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Selective Literature Review

Physical Appearance in Retail Service: Impact on Customer Loyalty and Experience

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Abstract

The purpose of this paper is to understand specific drivers of customer loyalty, experience, and physical appearance of a store. Based on the papers and studies that I have reviewed, I have identified different sub-categories within the criterion “physical appearance,” and argue that the notion of physical appearance should not be understood as a single homogeneous criterion. I have also shown that sub-categories such as visual diversity of store employees, in-store design, in-store signage and even logistic performance can all have some levels of impact, mostly positive, on customer loyalty. I have also tried to understand some possible mechanisms as to how these aspects can have positive impact on customer experience to see how retailers can in turn improve their service.

Introduction

Customer loyalty and experiences have long been topics of research, especially from the perspective of retailers. Researchers and retailers might be interested in customer loyalty in relation to their drivers for different reasons. For example, retailers might study customer loyalty in relation to their drivers to increase their sales or build up their reputations. Scholars, on the other hand, might study customer loyalty to find out whether the so-called factors do have an impact on customer loyalty, and if so, what the mechanism might be like. Moreover, the notion of customer loyalty is often studied together with the notion of customer satisfaction in which the former usually refers to the how loyal a customer is to a store or product, and the latter often refers to the continuous and cumulative experience that one has experienced with a store or product.

In my first literature review, I discussed a case in which scholars study customer loyalty and examine the possible drivers of customer loyalty, by using the “big-five” supermarket chains in South Africa as a case study. The drivers or factors that they have been considering include physical aspects, personal interaction, reliability, problem solving, store policy and their impact on customer satisfaction, as well as the corresponding impact of customer satisfaction on store loyalty. The conclusion they have reached in their research is that, at least physical appearance and personal interaction have significant impact on customer loyalty. And by physical appearance, the researchers are referring to qualities such as store design, layout or even degree of cleanliness.

Since physical appearance has been confirmed as one of the two most significant drivers for customer loyalty, I am interested in understanding the role of physical appearance in customer loyalty and how it can have an impact on customer loyalty. I am also interested in expanding my understanding of the notion of physical appearance, and thus I am including a broader range of

physical appearance contributors in this literature review. For instance, I will examine visible diversity, logistics, store design, etc. That said, I will frame my literature review under the following questions:

1. Is physical appearance a single homogenous measuring criterion for customer loyalty?
2. Do all the criteria being assessed in this literature review have some levels of impact on customer loyalty?
3. What are the possible mechanisms that contribute to the effectiveness of the criteria?

I hope that by answering these questions in this literature review, we can have a more well-rounded understanding of the different types of physical appearance that can have an impact on customer loyalty, how exactly they influence customer loyalty, as well as how stores can improve their design or service based on the suggestions.

Is physical appearance a single homogenous measuring criterion for customer loyalty?

In my previous literature review, the authors of the paper “Examining the effect of retail service quality dimensions on customer satisfaction and loyalty: The case of the supermarket shopper” assessed aspects such as store design, layout and cleanliness to assess the relationship between physical appearance and customer loyalty. However, whether the above criteria themselves are exhaustive is another question. It appears that if we treat physical appearance as an umbrella term that describes whatever quality or aspect in a store that has a visual impact on customer experience or satisfaction, it seems that “physical appearance” is associated with more aspects other than store design, layout or cleanliness.

John Murray and his colleagues (2017) do study the role of store design, a traditional notion in the understanding of a store’s physical appearance, in relation to customer loyalty in their paper “Examining the role of store design on consumers’ cross-sectional perceptions of retail brand

loyalty.” To avoid unnecessary influence of other irrelevant variables, Murray et al. (2017) chose to study “new and established store design prototypes of the same retailer to examine the role of consumers’ cross-sectional perceptions of retail brand loyalty” (Murray, Elms, & Teller, 2017). Design prototype can be viewed as a style that a store’s design has, which surely has some degrees of visual impact on customer experience or satisfaction. This study addresses the aspects of physical appearance of a store and their impact on customer loyalty.

Though in this section, I am trying to examine whether the notion of physical appearance of a store has many sub-categories, it is to be noted that sub-category such as “store design” can also have its very own sub-categories, which again supports my stance that “physical appearance” should not be treated as a single homogenous term when it is studied in the research of customer experience. For instance, in-store signage can also be a sub-category of a store’s store design. In their 2014 paper “Vision (im)possible? The effects of in-store signage on customers’ visual attention”, Tobias Otterbring and his colleagues (2014) pay special attention to in-store signage and how it might or might not attract customer experience. As they stated themselves, the purpose of their study is to “investigate the extent to which in-store signage is used during navigation and decision making, and how the viewing of signage influences customers’ visual attention and choice behavior” (Otterbring, Wästlund, Gustafsson, & Shams, 2014). I believe this paper also adds a new yet detailed dimension as to how we can understand the relationship between physical appearance and customer experience or decision making.

However, I have also found other studies that conduct research on the drivers of customer loyalty or experience but focus on different aspects. For instance, in their paper “Aesthetic labor and visible diversity: The role in retailing service encounters,” Sara Quach and her colleagues (2017) examine “the role of the appearance of customer service staff in forming customer

perceptions” (Quach, Jebarajakirthy, & Thaichon, 2017). The aim of their research is exactly to “fill the gap in existing knowledge by exploring the notion of visible diversity” (Quach, Jebarajakirthy, & Thaichon, 2017). Employees’ physical appearance is important in the sense that employees or staffs also represent specific characters of the organizations, communicating the brand image and behaving as a kind of “living signboard” (Quach, Jebarajakirthy, & Thaichon, 2017). Quach and her colleagues reviewed several previous studies on the role of store employees and found that “physical appearance, attractiveness, and a professional manner of front-line staff influence customers’ emotions, feelings, and attitudes, and hence, their behavioral intentions” (Quach, Jebarajakirthy, & Thaichon, 2017), which suggests that the visual impact that employees have on customers also plays a crucial role in influencing customer decisions. However, the notion of “visible diversity,” which is different from the mere “aesthetic attractiveness,” is not mentioned in any previous studies on physical appearance and its impact on customer satisfaction or loyalty, including the study Beneke and his colleagues (2012) conducted. “Visible diversity” is important because it is also associated to the notion of social categorization and identity theory. The former is defined as “a process in which an individual relies on perceived interpersonal similarities to classify themselves and others into the in-group” (Quach, Jebarajakirthy, & Thaichon, 2017). Several researches have shown that “individuals are more likely to draw on visible cues to form their perception of interpersonal (dis) similarity which in turn influences how they judge and treat others” (Quach, Jebarajakirthy, & Thaichon, 2017). That is to say, the physical appearance and diversity in terms of different social categories of store staff can also have a psychological impact on customer experience. As a result, Quach et al.(2017) chose to investigate the “ethnicity, age, gender and perceived sexual orientation of store staff in service encounter from the customers’ perspective” (Quach, Jebarajakirthy, & Thaichon, 2017).

Another study that also supports and contributes to the broader understanding of the homogenous nature of the term “physical appearance” is the paper “The Effect of Logistics Performance in Retail Store on The Happiness and Satisfaction of Consumers” that is co-authored by Moez Ltifi and Jameleddine Gharbi. In this study, Ltifi and Gharbi (2015) investigate “the role of logistics in a retail store to determine client outcomes such as happiness and satisfaction” (Ltifi & Gharbi, 2015). One might initially wonder as to why the notion of logistics can also be treated as a sub-category of a store’s physical appearance. In Ltifi’s and Gharbi’s (2015) paper as well as other studies on logistics performance, the term “logistics” is also a broader term that can sometimes be associated with “displays and store shelves” (Ltifi & Gharbi, 2015). As a result, “product availability is a visible result of logistical operations in stores. Only when it is present, the client can evaluate the product and decide whether to buy it” (Ltifi & Gharbi, 2015).

Moreover, as Ltifi and Gharbi (2015) have brilliantly reviewed in their well-researched paper, there are many other aspects that also contribute to the notion of logistics operations, such as “product information,” “ease of shopping” and “returns”, of which “product information” is also directly related to one’s visual experience. “Product information”, as Ltifi and Gharbi (2015) have pointed out, includes “several types of information are used in the decision making of the customer, such as product specifications, product components, the expected availability, expiration date and ordering information” (Ltifi & Gharbi, 2015). Product information is important in the sense that the more adequate the information is, the more likely that customer can make better buying decisions. Thus, I believe the notion of logistics operations can also be included in our investigation of the physical aspects of a store’s performance and their impact on customer loyalty because different aspects of logistics performance can be either direct or indirect visual impact on customer experiences and decisions. As we have seen above, aspects such as displays and store

shelves that serve as the indicator of a store's product availability can have a direct visual impact on customer experiences. The logic can be easily understood: suppose out of the 10 times you as a customer visit a particular store, there are 5 times in which a particular product you want to buy is out of stock. As a customer, it is very unlikely that you will continue to visit this particular store when you want to buy this product because you have doubts about the store's logistics operations. And in such case, we can say that, from the customers' perspectives, store shelves can serve as a direct indicator of a store's logistic operations and managing, which in turn has an impact on customer loyalty. Similarly, how adequate a store's product information can also have a direct visual and thus cognitive impact on customers' decision making.

In sum, I have reviewed different studies in this section that can broaden our understanding of the notion of "physical appearance" of a store. I have identified other criteria such as visual diversity of store staff and logistic operation, which are criteria that are not mentioned in the first study on customer loyalty. Moreover, even within the traditional notions of physical appearance, there are more sub-categories that worth further investigations, such as the role of signage. Hence, the conclusion that I have reached for the first section is thus physical appearance should not be understood, and is not, a single homogenous measuring criteria for customer loyalty or experience.

Section 3: Do all the criteria being assessed in this literature review have some levels of impact on customer loyalty?

It should be noted that it is one thing that there are heterogeneous criteria for the measuring of physical appearance; it is another thing that these criteria being assessed have some levels of impact on customer loyalty or experience. In this section, I will examine whether the above-mentioned criteria all have some levels of impact on customer loyalty or experience.

In their paper “Aesthetic labor and visible diversity: The role in retailing service encounters,” Sarah Quach (2017) and her colleagues conducted their research through a qualitative approach by asking customers different questions about their subjective experiences, including many open-ended questions. Below is a mind-map they have created by using Nvivo software.

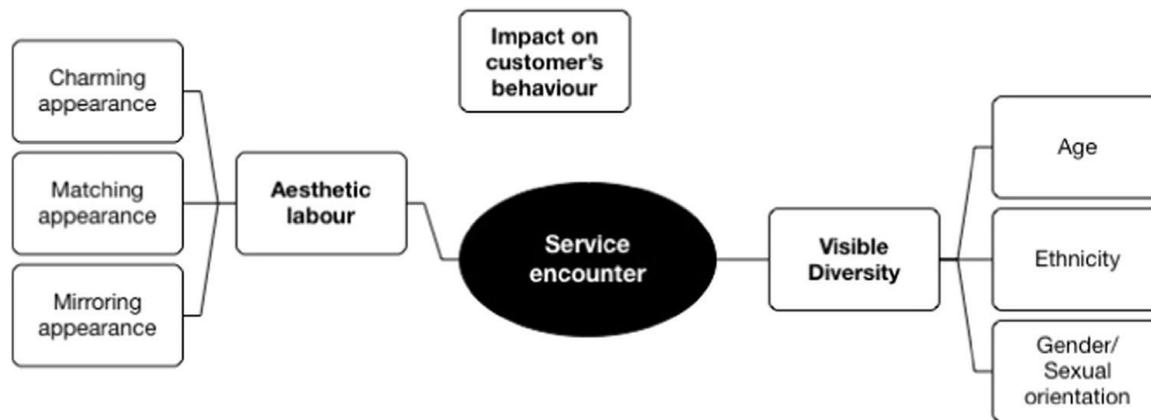


Figure 1. Aesthetic labor and visible diversity: The role in retailing service encounters

The result of their qualitative research is that “more than half of the respondents stated that the appearance of the customer service or sales staff had a strong impact on their evaluation of the service interactions” (Quach, Jebarajakirthy, & Thaichon, 2017). And aspects such as age, perceived sexual orientation, gender and ethnicity do have positive influences on customer decision making and experiences. The conclusion Quach et al. (2017) have reached is that, it is true that the mere physical attractiveness of staff might have some levels of impact on customer experiences, “the employees who share the same appearance as customers (i.e. mirroring) and those who meet customers’ expectations of how a service staff should look like (i.e. matching), may represent a competitive advantage for retailers in attracting and retaining customers” (Quach, Jebarajakirthy, & Thaichon, 2017).

In their paper “Examining the role of store design on consumers’ cross-sectional perceptions

of retail brand loyalty,” John Murray (2017) and his colleagues examined design effects in a context of “newer-design with increased use of strategically placed mannequins, newer materials, and multi-media screens to inspire consumers to choose outfits that are readily available on newer, adjacent fixtures” (Murray, Elms, & Teller, 2017). Their research method includes distributing questionnaire and sampling plans. The results of their findings suggest that some-extent appropriate store novelty can help increase the level of happiness of customers, but it might also backfire because the store design is closely connected with how familiar a customer is with a store. There are customers who care more about their visual aesthetic pleasure when shopping, but there are also mission-driven customers. For those who are mission-driven, they are used to establish prototype designs and they care more about efficiency. Thus, when they are confronted with novel designs with new materials or other new elements, they “may not identify as easily with these changed designs as consumers who welcome immersive, engaging experiences.” (Murray, Elms, & Teller, 2017). Thus, Murray et al. (2017) suggest that “any weakening of retail brand loyalty arising from perceptions of price competitiveness erosion, due to inappropriate store introductions, would be an obvious concern to retailers in many different sectors” (Murray, Elms, & Teller, 2017). And thus, in terms of novel store designs, they will only have significant *positive* impact on customer experience, especially old loyal customers’ experiences, when they are being appropriately done or designed. Otherwise, novel store designs might backfire.

Moreover, the above conclusion is also supported by Otterbring’s et al. (2014) study in their paper “Vision (im)possible? The effects of in-store signage on customers’ visual attention”. By conducting two eye-tracking field experiments on the role of store signage, Otterbring et al. (2014) found that “store familiarity on customers’ visual attention toward in-store signage during navigation and decision making” (Otterbring, Wästlund, Gustafsson, & Shams, 2014) do have a

significant impact on customer experiences. And thus, the appropriate usage of signage also has a positive impact on customers' decision making.

In terms of logistic operations and performance, Ltifi and his colleague Gharbi (2015) also concludes that "internal logistics performance of a point of sale has positive and significant effects on happiness and customer satisfaction" (Ltifi & Gharbi, 2015).

What are the possible mechanisms that contribute to the effectiveness of the criteria?

Above we have seen that almost all the mentioned criteria have significant positive impacts on customer experience, satisfaction and loyalty, except for some exceptions in inappropriate store design innovation. As I have mentioned at the very beginning of my introduction, retailers are interested in the studies on the drivers of customer experience or loyalty because they can then in turn make corresponding changes to improve their customer experiences and increase their sales. And thus, I think understanding the possible mechanism of how those drivers or criteria can be effective might also be helpful.

Starting from the most straightforward case: store design and signage. Tobias and his colleagues can provide some levels of description and explanations of their findings because they make use of eye-tracking experiments. They found that "the amount of attention directed toward in-store signage varies as a function of customers' store familiarity and the specific search stage of the in-store search process (navigation vs. decision making)" (Otterbring, Wästlund, Gustafsson, & Shams, 2014). In contrast, unlike store-familiar customers, store- unfamiliar customers spend more time directing their visual attention to signage. Store-familiar customers' eyes are more likely to be directed on store signage when it comes to decision-making rather than navigating. Moreover, Tobias and his colleagues also find that "customers attend to in- store signage, the signage content has a significant influence on where they later direct their visual attention" (Otterbring, Wästlund,

Gustafsson, & Shams, 2014). Retailers to re-design their signage to accommodate the needs of different customers, the store-familiar ones and the store-unfamiliar ones in order to increase their sales can use the possible mechanisms described by Tobias.

We have also seen that visual diversity of store staff can also have significant psychological impact on customer and thus an indirect impact on their decision making and customer loyalty, which is closely associated with social categorization and identity theory. Social researches have shown that “people often expect the person performing a role to represent themselves based upon their social position. Therefore, perceived roles enable inferences about individuals or groups” (Quach, Jebarajakirthy, & Thaichon, 2017). What is suggested by this mechanism is that different customers who belong to different social groups might have different expectations regarding the staff’s “physical looks in accordance with their perceived roles” (Quach, Jebarajakirthy, & Thaichon, 2017). And thus, for a retail service that aims to attract different groups of people, increasing the visual diversity of their employees might have a positive impact on their sales.

The above conclusion is also indirectly supported by a study conducted by Isabella Maggioni in her paper “What drives customer loyalty in grocery retail? Exploring shoppers' perceptions through associative networks.” Maggioni (2016) finds that “consumers perceive a certain degree of identification with the store they patronise more often. They also see it as an opportunity to spend time together with their families and friends” (Maggioni, 2016). Moreover, what is more interesting is that the in-group dimension might also have a positive impact on customer decision making and sales. As Maggioni has found that, “the idea of identification is more closely associated to functional benefits related to the quality of merchandise and price fairness, rather than to relational or premium associations” (Maggioni, 2016).

Conclusions

In conclusion, I have reviewed several papers in this review in trying to understand a specific driver of customer loyalty or experience, physical appearance of a store. Based on the papers and studies that I have reviewed, I have identified different sub-categories within the criterion “physical appearance,” and argue that the notion of physical appearance should not be understood as a single homogenous criterion. I have also shown that sub-categories such as visual diversity of store employees, in-store design, in-store signage and even logistic performance can all have more or less some levels of impact, mostly positive impact, on customer loyalty. I have also tried to understand some possible mechanisms as to how these aspects can have positive impact on customer experience to see how retailers can in turn improve their service.

Though I have successfully identified different criteria and their possible mechanisms, it is not to say that all the studies I have reviewed do not have any limitations. For instance, John Murray and his colleagues’ research is limited in the sense that there are not enough samples being collected, the same limitation can also be seen from the study on logistic performance. Similarly, Quach’s research on employees’ visual diversity also suffers from the same type of limitation – the sample size is too small that samples are mainly collected from fashion-related retailers. Though different studies have their own limitations, I believe they nonetheless have broadened our understanding of the physical aspects of a retailer and their possible influence.

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