

A LOOK AT IMPLICATIONS OF CHANGING STORE LAYOUT AND DESIGN IN INDIA

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Abstract

These days the focus of companies has turned from developing the image of products to creating a reverberating store image. Store image is composed of many different factors, such as store design, location, merchandise, and the knowledge and congeniality of the sales staff. All these factors affect consumer behavior and the brand image of the company. Retail design is the function of developing the store image, or more exactly, store environment. Retail design has several objectives to perform. The retail environment is changing more than ever before. Intensifying competition and more sophisticated and demanding customers harbour greater expectations as to their sensory and consumption experiences. A retail store experience involves more than a nonretail services experience in terms of customers negotiating their way through a store, finding the merchandising they want, interacting with several store personnel along the way, and returning merchandise, all of which influence customers' evaluations of store. Employees also play a key role in terms of their talents and problem-solving behavior. Customer satisfaction, this paper concludes, contributes to employer satisfaction and vice-versa. While it is generally assumed that retail firms will and should use fast responses when threatened by lower product line margins, the term fast should not be confused with "fastest possible response" in order to avoid being "too fast" or "too late" Rather, evidence suggests that retailers should be intentional in designing their store systems to be in line with the information content of their product/service offering so that they are both deliberate and flexible in managing product line margins along with the most appropriate store operating design strategy.

Keywords: Retail, Store, Loyalty, Satisfaction, design, layout

Introduction

Store layout is a critical factor driving consumer movement and purchase response in retailing. While considerable attention has focused on store layout in respect of brick and mortar retailing, store design has been virtually ignored in the study of retailing. The layout of a retail store has been found to significantly impact a retailer's overall performance through its influence on information processing, purchase intentions and attitude towards the retail establishment. Retailers' store layout results in greater consumer elaboration and more positive consumer outcomes (Griffith, 2005: 1391). The retail environment is changing more than ever before. Intensifying competition and more sophisticated and demanding customers harbour greater expectations as to their sensory and consumption experiences. A retail store experience involves more than a nonretail services experience in terms of customers negotiating their way through a store, finding the merchandising they want, interacting with several store personnel along the way, and returning merchandise, all of which influence customers' evaluations of store and its service quality (Dabholkar *et al.*, 1996: 3). Kim and Runyan (2011) showed that multiple kiosks within a shopping mall increased shoppers' perception of crowding, and thus negatively influenced their patronage intention and increased their avoidance behaviours. In terms of the consequences of retail crowding, previous research has shown that in the discount or hypermarket retail environment, positive feelings, such as pleasure and dominance, can be evoked in shoppers when human crowding is perceived (Li *et al.*, 2009).

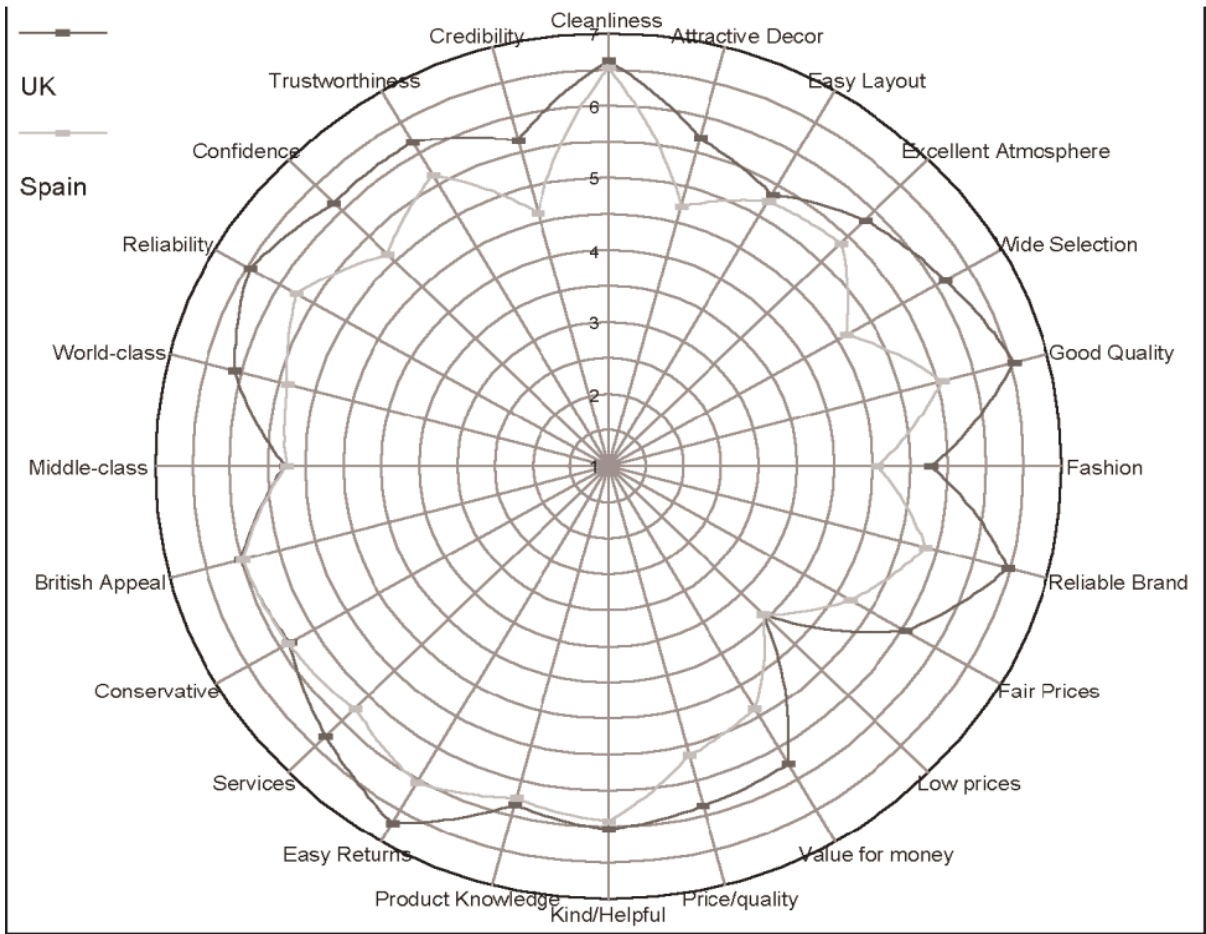
The focus of companies has turned from developing the image of products to creating a reverberating store image. Store image is composed of many different factors, such as store design, location, merchandise, and the knowledge and congeniality of the sales staff. All these factors affect consumer behavior and the image of the company (Solomon *et al.* 2002, 284-286). Retail design is the function of developing the store image, or more exactly, store environment. Retail design has five main objectives: (1) to implement the retailer's strategy, (2) to build loyalty by providing a rewarding shopping experience, (3) to increase sales on a visit, (4) to control costs, (5) to meet legal requirements, (Levy & Weitz 2012, 468-471) and finally (6) to retain performing employees.

The purpose of this study is to see if it is possible to build loyalty and increase sales by modifying the store environment. When consumers are satisfied with the environment where they shop, they are more likely to enter the store, buy more and be more satisfied with both the store and the products

bought (Baker et al. 2002, Areni & Kim 1993 and Michon et al. 2005). For the purpose of building loyalty and increasing sales, store retailers need to constantly develop product and service offerings to serve changing consumer needs. Currently, demonstrated environmental and social responsibilities are two pillars for retailers that are likely to lead to greater trust and brand loyalty from consumers. (KPMG 2009). Similarly, retail employee satisfaction is a key element contributing to more sales and customer satisfaction.

A more fundamental shift is occurring in how customer value is created. Not too long ago, value was seen as product-centric and something that companies can control. Today, however, value is seen to be co-created by the firm and the customer and therefore customers expect retailers to create experiences that consumers can engage into (Prahalad & Ramaswamy 2004).

Fig 1



Source: Burt and Carralero-Encina (2000)

Figure 1 above shows the image attributes from previous studies in the UK and Spain. Customer perceptions do not take place in a vacuum. It must be recognised that these retail elements may be suitable for different markets and by no means is an end by itself. It must work for image enhancement and customer service development (Burt and Carralero-Encina, 2000).

Another trigger for enacting and actualising customer experiences lies in the boom of electronic commerce. E-tailers have seen a surge in demand since their emergence and many retailers have been forced out of business due to their inability to compete with price. The Internet has quickly changed the way consumers shop, and especially some categories (e.g. travel, books and videos) have seen dramatic changes in their purchasing patterns. (Grewal & Levy 2009) Retailers have slowly started to realize that in order to stay competitive, the store, which is a cost that e-tailers do not incur, must offer added value to customers in order to charge a higher price. Retail design creates that extra value compared to the e-tailers.

Quite a number of researchers have studied the influence of a retail store's environment on customer behaviour (Donovan & Rossiter 1982; Baker et al. 1994). However, these studies have focused on only one or two individual factors in the store environment, such as music or scent. All researchers in the area have stressed the need for further studies to examine the effects of holistic retail environment on consumer buying decisions. This, nonetheless, gets complicated due to the nature of retail design projects. The outcome of design is ever unique and projects can take several months or even years to complete. Therefore, the source of increased revenue is difficult to measure. For this reason, the focus of this paper is on consumer perceived value and revenue, as the link between these two, in any case, has been considered very strong in literature.

Therefore, the main research question is:

What is the effect of retail design on added customer perceived value and sales?

Sub-issues are as follows:

1. Sources of customer value in retail environments?
2. How do changes in retail environments affect price and value perceptions?
3. Role of Hedonic vs. functional consumption situations

4. Situations of Social vs. non-social consumption

5. Low-income vs. High-income consumer segments' behavior

The Indian market has been largely dominated by few domestic players till today. In saturated markets, companies have been forced to create value by developing both operational efficiency and the customer experience. In India, however, retail chains have traditionally focused on competing mostly with operational efficiency and lowest price possible.

Buyer behaviour

Buyers derive more out of an experience in a retail store they like and they enter in the first place. Typically they prefer places that are safe and known, but in some cases places that are novel or feel interesting. Buyers' preference with places has direct implications also on retail design, since retailers' target is naturally to build places that consumers prefer over their competitors. Environmental psychology also deals with how people perceive places. The most influential theory of perception, favored especially by architects and other design professionals, is Gestalt psychology. Hailing from the Berlin School of Experimental Psychology, Gestaltism has been the rallying point for psychologists and designers since the early 20th century. Gestaltism is about rules- how people organize small parts into a cohesive whole and why a few objects become the center of our attention. (Bell et al. 2001, 61-63) One of the founding principles of Gestalt psychology is that when there is some ambiguity in the visual array, the viewer will perceive the simplest shape consistent with the information available (see Figure 1). Gestaltism also states that the whole is different than the sum of different elements. (Bell et al. 2001, 62-63) For example, buyers may hear background music and get a stimulus. But It is the total configuration of all the different stimuli that determines buyers' response to the environment. (Mattila & Wirtz 2001).

Pan *et al.* (2008) maintain that the atmosphere of a store is the key element in consumers' purchasing attitudes in the consumer decision process, particularly for unplanned shopping. In retail context this means that companies should adopt designs that communicate optimally with their targeted consumer segments. The optimal level of stimulation also depends on personal preferences. An individual can experience a store environment as too arousing, too un-arousing or optimal. Therefore the arousal level follows an inverted U-shaped curve. The higher is the preferred arousal level of an individual, the more environmental stimuli customers will tolerate and aspire for (Boedeker 1997, 80-81). Thus, there is no optimal level of stimuli that will work for each customer but rather one should find a level, which

is accepted and preferred by most customers. For retailers, the most important part in the business model is to understand if and how different stimuli affect consumers' response (Turley & Milliman 2000; ref. Berman & Evans 1995). They suggest that the atmospheric variables are divided into four different categories:

1. External parameters (exterior display windows, color of building, and location)
2. Internal variables (color schemes, lighting, music, scents, and temperature)
3. Layout and design variables (space design and allocation, placement of merchandise, placement of cash registers, waiting queues, and furniture, aisles, corners)
4. Point-of-purchase and decoration variables (artwork, point-of-purchase displays, and price displays)

As can be seen, the above classification is much more accurate than the one made by Baker. Nevertheless, some researchers have noted that a fifth element, human variables (employee characteristics, uniforms and privacy), is missing from the Berman and Evans' classification (Turley and Milliman 2000).

Display and layout of the store are critical functional factors. Small details, such as plastic bags or sanitary facilities too have an effect on the overall image of the store, and should therefore be considered when designing an environment. (Markkanen 2008, 125). The way products are displayed affect retail sales significantly. Products tend to be merchandised strategically. In self-service stores, staple goods are placed after a consumer crosses over the space for luxury goods or non-essential items. What is less obvious is that this strategy is affected (negatively) by supply side factors such as the availability of trade deals. It is important to note that although consumers may seek particular brands, the final choice of a retail consumer is also affected by merchandise display and location of the retailers. Therefore, it is not apparent how a retailer will react in a competitive environment even if a sizable segment of the market seek consistent merchandise assortment.

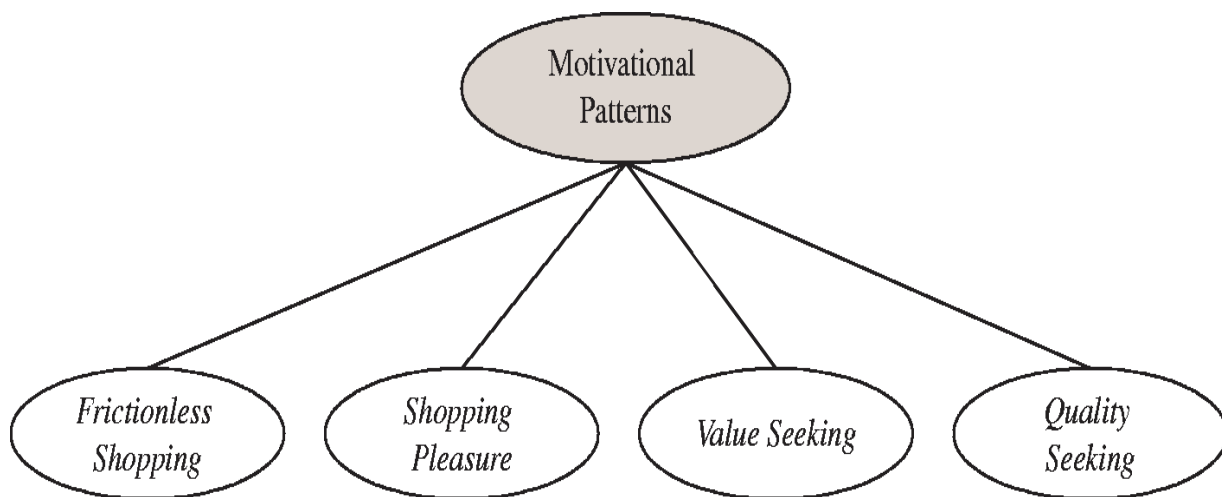
Mitchell and Ingram (2002) observe that merchandise display is at a premium in most retail stores, particularly those that depend on high sales volume. Such stores attempt to optimize the display space used and allocate cost (a fraction of rent) for product lines according to the contribution to sales and profitability. The determination of the best product mix and layout are a thorny problems in retailing, where increasingly the number of products and categories available to the retail buyer is increasing

but retail shelf space is finite and fixed at a point of time. How much value the market places on each available product, including unacceptable products is a managerial question to be addressed; how the market assesses the sustainability across products based on price points is also worthy of consideration. In Big Bazar Stores in India, the line for fruits and other juices extend well beyond freezers, posing the question of justification of the SKUs.

Layout

One method is to entice customers to a layout that facilitates a specific traffic pattern. Another method of layout is to move customers through the store are to provide variety; the store should be filled with little nooks and crannies that attract shoppers to leisure around. A good layout should provide a balance between giving customers adequate space and the breadth and depth that an assortment carry specific category. Obviously, it impinges on the retailer's brand image. In general, retailers need to display their merchandise effectively in order to satisfy the customer's need so as to pave way for branding.

Fig 2



Source: Wagner (2007)

Figure 2 above reflects several cognitive clusters that have surfaced on consumers' mental associations. In particular, four dominant motivational patterns emerge which subsume motivational patterns - frictionless shopping, shopping pleasure, value seeking, and quality seeking. It can be

ascribed a dominant role because they account for the majority of cognitive associations. Moreover, the respective functional consequences represent the most highly desired shopping benefits from the consumers' point of view: finding the right products easily, fast shopping, fun to shop, shopping convenience and inexpensive shopping.

Practically, a retailer has to offer at least five types of benefit in his bundles: (1) an endearing merchandise assortment, (2) fair prices, (3) respect for customers (personnel issue), (4) saving time and energy, and (5) fun.)

Findings from the authors mentioned above reveal that consumers' perception of the assortment range germinates from the number of stock-keeping units proposed and the availability of the favourite brands. The discussion so far further throws up the fact that consumers' evaluation of the overall store assortment is based on the perceived choice within the product categories. They are also highly sensitive to the assortment range. Retail buyers typically navigate through SKUs, features thereof; prices, labels, products and an assortment of retail formats. They are again influenced by store location and the associated travel costs while choosing a store. Consumers choose a store to minimize total cost in which case they would not want to revisit a store to purchase an out-of-stock item. This visit would mean extra travel expenses, causing higher levels of stress resulting into dissatisfaction which is directly linked to negative attitude towards a store (Rani and Velayudhan, 2008: 259).

Display and Layouts

Add Display. It includes everything from display windows and point-of-sale displays to signage and other fixtures of the store, but also the display of products. Research has been made about, for example, whether products should be displayed vertically or horizontally. Horizontal display induces more impulsive purchases but may leave products in the lower levels without notice. Since the shelves, which are at the level of eyes and hands draw most attention, everyday products, such as salt and sugar, have been suggested to be placed in the lower levels, since people are likely to find them in any case. (Markkanen 2008, 125-127) Layout of the store influences both the customer experience and the speed of shopping (Markkanen 2008, 139). Three main types of layouts: grid, racetrack and freeform are found to exist (Levy & Weitz 2012, 473). Retailers, whose clientele is mainly functional in their needs, such as grocery stores, should favor simple layouts, such as the grid (Kaltcheva & Weitz 2006).

The racetrack layout is typically found in department stores with various product categories. The racetrack, which is wider than other aisles, guides customers to walk through the whole store, and therefore it works best in stores, whose customers look for hedonic benefits. Finally, the free-form layout is typically to be seen in boutique stores or for very hedonic product categories, such as clothes. The free-form is the most costly layout, but if it is right, it can motivate customers to explore more merchandise and spend long periods of time in the store. (ibid. 2012, 473-476)

Layout and display have a major impact on what people will buy. For example, placing hedonic products near the entrance or to heavily trafficked areas of the store can increase impulsive purchases (Levy & Weitz 2012, 483). Also organizing products to point-of-purchase displays can increase purchase likelihood (Areni et al. 1999). Aesthetic factors, in turn, affect store-image perceptions. When these factors are coalesced towards high-image, as classified by Baker et al. (1994), customer evaluations of the overall store environment will improve.

Talents

Redesigning store and its layout also means injecting employees, consisting of favourable and positive behavior towards customers. Findlay and Sparks (2008: 375) maintain that to be successful retailers, attracting and retaining consumers is vital. Consumers nearly always have the opportunity to change their shopping behaviour. They assess and reassess the shopping opportunities available to them. As a consequence, they may change their behavior by switching between stores or retailers. Consumer store-switching behaviour (defined as the change of the main shop for a main shopping trip, e.g. food) is thus of primary importance to retailers. The ability to generate change in behaviour and then to retain the "switched" customer is a crucial factor for sustainability of retailers. Similarly, the ability to reduce switching to rival retailers by valuable consumers reels off competitive advantage.

Gerstner and Libai (2006: 601) contend that recent reports in the popular media suggest that service quality and customer satisfaction are declining. Poor service results from poor selection of employees, lack of training, service process failures, or misalignment of incentives and, more generally, gaps in organizational knowledge and perceptions. Retail service providers, who apply customer relationship management, view customers as assets. Poor service also springs from employees with negative attitude towards shoppers. An alternative to increasing customer retention and profits is improving

customer satisfaction and improving staff morale which leads to improve staff attitude towards customers.

Fowler et al. (2007) asserted that the human dimension in retail environments is the most important element, as poor customer-salesperson interactions can terminate consumers' shopping experiences. Lee and Dubinsky (2003) contend that the more salespeople are similar to their customers, the more likely consumers are to generate positive emotions; consequently, these positive emotions lead to high satisfaction and purchase intentions. Salespeople's ethnicity and their language ability are also considered to be an important variable for consumers. Tsai (2001), and Tsai and Huang (2002) showed that sales associates displaying positive emotions through greeting, thanking, smiling, establishing eye contact, and pleasant vocal tone increased customers' willingness to both return to and recommend the store. Naylor and Frank (2000) demonstrated the importance of customers' initial contact with a salesperson on customer perceptions of value, finding that participants perceived significantly lower value if they had no contact with salespeople or they had to initiate contact with salespeople.

Fullerton (2005) constructed an integrated model to test relationships among service quality, two types of customer commitment (i.e. affective commitment and continuance commitment), and customer loyalty (i.e. advocacy intentions, switching intentions, and willingness to pay more). He found that affective commitment positively influenced customer loyalty-related behaviours, whereas continuance commitment negatively affected advocacy intentions and the willingness to pay more in a men's specialty-clothing store and a retail grocery chain. Jayawardhena and Farrell (2011) studied the effect of service orientation and customer-oriented behaviour of retail personnel on customers' perceptions of service encounter quality, service quality, value, satisfaction, and behavioural intentions in supermarket retailers. They found customer orientation behaviours were positively related to service encounter quality and service quality.

Other studies have demonstrated the importance of sales associates' emotional responses in their interactions with consumers. Menon and Dube (2000) selected the importance of sales associates' responses towards emotions that customers experience in retail stores. They studied negative emotions (i.e. anxiety and anger) and positive emotions (i.e. joy and delight) in retail stores. They found that, when sales associates' observed responses to emotions are above normative expectations, consumers are more likely to feel satisfied than when sales associates' responses are below the level of the customers' expectations. Similarly, Sharma and Levy (2003) examined the role of salespeople's affect

on retail performance. Salespeople who exhibit positive affect towards customers show higher sales performance than those who do not. Therefore, these two studies point to the importance of addressing consumers' emotions in interaction situations.

Employee services have multiple tangible and intangible elements; customer evaluation is subjective in nature, and the concept is much more evasive than that of product quality. Therefore, to achieve effectiveness in service firms, employees are trained to practice courtesy, empathy, responsiveness, commitment, satisfaction, vision and motivation. Employees need to have the capability of interpreting customer needs quickly, adjusting their behaviours timely, and alleviating customer complaints appropriately. Training enables employees to better understand their responsibility, see their work performance, and adapt work routines in response to a variety of circumstances. Training in skill, leadership, customization, information-sharing, and the chain process of development.

Therefore, the following hypotheses are formed:

H1: Design elements in store environments have a positive association with evaluations of the store.

H2: Consumers who evaluate the redesigned store environment better than average are willing to buy more products.

The indirect effect is the play element in culture and society percolating through merchandise price and quality perceptions. However, non-product related signals in a store do impart an influence on perceptions of merchandise price and quality, and therefore to perceive added value.

Dependent variables

To investigate the influence of human factors in retail environments, many different types of dependent variables have been examined, and some studies have measured more than two dependent variables. The most frequently used dependent variable was consumers' satisfaction (ten studies). The physical and behavioural attributes of salespeople and the level of crowding in a store were found to be important human factors in the retail environment which directly influence customers' satisfaction in the shopping experience (Eroglu and Machleit, 1990; Menon and Dube, 2000). The second most frequently examined dependent variable was emotional response (nine studies). For example, social

relations, and the level of crowding and density in a store were found to be influential in evoking customers' pleasure and arousal (Baker et al., 1992; Eroglu et al., 2005a; Machleit et al., 2000).

Indian scene

Retailers in India are moving their products around with regularity but maintaining sufficient predictability. The idea is to bring chaos so that the buyer is softly pushed to wander around a little more, but not to the point of draining out his/her patience that he or she walks out. The new strategy is that the shopper may find comfort in chaos particularly one who lives in urban India. The regular shopper is in an auto-pilot mode where she enters a store with a definite path and a purchase wish list. She pays, strikes off the items in her list, pays and walks off. But is the retailer comfortable with this phenomenon? How does he ensure that the shopper browses more, attends to unseen products, takes a stock of new brands, or private labels? Answer lies in stopping power. So a bit of chaos added to the design may serve the purpose. It may mean breaking monotony of the buyer and adding variations to experience. In such a scenario, secondary category locations and affiliate categories' location must be communicated to the target shoppers. The same person may have a different persona outside the retail store as a consumer and different inside the shop as a shopper. Each visit may mean a different agenda. So the issue is to marry the two together- varying agendas with positive shopping experience. A few retailers this writer interviewed found that they disturb 25-30% of the store design now in terms of merchandise so as not to alienate the loyal customer. However, they should understand that crowding can often negatively influence customers' satisfaction and emotions in the store (Machleit et al., 2000). Our review of the crowding effect in retail stores has identified important managerial implications for store staffing, store layout, and queue control. In order to optimize consumer experiences of their stores, retailers should try to understand the boundary conditions for customers' perceived crowding, and how this relates to their emotions and satisfaction. In addition, retailers would benefit from carefully examining the tolerance level of crowding and implement relevant retail strategies to alleviate the negative consequences of crowding.

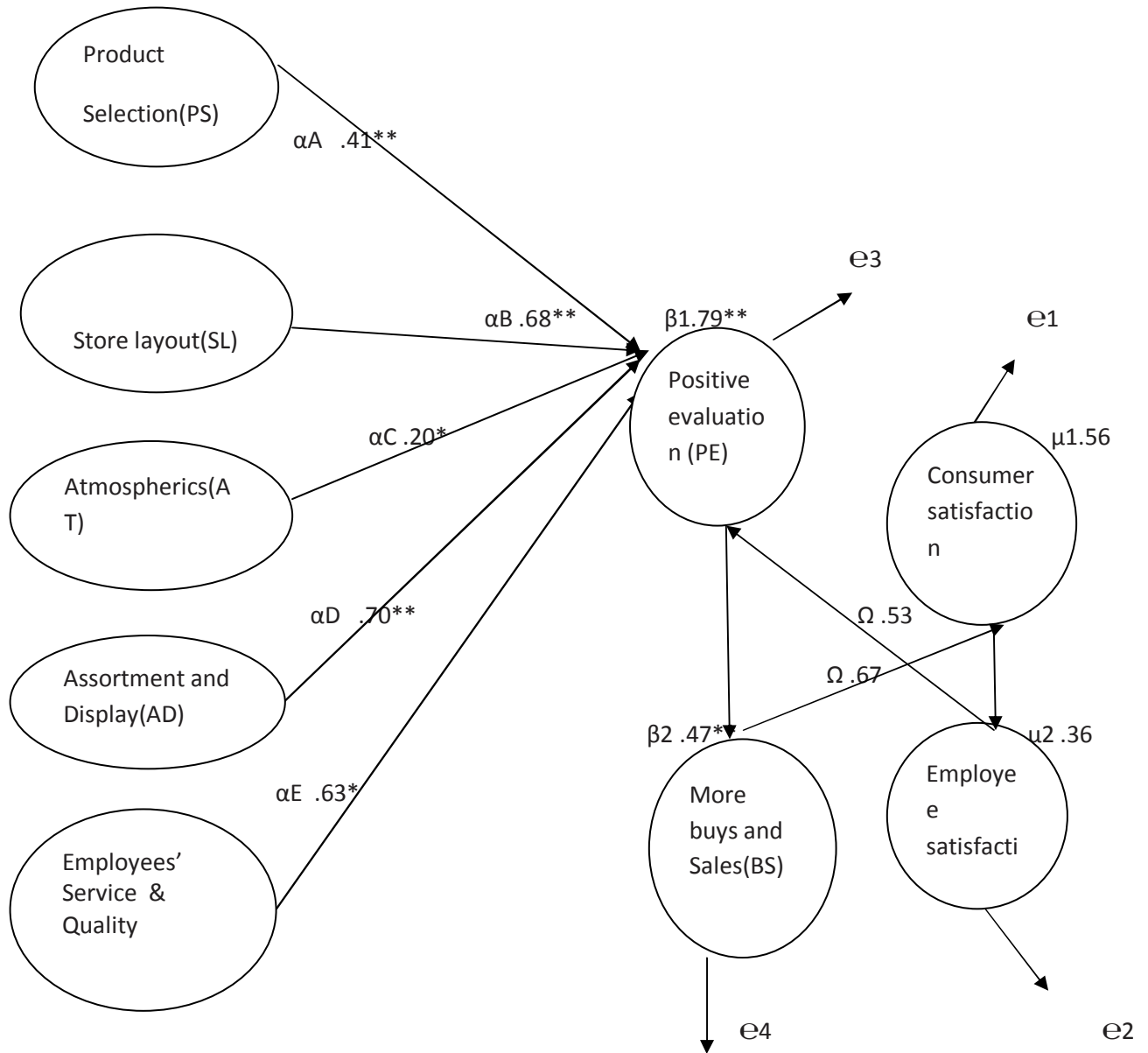
7-Eleven store in Japan focuses on clubbing associated categories according to the time of the day. Breakfast type affiliate products will be fresh orange, milk, coffee, cereal, all put together in one fixture. Buying groceries may not be an experience there as buyers are not willing to invest time in that category. It does not imply groceries are low on priority. Such time-of-day shopping strategy finds

reading papers first in flow in the morning, followed by rice bowls at mid-day; and beer, videos, and sake in the evening. It is not chaotic there. But it is not an auto-pilot either the shopper is used to. Chaotic design may have an impact but the aspects of design and number of check-out counters outweigh any degree of chaos that the retailer brings in. Lindstrom (2005) mentions sight often overrules other senses. It also has the power to persuade us against all logical arguments. Designers make it a point to stress on physical visual stimulation. Intricate detail is deployed to prolong a shopper's time.

Buyers recall simple figures more easily than complex ones. They are fascinated by ornament detail, because these details cannot be remembered for a long time. It is always new and full of excitements and interests female buyers the most. They are willing to devote information-seeking attention to it (Malnar and Vodvarka, 2004). Therefore, buyers stay on in a space where detail abounds than in one with few detail. Designers can use this approach to control the flow of movement inside a store. In the process, retailer can develop a brand identity of its own to transmit to shoppers. Most buying behavior emanates from storytelling, experience, and emotion. Any emotional and cognitive response is affected by our feelings from seeing, hearing, tasting, touching, and smelling (Augustion, 2009). Lindstrom (2005) calls it 'Sensory Branding' taking the example of Starbuck's coffee. The brand associates itself with multiple cues-lighting, furniture, interior furnishing, music, coffee, aroma; all contribute and complement each other with the brand.

Browsing leads to discovery and discovery leads to clicks of the mind and higher sales – but that may or may not be the case always. A host of factors like whether the shopper is male or female; whether one is shopping alone or with a spouse etc., influence sales. The model posited below is proposed by the author.

Fig 3 MODEL OF STORE CHARACTERISTICS AND CONSUMER CHOICE



To examine if the hypothesized measurement model would hold up under empirical scrutiny, five retail store sample was selected from NCR area. In the pilot study store managers were contacted.

For clarity, many of the model latent constructs, item indicators, covariance, and error terms are not shown here. To test the above proposed structural model (Figure 3), the author developed two

additional measures of satisfaction for our dependent variables: employee satisfaction (ES) and customer satisfaction (CS). Because it was impractical to directly gather employee and customer feedback for the entire retail sample, we operationalized ES and CS as latent multidimensional satisfaction constructs measured with (perceptual) positive measures of consumer evaluations from the retail customer survey respondents. This led to more sales, revenues, and profits with repeat patronages.

All items for each construct use seven-point Likert scale.

522 store customers across all seasons were surveyed by questionnaire. From these 522 store customers, 175 were returned. The survey produced about 64% response rate from agreed,. Repeated store offerings (e.g. two or more store chain types) constituted the overall field sample; Retailers were almost similar in terms of annual sales, product offerings, number of employees , retailing experience and management experience. Non-response bias (e.g. the potential that the sampling frame is somehow not representative of the population (Churchill, 1979)), was addressed in two ways. First, descriptive data (e.g., Sales, Store type, Manager tenure) was examined of late respondent survey results versus early respondents and found no significant differences ($p < .05$) in the two data sets (early vs. late) across these measures (Armstrong and Overton, 1977). Self-report bias or common method variance (CMV) could contaminate the data (Podsakoff and Organ, 1986, Froehle and Roth, 2004, p.11) since one individual responded to multiple measurement scales and may not have distinguished between the constructs. Therefore, several common tests were used to evaluate CMV. First, using Harmon's one-factor test for CMV (Podsakoff and Organ, 1986), we tested whether all the relevant items loaded onto a single factor using principal components extraction with no rotation for all items retained in the final model. This procedure identified six factors, with no one factor explaining more than 25% of the total item variance. While this does not rule out the presence of CMV, it is unlikely to be problematic (Podsakoff and Organ, 1986). The data was further tested for CMV using Lindell and Whitney's (2001) method, in which a theoretically unrelated factor (in this case, a 'seasonal traffic' measure) is correlated to the principal constructs. The average correlation among 'seasonal traffic' and the six constructs was $r = .027$ (average p -value = .44). Since a high correlation among any of the study's main constructs and 'seasonal traffic' would be an indication of CMV, it can be inferred that there was no direct evidence of CMV.

Confirmatory Factor Analysis

A confirmatory factor analysis (CFA) was conducted using the independent field sample. The confirmatory results from the first measurement model (Model 1) are shown in the following table. While the fit indices indicate marginal overall fit ($\chi^2=382.58$, CFI=.81, RMSEA=.06 [90%CI: .05-.08]), some misfit is evident since many fit indices fall right at or below the recommended cutoffs for model acceptance (Hu and Bentler, 1999). Therefore, robust estimation statistics was used to look for possible non-normalities in the data (Byrne, 2006, p.138). The robust statistics is given at the bottom of the Table below.

Results: Satisfaction Measures Model – CFA ($\chi^2 = 3.37$; RMSEA = .000; CFI = 1.00; DF=244)

Items: measured as degree of agreement with item on a 7-point scale
(1-strongly disagree, 4-neither agree nor disagree, 7-strongly agree)

	Mean	S.D.	Loading	% variance
Customer Satisfaction: <i>In general...</i>				
CS 4 Customer satisfaction with our store assortment and display is higher than our competitors.	6.09	1.12	.54	45.28
CS 5 Employees service and quality is most customer friendly for the products that we sell.	5.42	1.49	.66	32.63
CS 2 Our customers are highly satisfied with our store's layout.	5.87	1.17	.81	19.29
Employee satisfaction: <i>In general...</i>				
ES 1 Employee job satisfaction is high.	5.54	1.34	.85	19.00
ES 2 Employee turnover is lower than competitors.	5.12	1.79	.61	36.28

Standardized coefficients, all loadings are significant at $p < .05$.

Equally weighted CS measure was compared to a sub-sample ($n=51$) of objective customer-reported data at the location level where it was available (5-star scale). Overall results ($r=.466$, $p=.033$).

Using confirmatory factor analysis (CFA), it was found that the two satisfaction measures exhibited good fit and convergent validity ($\chi^2 = 3.37$; RMSEA = .000; CFI=1.00). As with the measures developed in the earlier studies, it was conducted a χ^2 difference test between the two latent constructs and it was found that the two satisfaction constructs exhibited good discriminant validity ($p<.01$). As a result of these analyses, it appeared that the two satisfaction measures were reasonable measures of the

constructs of interest. Accordingly, it was incorporated into the retail design strategy structural model (Fig 3) as the sub-dependent variables (CS and ES).

Results

Model 1: Proposed Model(β)	Dependent variable(μ)	Model 2: Mediation Model (Ω)	Significance values
1.79	1.56	.53	Non sig. difference
2.47	2.36	.67	Non sig. difference
.05	.05	.05	≤ 0.05

To examine our model hypotheses, we first analyzed the fit of the sample data to the proposed design strategy model (Figure 3) using structural equation modeling (SEM) in EQS 6.1 statistical software (Bentler, 2005). The Model reports Values of β , μ , and finally, Ω . As in Table 3, overall Model Statistics (Structural Model vs. Mediation Model) were found to be significant.

Hence the two hypotheses are accepted.

H1: Design elements in store environments contribute to positive evaluations of the store.

H2: Consumers who evaluate the redesigned store environment better than average are willing to buy more products.

Study Implications, Limitations and Contributions

Collectively, this paper argues for the importance of aligning store design decisions with operational ease to promote the long-term sustainability and survival of retail service firms as well as employees. At the beginning of this paper, the question was if retailers must manage store design tradeoffs in aligning 'the service concept' with the 'design strategy?' Findings show that retail stores must in the end align both retail design elements together with the structure (capabilities) that is supportive of product lines and satisfaction thereof. The paradox is that improving customer contact in the store often comes at a high price. Store retailers, then, must decide if the added cost of providing more customer contact with employee is worth it. First, it was found that customer service encounter requirements are a significant design strategy choice – whether or not to empower store employees or to design for self-selection. In general, stores actually choose customer encounter strategies based on

the customer information requirements they perceive. Our evidence reveals that small stores are possibly more successful at using customer encounter design strategies to manage task uncertainty and enhance customer delivery satisfaction. Large stores relied heavily on design for self-selection strategies. Our evidence suggests that firms with more flexible store design architectures can reap design advantages. The retail firm behaves much more like a product delivery system in its store value proposition for customers. However, it is unclear if such strategies can be sustained unless capital can be effectively substituted for human contact.

It would be too much to read into our findings that all retailers should conform to a “one size fits all” store operating strategy. Increasingly, evidence suggests that mass-merchants and internet retailers provide a competing channel for selling more complex product-service bundles and that customers come into stores to make product purchases with increasingly more product knowledge than they have had in the past (Boyer et al., 2002). Therefore, the ability of store retailers to differentiate from these other service delivery channels has become a key parameter. Nevertheless, this fact provides an important opportunity for future research to investigate how retailers can differentiate themselves from mass-merchant and internet competitors.

In addition, more interdisciplinary research is needed to understand how retail design systems can differentiate and create the in-store experiences that cause customers to feel a sense of buyer loyalty to the store brand (Voss et al., 2008), rather than experience a ‘generic’ shopping environment -simply determined by relative price. Research is also needed to investigate how employee satisfaction can spillover into customer satisfaction. While marketing research has examined the role of retail atmospherics at evoking customer emotions and creating a sense loyalty in shoppers (Karande and Kumar, 2000; Babin and Attaway, 2000; Babin and Darden, 1996), more research can decipher how retail atmospherics can be brought to scale in retail systems or how emotions can be used to stimulate product sales (e.g., Is the cost of providing atmospherics worth it?). There is ample scope for research to examine if chain retailers also can create a sense of retail experience and cost-effectively replicate the “experience architecture” across their store network without making it ‘generic retailing’.

Retail store chains often try and manage workers with limited experience and knowledge of business operations; a reason that may germinate confusion regarding job duties and responsibilities. These particular human resource dynamics suggest that internal integration, process standardization, and

rapid learning may be critically important to create economic scale in retail chain store settings(Darr et al., 1995). Similarly, given the evidence that empowerment has a critical effect at satisfying store employees and therefore customers, it would be worthwhile to empirically examine how successful empowerment programs can be deployed over a chain-wide store network. There is relatively little work examining the evolution of store design strategy, empowerment and its effects on creating a 'growth spiral' for retail firms.

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