

## **EVALUATING STORE DESIGN RESPONSIVENESS TO PRODUCT LINE MARGIN CHANGES: AN EMPIRICAL ANALYSIS OF U.S. PUBLIC RETAILERS\***

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This paper subjects to rigorous empirical scrutiny the influence of retail store design responsiveness on firm ROA performance. We posit that on average, retail store systems, which are adjusted dynamically to be responsive to changes in product line gross margin, will improve retail firm performance (ROA). We employ an econometric model to test our theory using company panel data collected from Compustat, 10-K, and S&P industry reports for “bricks and mortar” store retailers for the period 1994 – 2006.

The study findings/contributions include:

- On average, store capital and labor are not managed as efficiently as might be expected.
- Store system capital investment must be responsive to product line gross margin shifts to expand firm profits.
- The financial benefits of being design responsive are only realized in the short-term (within one year); and therefore, dynamic adjustments are needed.

Research Category: Service Design

\* This is a working paper that will be presented at an invited Retail Operations track at the POMS 21st Annual Conference.

# **A STRUCTURED APPROACH TO ASSESSING RETAIL STORE OPERATIONS STRATEGY: THEORY, CONSTRUCT DEVELOPMENT AND MEASUREMENT\***

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An information processing view of organizational design strategy is used to develop a conceptual model that addresses six theory-based operational constructs of retail store design strategy. Salient retail store design constructs pertain to 1) managing the customer's in-store shopping task uncertainty (i.e., factors associated with the difficulty of product use by the end customers, the service production complexity, and the product turnover); 2) design choices for managing customer encounters (i.e., factors associated with design for self-service and employee task empowerment); and 3) customer service encounter information requirements, which is proposed to be the integrating mechanism driving retail store design strategy.

Contributions of this paper are:

- A new organizational framework to understand and manage retail store design strategies.
- A validated measurement instrument to use in evaluating and monitoring strategic store design choices.
- A series of future store design applications for the measures and framework.

Research Category: Service Design

\* This article is a working paper which is currently under journal review as of December 31, 2009.

## THE SHORT- AND LONG-TERM EFFECTS OF A REMODELED SERVICESCAPE\*

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Service companies spend vast amounts of money to remodel their establishments. However, little is known about the longitudinal effects of such store makeovers and the differential impact on customers' psychological responses or actual purchase behavior. In this study a natural experiment in the fast-food industry is used to examine the short- and long-term effects of store remodeling on psychological measures (cognitions, affect, and behavioral intentions) and actual customer behavior (average customer spending and store traffic). In the short term, customers' cognitions and behavioral intentions improve significantly, as does customer spending, but not store traffic. In the long term, the positive short-term effects diminish. Adaptation-level theory suggests that customers' initial experiences may lose strength over time as the remodeled store environment becomes the new frame of reference. The findings imply that relying solely on customers' psychological responses or ignoring the time-variant character of remodeling effects may lead to inappropriate managerial decisions.

Research Category: Service Design

\* A revise and resubmit had been invited on this project by the *Journal of Marketing*.

## **UNDERSTANDING THE MECHANISMS BEHIND THE INFLUENCE OF SERVICE GUARANTEES\***

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Although service guarantees have received increasing attention in literature, surprisingly little is known about the extent to which they influence consumer behavior and even less about how they generate such effects. Economic theory suggests guarantees can have as many as four objectives incorporated in their design; they can be a quality signal, insure against losses, reduce search costs, and provide an incentive to coproduce the service adequately. In Study 1 all four warranty objectives are found to be frequently used in practice and Study 2 examines the extent to which these objectives have an impact on consumers. The objectives signal of quality and insurance against losses are found to be the primary service guarantee mechanisms affecting consumer behavior. Moreover, the objectives can be controlled by varying the amount of compensation or the ease of invoking the guarantee. The results provide insights how to design and manage service guarantees effectively.

Research Category: Service Design

\* This is currently a working paper.

## **STREET ART, SWEET ART? RECLAIMING THE “PUBLIC” IN PUBLIC PLACE**

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This research builds on servicescape research but focuses on the neglected area of public/collective services. In this multi-sited ethnographic research, we explore the ways in which active consumers develop meanings about the consumption of a public good, public space. We document four main ideologies of public space consumption resulting from dwellers' and street artists' conflict as well as common intent. We show how public space can be contested as private and commercialized by companies and artists, left untended as a liminal zone, or offered back as a collective good, where sense of belonging and dialogue restore it to a meaningful place. In so doing, we advance the understanding of agency while exploring the virtually neglected realm of public goods consumption, and space in particular. We show how the common nature of this public service stimulates dialectical and dialogical exchanges across stakeholders, and fuels forms of layered co-creation and agency. The most difficult question with public services is who makes the decisions: consumers, public agencies, private “experts”?

Research Category: Service Design

This paper has been conditionally accepted at the *Journal of Consumer Research*.

## **SERVICE BLUEPRINTING: A PRACTICAL TECHNIQUE FOR SERVICE INNOVATION\***

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This article describes one technique—service blueprinting—that has proven useful for service innovation. Service blueprinting is securely grounded in the customer’s experience and it allows the clear visualization dynamic service processes. The technique is described in detail in the paper including real case examples that illustrate the value and breadth of its applications.

The cases illustrate how service blueprinting can be successfully applied for the following purposes:

- Providing a platform for innovation
- Recognizing interdependencies among people and functions in delivering service
- Facilitating both strategic and tactical innovations
- Designing moments of truth
- Visualizing and understanding the customer’s experience
- Transferring and storing innovation knowledge
- Creating ideal experiences
- Clarifying competitive positioning

Guidelines for a service blueprinting workshop based on Arizona State University’s Center for Services Leadership programs are provided along with detailed insights for managers and academics.

Research Category: Service Design

\*This article is based on workshops and case studies with CSL member firms and others. The paper appeared in *California Management Review*, Spring 2008, 66-94.

## **PHYSICAL DISTRIBUTION SERVICE PERFORMANCE AND INTERNET RETAILER MARGINS: THE DROP-SHIPING CONTEXT\***

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We investigate the relationship between Internet retailer margins and retailer promises regarding product distribution service. We focus particularly on a drop-ship context, to provide a purer separation of these activities and the related costs. We examine a sample of retail transactions with customers and find that product margins and the margins on shipping and handling are inversely proportional. We also find a direct relationship between promised product distribution service performance and shipping and handling margins even after key product characteristics known to influence the cost side of the margin equation are controlled for. These results confirm an intuitively logical view of the relationships among pricing and promised product distribution service performance. The study also offers insights for practitioners regarding the opportunity to enhance performance in this domain and demonstrates the benefit and power of employing objective measures drawn from the vast array of information captured via online transactions.

Research Category: Service Design

*\*Journal of Operations Management* 26, No. 6, pp. 767-780