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Editor

# Service Management

The New Paradigm in Retailing



Springer

# Preface

## Service Imperative in Retailing

The rapid growth and increasing importance of services has been the most significant phenomenon in the global economy in recent decades. Contemporary businesses all over the world, including those that have traditionally relied on manufactured goods to generate the bulk of their income, are increasingly aware that they now compete primarily on the basis of the *services* that they provide to their customers, rather than relying merely on the physical products that they produce. This “service phenomenon” has become so pervasive that is now also apparent in the retailing industry, which has traditionally been almost totally focussed on the sale of physical goods. As customers increasingly perceive that there is little to differentiate comparable products among the myriad of retail offerings, the *service element* of retail business has assumed greater importance as a differentiating factor in the minds of customers.

Contemporary businesses ... are increasingly aware that they now compete primarily on the basis of the services that they provide to their customers.

Apart from the general escalation of the notion of “service” in all sectors of the global economy in recent decades, the prominence of service in retailing has received a huge impetus with the burgeoning use of the Internet, which has transformed the basic nature of retailing by enabling retailers to serve customers all over the world through multiple channels. In addition, other emerging technologies have enabled retailers to streamline their services to customers in terms of customised offers, self-service technologies, ease of payment, complaint resolution, and so on.

The transformation of the retail industry from local goods-based businesses to global service-oriented enterprises has not only had profound effects on customer relations but also has resulted in radical changes to the traditional business models and supply chains that have characterised retail business for generations. Information technology and the Internet have revolutionised the concepts of sourcing, buying, ordering, sales, and returns. Networks of designers, agents, consultants, producers,

and suppliers now interact and collaborate all over the world in every aspect of retailing demand and supply. Multichannel and cross-channel alignment has become the norm in almost every component of the retail supply chain.

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These developments have meant that contemporary retail businesses must provide effective services to both their internal customers (staff and members of their supply chains) and their external customers (end consumers) spread across the globe. It is therefore imperative that retailers know how to manage and orchestrate multiple services using modern service-management concepts within an organisational culture characterised by a customer-centric and service-focussed orientation. Effective service management enables the modern retail firm to enhance the service experience and establish meaningful relationships with both its customers and its partners, thus gaining their loyalty and achieving business success.

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## Implications for Retail Management Theory and Practice

Retailing is one of the largest economic sectors in both developed and emerging economies. As such, it has been the subject of numerous studies that have examined a wide variety of management issues within the retail industry.

In the past, retail management has traditionally been concerned with organisational and product-related issues. Now however, given the emergence of *service* as the central focus of retail business activity, there needs to be a paradigm shift in management thinking if retailers are to survive in today's customer-centric and service-focussed market. Retailers must seek ways to provide their customers with a memorable retail *service experience*, rather than merely providing them with goods. Unfortunately, despite these changing imperatives, it would seem that many practising retail managers continue to have a relatively limited understanding of the significance of *service management* for success in this rapidly changing industry. Many are unaware of the theory and practice of pertinent service-management concepts that are essential to gaining and maintaining a competitive advantage in modern retail management.

There needs to be a paradigm shift in management thinking if retailers are to survive in today's customer-centric and service-focussed market.

In short, many practitioners of retail management have failed to make the transition from *goods management* to *service management*. Similar observations could be made about the development of retail management theory among many academic researchers, teachers, and students.

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## The Purpose of This Book

Against this background, the aim of *Service Management: The New Paradigm in Retailing* is to guide the theory and practice of retail management in a paradigm shift away from the traditional model of a departmentalised organisation that sells physical products towards a recognition that retailing is essentially a service business that meets customers' expectations through service experiences and personal relationships. Managers who make this paradigm shift and recognise that their retail offerings are essentially *service offerings* will gain a whole new understanding of the theory and practice of their retail business. Creating and maintaining superior service experiences that generate long-term loyal relationships with customers is a consistent theme of this book.

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More specifically, the book aims to provide a detailed account of the critical services-management concepts that have direct application in the retail industry. Using case examples, each chapter demonstrates how these concepts can be applied in practice to gain customer loyalty, achieve market leadership, and ensure profitability in the retail industry.

*Service Management: The New Paradigm in Retailing* is the first full-length textbook to have incorporated service-management theory within the retailing context. As indicated by the title, this book represents a paradigm shift in retailing management; as such, there are currently no competing textbooks on the market that address the retail industry from the perspective of services management.

This book represents a paradigm shift in retailing management.

## The Content of This Book

*Service Management: The New Paradigm in Retailing* is intended for both *students* (business students and students who specialise in retail management at diploma, degree, and graduate levels) and *practitioners* (in the many and varied sectors of the retail industry). The book assumes that readers have a basic understanding of management, retail operations, and marketing.

Each of the sixteen chapters in this book deals with a specific topic of importance within the broad question of how service management can and should be applied to retailing. The contributing authors who have been invited to address these topics come from all over the world. All have been chosen for their recognised expertise in each area under consideration.

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In Chap. 1, Jay Kandampully of the Ohio State University (USA) *sets the scene* by outlining how service management has become the new paradigm in retailing. The chapter discusses the role of service and technology as strategic factors in the new paradigm in which the focus has moved decisively towards the customer's retail service experience.

In Chap. 2, Minjeong Kim (Oregon State University, USA) and Jay Kandampully (The Ohio State University) explain the *imperatives that are driving the new paradigm in retailing*. The chapter provides an overview of the retail industry and examines the influence of the “baby boomer” generation and “generation Y” in the global adoption of information technology and self-service technologies in retail management.

In Chap. 3, Tor Andreassen and Line Olsen (BI Norwegian Business School, Norway) emphasise the importance of *customer service* in establishing and maintaining long-term relationships with customers and partners in a competitive context. This chapter proposes and explains the notion of “customer equity” as a high priority for retail firms in attracting and retaining profitable customers.

In Chap. 4, Jim Barnes (Memorial University, Canada) and Jordan Wright (Department of Advanced Education Skills, Government of Newfoundland & Labrador, St. John's, Canada) discuss the importance of a strategy for managing the *retail service experience* in both the online and off-line retailing contexts. The authors introduce the concepts of “customer context” and “contextual intelligence” in arguing that retail firms must create a context-appropriate shopping experience to create a memorable retail experience.

In Chap. 5, Timothy L. Keiningham, Luke Williams, and Alexander Buoye (IPSOS Loyalty, USA) and Lerzan Aksoy (Fordham University, USA) provide a holistic perspective of *loyalty* in which employee loyalty and customer loyalty are inextricably linked. The chapter defines the dimensions of profitable loyalty and explores the classification of profitable loyal customers.

In Chap. 6, Allard van Riel (Radboud University, The Netherlands) examines the role and scope of *service innovation* in achieving sustainable competitive advantage in contemporary retailing. The authors discuss service innovation from an operations perspective with a strong emphasis on market orientation and customers' retail experiences.

In Chap. 7, Sharron Lennon (University of Delaware, USA) and Jung-Hwan Kim (University of South Carolina, USA) discuss the growth in *online retailing* and the importance of managing e-service quality. The authors examine the influence of e-service on online customer satisfaction (e-satisfaction) and loyalty (e-loyalty).

In Chap. 8, Patrick Vesel, Patricija Filipič Orel, and Mitja Špende (Big Bang, Slovenia) discuss *multichannel marketing* in contemporary retailing. The authors emphasise the importance of providing consistency of service across all channels in building customer trust, satisfaction, and commitment.

In Chap. 9, Jeff Smith (Florida State University, USA), Lorraine Lee, and Tracy Meyer (University of North Carolina Wilmington, USA) discuss the relationship between *new technologies and the retail service experience*. The authors use the

services marketing mix to show how technology influences various elements of the customer–provider relationship.

In Chap. 10, Veena Chattaraman (Auburn University, USA) explores the significance of the growing *multicultural diversity* among retail customers. In particular, the author examines the important task played by multicultural marketing in achieving customer trust and brand loyalty.

In Chap. 11, Sanjukta Pookulangara (University of North Texas, USA) University of North Texas describes how *social media and cultural influences* have changed retail consumers' service expectations. The author examines the influence of technology acceptance on intention to use social media for shopping and interaction with like-minded consumers. The chapter also emphasises the importance of an effective social media strategy for contemporary retail firms.

In Chap. 12, Bernd Stauss (Katholische Universität, Germany) and Wolfgang Seidel (Servmark, Germany) emphasise the importance of *complaint management* in view of increasing customer expectations and decreasing customer loyalty in the global retail industry. The authors explain how retail firms can benefit by establishing proactive complaint management to restore customer satisfaction, prevent customer defection, and enhance the likelihood of repurchase.

In Chap. 13, Jiyoung Hwang (University of Florida, USA) and Julia Cooper (The Ohio State University, USA) provide an overview of *brand management* in the retailing industry. The chapter discusses how retail brands are established in the minds of customers through products, services, and the retail experience. The authors discuss how some retail brands can gain customer recognition and brand loyalty as a consequence of a firm's corporate social responsibility (CSR).

In Chap. 14, Bo Edvardsson and Bo Enquist (Karlstad University, Sweden) emphasise the advantages that *value-based service* can provide to customers, employees, and the retail firm. The authors examine the relevance of CSR in the contemporary retail industry and demonstrate the impact of a value-based corporate culture using the example of IKEA.

In Chap. 15, Pratibha Dabholkar (University of Tennessee, USA) uses the example of the *marketing* of a stage show, "The Wizard of Oz," to illustrate the importance of a deep and intuitive understanding of what customers want. The chapter also emphasises the role of "retail atmosphere" in making customers feel comfortable. The chapter illustrates that ongoing modifications of service are needed for continued success in the retail industry.

In Chap. 16, Jay Kandampully (The Ohio State University, USA) provides *case studies* of some "paradigm shifters" in the retail industry. The author examines the histories, policies, and philosophies that underlie these exemplar firms in market leadership.

# Acknowledgments

I acknowledge the friendship and contributions of the service researchers who have contributed to the production of this book.

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