

# 行政院國家科學委員會專題研究計畫 成果報告

## 服務業多品牌策略之研究—以知識基礎觀點 研究成果報告(精簡版)

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# 行政院國家科學委員會補助專題研究計畫

# 成果報告 期中進度報告

## 服務業多品牌策略之研究—以知識基礎觀點

計畫類別： 個別型計畫 整合型計畫

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計畫主持人：毛志仁 樹德科技大學國際企業與貿易系助理教授

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## 中文摘要

近數十年來，許多服務業者紛紛實施多品牌策略，成功的多品牌策略可以擴大市場占有率、鎖定更多的零售貨架以及保護公司的主要品牌避免競爭者的攻擊。雖然有許多研究者關注多品牌策略的課題，但令人好奇的是很少對服務業的多品牌策略提出洞見。回顧多品牌策略時，對於實施多品牌策略的服務業者而言，關鍵課題是如何在低掠奪的狀況下導入新品牌、有效地將現有品牌的成功經驗移轉至新品牌以及快速地連鎖複製達到規模經濟。本研究的目的是以知識基礎的觀點來檢視服務業者的多品牌策略實務，並提出實施多品牌之策略管理模式。此模式提供有效地實施多品牌策略的路徑，有助於服務業新品牌的導入及擴張過程。

關鍵詞：服務業、多品牌策略、知識基礎觀點、知識管理、探索與應用、混合策略

## Abstract

For decades, many service firms have followed the multibrand strategy. Applying multibrand strategy successfully can enlarge firm's market share, lock up more shelf space, and protect firm's major brand from competitor's competition. Although many researchers concern about the topic of multibrand strategy, there is surprisingly little research which offers insight for service sector. When reviewing multibrand strategy, critical issues for service firms that offer multiple brands are introducing new brand with less cannibalism, transferring experience of existing brand to new brand effectively, and cloning branches of new brand rapidly to enjoy economics of scale. The purpose of this research is to examine the practice of service firms' multibrand strategy from the perspective of knowledge-based view and propose a strategic management model for conducting the strategy. The model of this research can provide route for applying multibrand strategy effectively and efficiently and improve on the processes of introducing and expanding new brand.

Key words: Service Firm, Multibrand Strategy, Knowledge-Based View, Knowledge Management, Exploration and Exploitation, Ambidexterity Strategy

## **1 INTRODUCTION**

By rapidly increasing the number of branches, store chains replicate operational knowledge and benefit from economies of scale. Winter and Szuslanski (2001) addressed knowledge replication using two basic activities: exploration and exploitation. Upon the replication process, a firm creates and refines its business model during the exploration stage, followed by an exploitation stage during which the business model is stabilized and leveraged through large-scale replication.

Generally, store chains focus on exploiting operational knowledge throughout the chain. Extensive study of knowledge management (KM) practices of store chains has shown that such practices vary considerably. Such differences evolve a typology that encompasses different KM strategies and practices. A number of studies have explored exploration and exploitation, providing insight into the organizational learning, innovation, and marketing (March, 1991; Benner and Tushman, 2003; Kyriakopoulos and Moorman, 2004; Jansen, Van Den Bosch and Volberda, 2005). However, few studies have investigated KM using the ‘exploration and exploitation’ perspective.

For decades, many service firms have followed the multibrand strategy. Applying multibrand strategy successfully can enlarge firm’s market share, lock up more shelf space, and protect firm’s major brand from competitor’s competition. Although many researchers concern about the topic of multibrand strategy, there is surprisingly little research which offers insight for service sector. When reviewing multibrand strategy, critical issues for service firms that offer multiple brands are introducing new brand with less cannibalism, transferring experience of existing brand to new brand effectively, and cloning branches of new brand rapidly to enjoy economics of scale.

The purpose of this research is to examine the practice of service firms’ multibrand strategy from the perspective of knowledge-based view and propose a strategic management model for conducting the strategy. This paper demonstrates a ladder growth model which fills gaps in the knowledge of multi-brand strategy. The model of this research can provide route for applying multi-brand strategy effectively and efficiently and improve on the processes of introducing and expanding new brand.

This paper is organized as follows. First, literatures regarding exploration versus exploitation are reviewed in Section two. The process utilized to investigate practices of multibrand strategy is described in Section three. Reviewing case study in Section four, the ambidexterity strategy is discussed and implications is derived in the Section five. Finally, Section six presents conclusions and management implications for service marketing and knowledge management.

## **2 THEORETICAL BACKGROUND**

### **2.1 Exploration and Exploitation**

March’s study entitled “Exploration and Exploitation in Organizational Learning” initiated research into exploration and exploitation (March, 1991). Drawing upon the knowledge-based view of the firm, two conceptual dimensions of KM were identified: exploration and exploitation (March, 1991; Grant and Baden-Fuller, 2004; Spender, 1992). Exploration implies that

knowledge creation activities increase a firm's knowledge, whereas exploitation suggests that knowledge utilization activities create value. Exploration refers to activities such as searching, variation, risk taking, experimentation, play, flexibility, discovery, innovation, and research and development. On the other hand, exploitation includes activities such as refinement, choice, production, efficiency, selection, implementation, and execution (March, 1991; Auh and Menguc, 2005). Exploration is engaged in exploring new skills and capabilities, testing definitions of customer need, and releasing new ideas, whereas exploitation is focused on refining and extending existing skills and competencies (Auh and Menguc, 2005).

Exploration and exploitation both occur within and between organizations and are strengthened through inter-organizational and intra-organizational learning (Holmqvist, 2003). Based on 'cycle of discovery,' Gilsing and Nooteboom (2006) argued that exploration and exploitation are interdependent and frame each other. On the other hand, exploration and exploitation compete for an organization's scarce resources, resulting in the necessity for organizations to manage the trade-offs between exploration and exploitation (He and Wong, 2004). A great deal of research has argued that firms typically encounter tension between exploration and exploitation (Kyriakopoulos and Moorman, 2004; He and Wong, 2004). An excessive reliance on exploration without complementary exploitation places a continuous drain on a firm's resources with no immediate financial return in sight. Conversely, excessive reliance on exploitation without supporting exploration causes a firm to enjoy certain short-term returns and overlook the distant, uncertain, and potentially profitable returns associated with exploration (Auh and Menguc, 2005; Levinthal and March, 1993).

Contingency theorists demonstrated that a firm should deploy exploration or exploitation strategies to optimize its fit with external environments (Kyriakopoulos and Moorman, 2004; Galbraith, 1973; Lawrence and Lorsch, 1967). Firms operating in stable environments should rely on existing knowledge and run a more mechanical organization; conversely, a firm operating in turbulent environments should focus on creating new knowledge and run a more flexible organization (Kyriakopoulos and Moorman, 2004). Deploying competitive intensity as moderating variable, Auh and Menguc (2005) argued that for 'defenders,' the effect of exploration on firm's effective performance increase with competitive intensity, whereas the effect of exploitation on efficient performance will decrease when competitive intensifies. Contrarily, for 'prospectors,' exploration will be negatively associated with firm's effective performance, while exploitation will be positively related to efficient performance as competition intensifies.

Many scholars, however, emphasized the need for ambidexterity when pursuing exploration and exploitation (Jansen, Van Den Bosch and Volberda, 2005; He and Wong, 2004; O'Reilly III and Tushman, 2004). They argued that a well-balanced combination of exploration and exploitation is vital to organizational success (March, 1991; Jansen, Van Den Bosch and Volberda, 2005; Auh and Menguc, 2005; He and Wong, 2004; Levinthal and March, 1993). However, exploration and exploitation need substantially dissimilar organizational structures, processes, capabilities, and cultures (He and Wong, 2004; O'Reilly and Tushman, 2004). Hence, O'Reilly and Tushman (2004) introduced the concept of 'the ambidextrous organization'. Similarly, Jansen *et al.* (2005) further expanded the concept of organizational ambidexterity,

arguing that the ability to conduct exploratory and exploitative innovation concurrently is vital to firm survival. Multiunit firms can develop ambidextrous organizational units to compete in dynamic environments. Generally, each firm must first determine an appropriate balance between exploring and exploiting knowledge to maximize its overall competitive advantage.

### **3 RESEARCH DESIGN**

For multibrand strategy, this study selected store chains as research objectives. Store chains have numerous competitive advantages over independent stores. Adopting special multibrand strategy, Wang Group were chosen to be the studying case and evidence were collected.

Primary data were collected through company documents, semi-structured interviews and speeches. Interviews with individual stores managers and head offices staff at these companies were coded. Additionally, speeches and discussions, in a workshop of three days, issued by Wang Group were also collected and coded. In reviewing the multibrand practices of Wang Group, ambidexterity strategy was derived based on knowledge exploration and exploitation activities.

### **4 WANG GROUP**

Established in 1993, the Wang Group is the largest local dining group in Taiwan. The Wang Steak House was the first restaurant chain of Wang Group. Operating Wang Steak for several years, Wang Group started to replicate Wang Steak's experience to new dining service systems. Based on its corporate culture, strategy, and an excellent reward system, the Group rapidly expanded to eight restaurant chains: namely Wang Steakhouse; Tasty Steakhouse; Taoban House restaurant; Giguo restaurant; Yuanshao restaurant; Ikki Creative Kaiseki Cuisine restaurant; Xiamuni Teppanyaki; and, Pintian restaurant. The group has 66 restaurants in Taiwan now. In addition, the Wang Group has a Porterhouse Bistro steak house in Beverly Hills, United States, and 15 steakhouses and seven hotpot restaurants in mainland China.

To allow employees room for growth, chairman Steve Day proposed the Lion Group Program. Lion Group Program was a multibrand strategy. New brands of restaurant chains were established and every brand of restaurant chain is a lion within Wang Group. In addition to steakhouses, the group expanded its product lines to include other cuisine, such as hotpot, Japanese Kaiseki cuisine, barbecue, and teppanyaki. The company's goal is to expand by one restaurant type each year, reaching 30 dining brands and 10,000 restaurants worldwide before 2030.

### **5 DISCUSSION**

This study reviews a case study that utilizes multibrand strategy within chain stores. Two major aspects of multibrand strategy can be expressed in terms of exploitation and exploration. The basic principle of chain stores is that an organization can achieve economies of scale by increasing the numbers of outlets, and, by deploying operational know-how throughout all branches, operational efficiency and effectiveness can be improved. The analysis of Wang Group found that it adopts a multiple brand marketing strategy. The multiple brands business model

obviously differs from the single brand mode deployed by other chains. Like most store chains that adopt an exploitation strategy to replicate knowledge throughout branches, the Wang Group exploits operational knowledge throughout branches of chain. The most important factor is that Wang Group explored new brands of restaurant chains and exploited restaurant operational knowledge throughout different chains. This study argues that the multibrand strategy of Wang Group is a unique ambidexterity strategy.

### 5.1 Ambidexterity Strategy

Based on the difference between exploration and exploitation, a knowledge management (KM) strategy can be defined as a continuum, ranging from knowledge exploration to knowledge exploitation (see Figure 5.1). Firms can focus on one dimension or on both dimensions. Exploration strategy means that an organization is more exploration-oriented and less exploitation-oriented in KM; exploitation strategy means that firm is more exploitative and less exploratory; when a company conducts knowledge exploration and exploitation simultaneously, it is following an ambidexterity strategy.

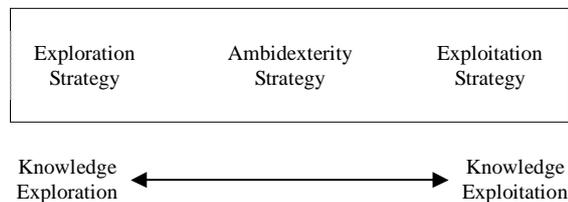


Fig 5.1: Exploration / Exploitation Continuum

Ambidexterity strategies create different competitive advantages for organizations (see Figure 5.2). The economies of scale for knowledge come from exploiting knowledge. Unlike conventional resources that are consumed as they are utilized, knowledge appreciates rather than depreciates when applied (Grant and Baden-Fuller, 2004; Zack, 1999). Knowledge is subject to economies of scale as the cost of duplicating knowledge is typically less than that for creating knowledge. To the extent that knowledge is not specific to a single product or service, economies of scale imply economies of scope (Grant and Baden-Fuller, 2004). If knowledge is not product-specific and is dominated to economies of scope, surplus knowledge prompt a firm to expand its operational scope (Penrose, 1959; Grant and Baden-Fuller, 2004). Hence, exploitation enhances economies of scale of knowledge, and exploration enhances economies of scope of knowledge.

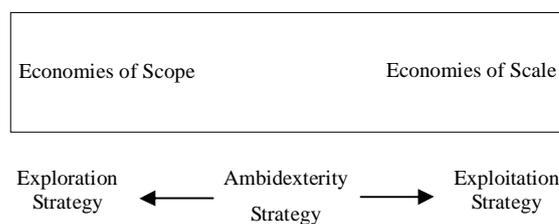


Fig 5.2: Competitive Advantages of Ambidexterity Strategy

Inevitably, an exploration must sustain the operational risks that accompany uncertain revenue and possible initial failure. Exploration often require considerable time before making a profit. He and Wang (2004) noted that explorative companies suffer substantial performance variation when experiencing significant success and failure. Organizations must have substantial resources to sustain exploratory periods. Exploration are difficult to deploy, however, once an organization accumulates sufficient experience and knowledge, the speed at which it grows typically increases.

A broad knowledge base promotes strategic flexibility and ability to adapt to environmental changes (Bierly and Chakrabarti, 1996; Volberda, 1996). When a firm focuses on exploitation and has a narrow knowledge base, its core capabilities are likely to evolve into core rigidities (Bierly and Chakrabarti, 1996; Leonard, 1995). Through exploration, firms can eliminate organizational inertia and core rigidities.

A KM strategy must be grounded within the context of a business strategy. The chairman Steve Day argued that a market can sustain only one restaurant, such as Wang Steak House that prices meals over NT\$1,000, for a population of over 1 million people. In avoiding market saturation and a cannibalistic business environment, the Wang Group adopted multiple brands and product lines, and exploited operational know-how throughout the brand chains. As for Wang Group, the ambidexterity strategy, utilizing exploitation and exploration simultaneously, appropriate to its chain store operations and multi-brands strategy.

Notably, Wang Group exploited the operational knowledge of restaurants throughout its branches in Taiwan and China. In addition to exploiting knowledge, Wang Group continually introduces new products and explores operational knowledge regarding novel service operation system. By utilizing the customer feedback system, Wang Group created potential customer needs and provided satisfaction for customers. The growth model of ambidexterity strategy can be named as ladder growth model (see Figure 5.3). The Wang Group, for example, explored new service system or product line to expand its investment portfolio. Then, it built new branches and cloned the operation model.

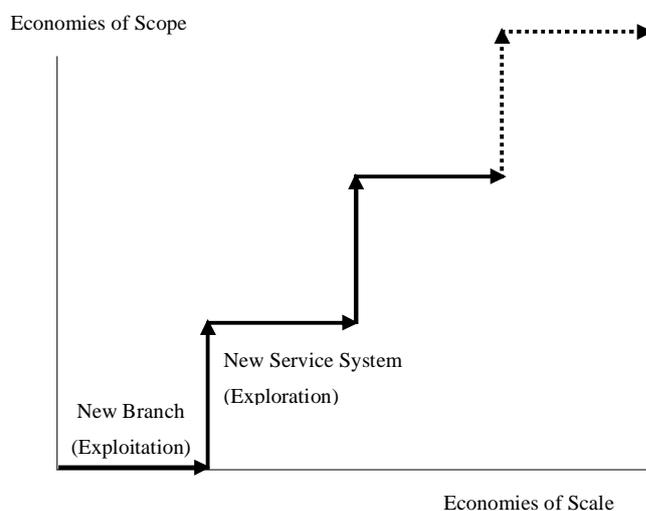


Fig 5.3: Ladder Growth Model of Multibrand Strategy

The Wang Group reached economies of scale, especially on procurement, with over 60

restaurants in Taiwan. In terms of economies of scope, Wang Group duplicated its know-how in restaurant management and designed of Set Course menus for its other types of restaurants. The empirical evidence identified in this study demonstrates that Wang Group enjoys economies of scale and economies of scope of knowledge.

## 6 CONCLUSION AND FUTURE RESEARCH

This exploratory study demonstrates an ambidexterity strategy that is fitted with operation of store chains. The ambidexterity strategy reflects a particular method of resource allocation and strategy execution. Deploying knowledge exploration and exploitation, the ambidexterity strategy can reveal multibrand strategy and identify how organizations cope with competition and sustain competitive advantage under severe external environments. The ambidexterity strategy provides guideline on conducting multibrand strategy for practitioners and directs the future researches for management scholars.

The limit of an ambidexterity strategy is that success at both exploration and exploitation is difficult because firms generally possess limited resources. Furthermore, exploration and exploitation require substantially dissimilar structures, processes, capabilities, and organizational cultures, each of which impacts organizational adaptation and performance<sup>[28,32]</sup>. It is difficult for firms to pursue both exploration and exploitation simultaneously. The ladder growth model provides an excellent explain on ambidexterity strategy. It can guide organization to grow step by step.

This study contributes to current research on service marketing and knowledge management. The most significant contribution is the ladder growth model for multibrand strategy that have not been proposed before. The ambidexterity strategy is a strategic choice and guidelines for executing multibrand strategy. It also represents a useful basis for discussions among management scholars and practitioners. The multibrand strategy employed by the Wang Group may be a special case. However, the operation model has significant implications for knowledge management. The ambidexterity strategy presented in this study is not only available to chain store, it can be applied to diversification corporations.

Finally, this study is subject to a number of limitations. First, this study is based on single case study and further research is needed to generalize the proposed ladder growth model. Second, although this study develops an ambidexterity strategy, quantitative research examining the result of exploration and exploitation require further study. Third, this study did not investigate knowledge exploration and exploitation utilized by diversification corporations. How diversification corporations deploy knowledge exploration and exploitation is worthy of further study.

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#### 計劃成果自評

本研究「服務業多品牌策略之研究—以知識基礎觀點」依原計畫目標執行完成，達成原先預期探索服務業多品牌策略之目標，以知識管理之觀點針對服務業多品牌策略之實務進行研究，並獲得具體之研究成果。發現之階梯式成長模式，具有管理意涵深具學術價值，對產業界而言亦具有實際之應用價值。本研究結果適合在國際期刊上發表，綜合而言，本研究具有學術與實務之雙重價值。