the network and since no research was found that directly related to the exchange relationships between small retailers in a network environment, qualitative methods in the form of a case analysis was the chosen method of study. Yin (1994) states that case studies are preferred when ‘how’ or ‘why’ questions are being asked, when the researcher has little control over elements, and when the focus is on a contemporary phenomenon. In describing how to research strategic networks in general, Borch and Arthur (1995) suggest a case study approach be used in order to study multiple sources of data. A single case study was chosen due to the dynamic nature of a network and the need for a deeper understanding of the inner workings of a network of small, independent, rural, apparel retailers. Since no such cases of networks of small, independent, rural apparel retailers were found in the literature; and the researcher unaware of the existence of other similar networks, a single case study was justified due its relevatory nature (Yin, 1994).
An informal focus group was conducted at the STAR network’s summer seminar in 1997. The focus group conversations were audio-taped, transcribed, and used in the development of the interview instrument. Semi-structured, open-ended interviews (n=25) were audio taped and transcribed. Other data collection techniques included participant observation at their summer meeting and market meeting, observations, and content analysis of weekly newsletters and by-laws. The review of literature and focus group transcripts provided the basis for determining categories. Emergent categories were inductively identified through content analysis of interviews, field notes, observations, and weekly newsletters and by-laws.

The network was found to operate through an elected Board of Directors. The Secretary/Treasurer position did not change, and was a paid position. This position was responsible for compiling the weekly newsletter and sending it to all members, keeping track of membership dues, as well as planning the meal and meeting at the Minneapolis market. It was found that a core group of people is necessary for keeping the network running.

Also identified as important for a successful network was valuing the protection of the members’ individuality. The small retailers were strong willed, and didn’t want anything forced on them. Therefore everything was on a voluntary basis. Members did not have to contribute to the newsletter, but those who did received a reduction in their membership dues. The network did not do formal group buying, but members often split merchandise to get discounts due to volume orders. The open exchange of information between members, and the trust that developed was facilitated by the cooperative
atmosphere. None of the members in the network were competitors. Members had the right to exclude a proposed member from joining the network if they felt they were competitors. It was found that personal interaction between members, such as at the summer seminar and meetings helped in the formation of social ties.

Although the members were very profit driven, the social ties between members also developed through personal interaction. This lead to further trust between members and commitment to the group. Through this trust members often split merchandise with other members who had similar stores. As social ties between members formed, they often did not expect immediate reciprocity for costs in terms of information and time they gave to other members. Rather, they helped each other out when they needed it, and knew the same would be done in return if they ever needed it.

Out of the seven areas relating to the success or failure of small businesses found in the literature, only four of those were mentioned by informants. Some informants mentioned sharing information on merchandise presentation in the form of displays. A program on lighting and its impact on displays was given during the summer seminar. Articles were found in the weekly newsletters that related to merchandise displays. Some mention was made regarding merchandise line planning, particularly in regards to pricing. However, the most common information exchanges between members had to do with marketing in the area of sale and promotions, and merchandise line development in the area of finding good buys and sharing information on “hot sellers.” Therefore, it was found that this network provided the most information regarding business benefits in the areas of marketing and line development.
Based on the principles of exchange theory, strategic networks, and social capital, it was found that the STAR network fell between strategic networks and social capital. Exchange, in terms of exchange theory, has to do with rewards, costs, and profit (Homans, 1961). An exchange can be utilitarian where goods are given in trade for money or other goods. The motivation behind this type of exchange is the anticipated use of the goods. An exchange can also be symbolic where there is a transfer of psychological or social support between the parties (Bagozzi, 1975). The implication of an exchange is that both parties give and receive (Houston & Gassenheimer, 1987). The ultimate goal of the exchange process is to gain something. In this regard, the reciprocity is immediate. One member gives something and expects to have something in return at the same time. Although members did expect other members to give, and everyone wanted information in return, it really wasn’t expected to be immediate. Exchange theory also focuses on individual gratification. However, members also wanted other members and the network as a whole to profit as well.

The premise of the STAR network is by helping others you end up helping yourself, and everybody benefits. Since members are able to increase their competitive advantage through reciprocity, strategic network theory applies. However, since members were also committed to the network as a whole and often did selfless things in order to help members they also considered as friends, social capital applies. For that reason, the STAR falls between strategic network theory and social capital.

According to Kean (1997) retailers can be potentially influential in the marketplace when both the retailers and other members in the supply chain have common interests. By
contributing to the pursuance of the other members’ interests, retailers will also further their own interests. In the case of the STAR network, the members joined the network because of their common interests with each other. Members also have many common interests with the manufacturers’ representatives because of the changing market. Years ago it appeared that the salesmen didn’t really need the business of the smaller retailers. However, with the shrinking size of the regional apparel markets, many manufacturer’s representatives now needed all the business they could get.

Although the interests of members were usually consistent with those of the manufacturers’ representatives, there were times when those interests conflicted. In this case, the retailers could become potentially powerful through the network’s use of power to advance their interests. Ideally, retailers could force other members in the supply chain to act in agreement with their interests (Kean, 1997). Although the STAR network did not really rely on force, network members felt that manufacturers’ representatives were less likely to pull something over on them. On occasion when the retailers’ interests and the manufacturers’ interests conflicted, the network provided a source of validation and enabled retailers to become potentially powerful in the marketplace when pursuing their interests (Kean, 1997).

Recommendations for Small Retailers

This study provides much useful information for other small retailers interested in starting their own network. It is clear that there is a lot that needs to be in place for networks of small retailers to survive and remain beneficial for its members. The
following includes recommendations on how this information could be used by other small businesses in the formation of their own network.

**Network organization.** There needs to be some type of formal organizing of the network. This ensures that the operational aspects such as dues, newsletters, and meetings are planned and carried out. If possible, a full-time paid Secretary/Treasurer works well in order to keep continuity to the network. In the STAR network, this person was passed information on all potential new members, compiled and mailed newsletters, collected membership dues, planned regional market meetings, as well as provided the central source for members to contact. An elected board of directors assists in the planning of regional market meetings, summer seminars and general network guidelines.

**Member contact with network.** A formal newsletter ensures weekly contact between members and the network. The STAR network helped to ensure newsletter contributions by offering a reduction in dues each month for those members who submitted newsletter articles.

While the weekly newsletter was very important for continuous information exchange and continuity, personal contacts also need to be arranged. Meetings while at the regional markets provides venues for further information exchange on the products offered, and members may be able to make quantity purchases. However, it is also important to have personal contacts on a more informal basis as well. This allows members to get to know each other better and to learn which stores are most like their own. Store members become more likely to call other members throughout the year after they became more comfortable with them in an informal atmosphere. The STAR network
provided this opportunity at their summer seminars which were held in the location of the current President’s store.

Membership recruitment. Turnover in the network does happen as members retire, go out of business, or determine the network doesn’t meet the needs of their particular business. Therefore, store members must play a role in the recruitment process. This is done by talking to potential members while at market. It is important to have a member who does the formal contacting and proposing of new members. This way store members can pass on names of potential members which are then followed up. A waiting list ensures constant membership at all times.

Manufacturer’s representatives can also provide a source of membership possibilities as they can advise stores about the network. This can occur as the manufacturers’ representatives work with network members and become aware of network benefits. Wearing name tags or placing a network sticker on orders at market help to get the network name out to the manufacturers’ representatives.

Membership restriction. It is important for membership to be restricted in some way. Information is more freely exchanged when members are not competitors. Therefore, a guideline needs to be established in order to ensure a non-competitive environment. This can be done by restricting the number of miles between members’ store locations and by member votes on all potential members. In the case of the STAR network, as long as one existing member felt a potential member was a possible competitor, the potential member would not be allowed to join the network.
Central market. The network needs to be based around a central market. One main central apparel market helps to hold the network together for business purposes and also ensures regional relatedness between members. In the case with the STAR network, the central market was the Minneapolis regional apparel market, and this way the network could hold meetings twice a year while at market.

Merchandise categories. Members have more information to exchange with each other if they carry the same or similar merchandise. Therefore, it is important for store members to carry the same type of merchandise. In the case of the STAR network, all stores carried women’s apparel. Although some store carried higher end merchandise, others carried more moderate merchandise, since it was in the same category they had common interests.

Member characteristics. It is important that members have been in business varying amounts of years. A network of all new store owners wouldn’t be as beneficial as one made up of seasoned store owners as well as new store owners. This way members with vast amounts of experience can provide an initial source of information for other members. Gratification isn’t always immediate in the network, so members need to be willing to commit to a long-term relationships. The network is not going to work if members all expect to take but don’t want to become involved.

Limitations of Research

The results of this study are based on the research of one network. Therefore the results may not directly apply to other networks. This study is also limited to a network consisting of small independent retailers located only in the upper midwestern states
concentrated around the Minneapolis Market. Therefore, the results may be limited in terms of the geographical area. Twenty-five personal interviews were conducted. It was found that the majority of the informants who agreed to participate in the study were highly active members of the STAR network. Although there was redundancy in the network member interviews, many members who are not as active did not agree to participate in the study. Therefore, the interviews may not have provided a full range of possible responses from all network members. This is just an initial effort and much more needs to be examined.

**Recommendations for Future Research**

The study of the STAR network revealed that the most frequently exchanged information between members had to do with marketing and sales, and new product lines to add to a store’s line development. However, several informants belonged to other network organizations besides the STAR network. Different networks may provide different benefits for its members. Stores may belong to different networks in order to gain different benefits. Further studies could focus on how small retailers use different networks in order to receive different types of benefits.

Because social ties emerged as an important theme, further research on how social ties develop could be valuable. This study found that more personal, face-to-face interactions between members may help form these social ties. Social ties also appeared to help members find stores in which they could share further information, split merchandise, and to just turn to for moral support. Further research could be done to see if social ties promote business relationships in other networks and settings.
Another interesting concept emerged from the study. It appeared that members attributed the success of their business due to information received from the network differently depending on the number of years they had been in business before they became a member of the network. Network members who joined during their first five years of business often credited the network membership with helping their businesses survive. Network members who joined after they had already been in business ten years or more didn’t see the information they received as directly related to their business survival. Rather, they focused more on social ties and the enjoyment from helping others as the main reasons for staying in the network.
APPENDIX A. INTRODUCTORY LETTER
As educators and researchers in apparel retailing, we would like to learn more about your regional buying group and how it has successfully operated for over 22 years. We do not know of any other buying groups that have developed such a long-term and cooperative relationship and we would like to find out more about what makes this group effort so successful. We would like to assess your interest in participating in our “case study” research of STAR.

Mary Lynn Damhorst is an experienced social science researcher with a background in organizational communications, while Nancy Miller has worked for five family-owned apparel retailing stores and has a research background in apparel marketing. Heather Doe is a masters student who has retail management experience.

Your participation would involve an interview asking you questions such as: your history of involvement with the group; your perceptions of the advantages or disadvantages as a member; and you store goals and how the group buying effort supports these goals. The objective of this “case study” is to gain an understanding of your buying group and then organize the information so that other independent retailers considering a system of group buying could benefit from your group’s experience. Your name and the name of your buying group would never be identified with any comments you might make during interviewing. The interviewing time would range from 30 minutes to an hour depending upon your schedule.

We request that you fill out the enclosed form and mail it in the pre-stamped envelope. If you are willing to talk with us, we will contact you and see what works best for you in terms of time for scheduling an interview. Thank you for considering our project. We wish you a very busy business season!

Sincerely,

Heather Doe
Nancy Miller
Mary Lynn Damhorst

(Address & Telephone)
1. Would you be willing to participate in our ‘case study’ of your buying group?
   
   Yes   No

If Yes, please complete the following:

2. Would you prefer we call you at home or at work?
   
   Home   Work

3. What is the telephone number you would like us to call?
   ________________________________
   (area code)

4. When would be a good time for us to call?
   
   Before ____________________________  After ____________________________ or
   Between __________________________  and __________________________

5. Any particular day(s) of the week that would work best for you?
   ________________________________

6. Would you permit Heather, Nancy, or Mary Lynn to interview you in person if we
came to your business or to the Minneapolis Apparel Market?
   
   Yes   No

7. Do you have any particular questions you would like us to call and discuss with you
right away?
   
   Yes   No

Thank you again for your time! Please put this form in the enclosed, stamped envelope
and mail to:  Heather Doe (Address)
Dear _________:

About two weeks ago we wrote to you asking if you would be interested in participating in our case study of your networking group STAR. As retail professionals, we realize how busy and hectic your schedules are and perhaps you set it aside intending to mail it later. For that reason we are enclosing a second copy of our form and self-addressed stamped envelope. Please send us a reply using the enclosed form so we know whether or not you are willing to participate. The remainder of this letter summarizes what participating in our study involves.

As educators and researchers in apparel retailing, we would like to learn more about your regional buying group and how it has successfully operated for over 22 years. We do not know of any other buying groups that have developed such a long-term and cooperative relationship and we would like to find out more about what makes this group effort so successful. We would like to assess your interest in participating in our "case study" research of STAR.

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We would greatly appreciate your willingness to take a few moments to fill out the enclosed form and mail it in the pre-stamped envelope. If you are willing to talk with us, we will contact you and see what works best for you in terms of time for scheduling an interview. Thank you for considering our project. We wish you a very busy business season!

Sincerely,

Heather Doe
(Address & Telephone)
APPENDIX B. DATA COLLECTION INSTRUMENTS
Small Informal Focus Group
Moderator Guide

Opening Statement

Good afternoon and welcome to our session. Thank you for allowing us to come to your annual meeting to discuss your cooperative network. My name is Heather Doe and I am a graduate student in the Textiles and Clothing Department. Assisting me is Dr. Nancy Miller also from the Textiles and Clothing Department. We are attempting to gain information in order to understand the interrelations and problem solving efforts of your network and organize the information so that other independent retailers considering forming such a network could benefit from your group's experience. The findings from this discussion will form one part of my master's thesis and provide information for what to focus on in our personal and telephone interviews.

Today we will be discussing some of the issues that small businesses face and how being a member of your network has assisted you in dealing with some of those issues. We will also discuss the benefits of being a member of your network and advice you would give to other independent retailers considering forming a similar network. There are no right or wrong answers but rather different points of view. Please feel free to share your opinion even if it is different from what others have said. You should feel free to refrain from discussing any topic about which you feel uncomfortable.

Before we begin let me remind you of some of the ground rules. This is a research project. No sales or solicitations will be made. Please speak up but only one person should talk at a time. We're tape recording the session because we don't want to miss any of your comments. The audio tape recording will be erased after publishing the research.

We'll be on a first name basis this afternoon and in our reports there will not be any names attached to the comments. You are assured of complete confidentiality. We would like you to keep our discussion confidential as well. The session will last for about an hour.

Let's begin. There are name cards on the table in front of you to help us remember each other's names.
Small Informal Focus Group  
Focus Group Guide

1. What do you think are some of the major issues faced by small retailers?

2. How does being a member of your network assist in dealing with these issues?

3. What was it about the network that first got your attention and interest? What did you expect from joining the network?

4. What are the benefits of being a member of your network?

5. Do you think it is important to give back to the network? If so, how?

6. Do you feel it is important to help other members in the network? If so how do you help other members?

7. What advice would you give to other small businesses who wanted to develop a network similar to yours?
Network Member Interview Guide

1. How many years has your store been in business?

2. How many of those years have you been a member of S.T.A.R.?

3. Did you have previous experience in retailing before you opened your store?  
   Probe: What other work experience do you have?

4. What type of merchandise do you carry, what are the category types?

5. Do you contribute items to the newsletter?  
   Probe: If yes, how often do you send in items?  
   If no, what are some of the reasons why you decided not to?

6. Do you think it is important for members to send in items?  
   Probe: If yes, why do you feel it is important?  
   If no, why don’t you find that aspect important?

7. Do you try to attend the meetings (summer meeting, ragtime)  
   Probe: If yes, have you ever hosted one of the meetings?  
   If no, what are some reasons you haven’t attended the meetings?

8. Have you ever hosted one of the summer meetings?

9. Have you ever been a member of the board?

10. What do you think is expected of the members?

11. Is there some type of standard regarding involvement that you think members should live up to?

12. Is receiving recognition for the time you give to S.T.A.R. important?  
   Probe: Why or Why not?

13. How did you first become acquainted with S.T.A.R.?

14. How many of the members would you say you know pretty well on a first name basis?  
   Probe: How long have you known them?

15. Do you ever contact members outside of seeing them at the meetings?  
   Probe: If yes, are there particular members that you contact more than others?
16. List 5 stores you interact with the most.

17. Describe what going to market was like before you were a member of S.T.A.R.

18. What was the experience like after you were a member?

19. Do you ever feel intimidated at market or by a sales rep?
   Probe: If yes, what did you do in that situation?

20. Did you have a mailing list before you became a member of S.T.A.R.?
   Probe: If yes, has any information from the network help you to utilize your mailing list better?
   If no, do you have a mailing list now?

21. Has your mailing list helped your business?
   Probe: Why or why not?

22. Have you held a fashion show?
   Probe: If yes, do you use any of the information available from the network?
   If no, why haven’t you tried a fashion show?

23. When you are unsure of something, do you check with another member?

24. How do you think your business would differ today if you had never become a member of the network?

25. If you found a great buy, would you share the opportunity with other members?

26. Can you think of an opportunity you wouldn’t be willing to share with the other members?

27. When you are having a difficult time either professionally or personally, have you turned to other members for assistance?
   Probe: If yes, can you describe a specific time?
   If no, what are some reasons why you haven’t?

28. Can you give an example of a time you tried something, such as a hot tip from the group, or something that you heard about through the network that you normally wouldn’t have tried?
   Probe: If yes, what made you decide to try it?
   If no, do you think you would try something in the future?
Summer Seminar

Information shared:

Member interactions:

Seminar atmosphere:

Comments:
APPENDIX C. HUMAN SUBJECTS APPROVAL
Information for Review of Research Involving Human Subjects
Iowa State University
(Please type and use the attached instructions for completing this form)

1. **Title of Project**: Networking of small independent Midwest specialty store retailers and the significance of social capital: A case study

2. I agree to provide the proper surveillance of this project to insure that the rights and welfare of the human subjects are protected. I will report any adverse reactions to the committee. Additions to or changes in research procedures after the project has been approved will be submitted to the committee for review. I agree to request renewal of approval for any project continuing more than one year.

   Heather S. Doe  
   Textiles & Clothing
   1078 LeBaron Hall
   5/4/97
   294-8519

3. Signatures of other investigators
   Major Professor
   5/5/97

4. Principal Investigator(s) (check all that apply)
   Faculty ☑ Staff ☐ Graduate Student ☐ Undergraduate Student

5. Project (check all that apply)
   Research ☐ Thesis or dissertation ☑ Class project ☐ Independent Study (490, 590, Honors project)

6. Number of subjects (complete all that apply)
   # Adults, non-students ☑ # ISU student ☑ # minors under 14 ☑ other (explain)
   # minors 14 - 17

7. Brief description of proposed research involving human subjects: (See instructions, Item 7. Use an additional page if needed.)

   See attached pages

(Please do not send research, thesis, or dissertation proposals.)

8. Informed Consent:
   ☑ Signed informed consent will be obtained. (Attach a copy of your form.)
   ☐ Modified informed consent will be obtained. (See instructions, Item 8.)
   ☐ Not applicable to this project.

   See attached pages
9. Confidentiality of Data: Describe below the methods to be used to ensure the confidentiality of data obtained. (See instructions, item 9.)

See attached pages

10. What risks or discomfort will be part of the study? Will subjects in the research be placed at risk or incur discomfort? Describe any risks to the subjects and precautions that will be taken to minimize them. (The concept of risk goes beyond physical risk and includes risks to subjects' dignity and self-respect as well as psychological or emotional risk. See instructions, item 10.)

There are no other anticipated risks or discomforts from planned procedures other than the general areas addressed in previous sections.

11. CHECK ALL of the following that apply to your research:

- A. Medical clearance necessary before subjects can participate
- B. Samples (Blood, tissue, etc.) from subjects
- C. Administration of substances (foods, drugs, etc.) to subjects
- D. Physical exercise or conditioning for subjects
- E. Deception of subjects
- F. Subjects under 14 years of age and/or Subjects 14 - 17 years of age
- G. Subjects in institutions (nursing homes, prisons, etc.)
- H. Research must be approved by another institution or agency (Attach letters of approval)

If you checked any of the items in 11, please complete the following in the space below (include any attachments):

Items A - D Describe the procedures and note the safety precautions being taken.

Item E Describe how subjects will be deceived; justify the deception; indicate the debriefing procedure, including the timing and information to be presented to subjects.

Item F For subjects under the age of 14, indicate how informed consent from parents or legally authorized representatives as well as from subjects will be obtained.

Items G & H Specify the agency or institution that must approve the project. If subjects in any outside agency or institution are involved, approval must be obtained prior to beginning the research, and the letter of approval should be filed.
Checklist for Attachments and Time Schedule

The following are attached (please check):

12. □ Letter or written statement to subjects indicating clearly:
   a) purpose of the research
   b) the use of any identifier codes (names, #’s), how they will be used, and when they will be
      removed (see Item 17)
   c) an estimate of time needed for participation in the research and the place
   d) if applicable, location of the research activity
   e) how you will ensure confidentiality
   f) in a longitudinal study, note when and how you will contact subjects later
   g) participation is voluntary; nonparticipation will not affect evaluations of the subject

13. □ Consent form (if applicable)

14. □ Letter of approval for research from cooperating organizations or institutions (if applicable)

15. □ Data-gathering instruments

16. Anticipated dates for contact with subjects:

   First Contact
   ____________________________  Last Contact
   ____________________________
   Month / Day / Year  Month / Day / Year

7. If applicable: anticipated date that identifiers will be removed from completed survey instruments and/or audio or visual tapes will be erased:

February 15, 1998
   ____________________________
   Month / Day / Year

18. Signature of Departmental Executive Officer
    ____________________________  Date
    ____________________________
    ____________________________
    Department or Administrative Unit

19. Decision of the University Human Subjects Review Committee:

   X  Project Approved  _ Project Not Approved  _ No Action Required

   ____________________________
   Patricia M. Keith  5/13/97
   Name of Committee Chairperson  Date

   ____________________________
   Signature of Committee Chairperson
APPENDIX D. LISTING OF DATA ANALYSIS CATEGORIES AND SUBCATEGORIES
Network Characteristics

Organizational structure
Member demographics
Member independence or individuality
Personal interaction between members
Restriction on membership

Business Benefits of Networks

Marketing
  Target marketing
  Advertising
  Direct mailing
  Sales and promotions
  Special events

Line Planning
  Pricing
  Operating capital
  Inventory control
  Accounting records

Line Development
  Merchandise line opportunities
  Information on markets

Line presentation
  Presentation of merchandise
  Display fixtures
  Splitting orders

Source of support
  Information on STAR seminars
  Membership profiles
  Questionnaires
  Management experience
  Recruitment and retention of employees
Strategic Position

Potentially influential
- Common interests with network members
- Common interests with manufacturer’s representatives
- Influence at market

Potentially powerful
- Common interests with network members
- Conflicting interests with manufacturer’s representatives
- Validation of ideas

Theoretical continuum
  Trust
    - Open exchange of business information
  Reciprocity
    - Give-and-take relationships
  Commitment
    - Long-term relationships

Confidence
- Risk-taking
- Reassurance
- Support

Social Ties
- Friendships
- Non-business contacts between members

Evaluation of business success
REFERENCES


