

## Executive Summaries

*This section provides a concise, nontechnical summary of each article in the current issue of JR focusing on its strategic implications for management.*

### The Future of Retailing

DHRUV GREWAL, ANNE L. ROGGEVEEN, JENS NORDFÄLT

In the rapidly evolving retail landscape, consumers' needs still drive their purchase decisions. Shoppers make most consumption decisions, yet newer technologies (e.g., Internet of things, robots), newer business models (e.g., subscription models), and big data/predictive analytics suggest that the shopping process is on the verge of a quantum leap into an unknown shopping realm. The result is a powerful need to understand critical retailing areas in which innovations are changing the game, so that we can better understand where the retailing field will be evolving in the future.

In modern, multifaceted, omnichannel environments, consumers are bombarded with information about goods and services. Retailers that can connect with their customers by providing targeted information and offering value stand apart and have the potential to create deep customer engagement. Technology can help retailers target appropriate consumers; technology also enables consumers to make better informed decisions about which products or services to consume. Yet not all consumer decisions rely on extensive information searches and detailed decision processes. Some decisions are spontaneous, produced quickly while shopping online or in stores, often prompted by strategic visual presentations and merchandise assortments crafted by the retailer.

A purchase provides the retailer a multitude of disparate information, including transactional data (e.g., price paid, quantity purchased, shopping basket composition), consumer data (e.g., gender, age, family composition), and environmental data (e.g., temperature). Retailers that can draw effective insights from big data can make better predictions about consumer behavior, design more appealing offers, better target their customers, and develop tools that encourage consumers to make purchase decisions that favor their products. Thus, big data can initiate beneficial, cyclical processes of consumer consumption and engagement that in turn lead to enhanced profitability.

This special issue of the *Journal of Retailing* explores five key topic areas: (1) technology and tools to facilitate decision making, (2) visual displays and merchandise offers decisions, (3) consumption and engagement, (4) big data collection and usage, and (5) analytics and profitability. This paper introduces these areas by integrating the insights provided in the articles contained in this special issue. The article concludes with a discussion of newer emerging forces: The Internet of things, virtual or augmented reality, artificial intelligence, and robots/drones/driverless vehicles.

### Shopper-Facing Retail Technology: A Retailer Adoption Decision Framework Incorporating Shopper Attitudes and Privacy Concerns

J. JEFFREY INMAN, HRISTINA NIKOLOVA

Retailers today are faced with a dizzying array of technologies, including iBeacons, mobile POS, Near Field Communications, and the Internet of Things. Retailers are understandably overwhelmed by the options and may adopt technologies without a clear picture of either how they fit into their strategy or even more important, how shoppers will react. Managers are often excited by their own side of the value equation and often forget that shoppers may not share their enthusiasm. When considering adoption of a new shopper-facing technology, more sophisticated retailers' decision calculus includes financial factors such as ROI, payback period, net present value, and impact on profits. However, critical assumptions regarding the reaction of shoppers to the new technology can be embedded in such calculations. These assumptions can either be explicit in terms of shopper metrics such as basket size and conversion or are simply implicitly assumed to be positive.

In this article, we argue that retailers' decision calculus for evaluating the adoption of shopper-facing technology should be expanded beyond what the technology **can** potentially deliver to consider shopper reactions and assess what the technology **will** deliver. Surprisingly,

an interested retailer will find little guidance in the academic literature. We begin by overviewing some of the most disruptive technological innovations over the past few decades that have impacted the retailing industry: UPC scanners, Videocart, off-shelf coupon dispensers, in-store kiosks, and Walmart TV. This overview provides the foundation for our subsequent discussion of some of the new technologies that are already rolling out into stores or are looming on the horizon. We discuss such technologies as mobile apps, scan and go, self-scanning, QueVision, proximity marketing, and digital shelves.

We present a framework that explicates technology-derived revenue sources into extracting greater consumer surplus (e.g., charging higher prices to shoppers who are willing to pay more), increasing the amount purchased at the retailer by current shoppers, attracting new shoppers to the retailer, and increasing payments from suppliers and explicates technology-derived cost decreases into offloading labor to shoppers (e.g., self-scanning) and automating processes (e.g., digital shelves). Importantly, our framework predicts that a new technology is assessed by shoppers in various respects and they may update the perception of their relationship with the retailer as a result of this assessment. This assessment and updating can involve an attitudinal shift (e.g., trust, perceived fairness, satisfaction) or concerns (i.e., privacy concerns, perceived creepiness) that may trigger possible behavioral reactions by shoppers. First, shoppers may decide to change their purchase behavior at the retailer, perhaps by buying more (or less) in a given product category, buying categories at the retailer that they previously only purchased at another retailer, or switching away from the retailer to a competitor. Second, shoppers may engage in word of mouth by sharing their perceptions with other shoppers.

We provide preliminary support for our framework by assessing consumers' perceptions of several retail technologies, as well as their behavioral intentions. The findings reveal that shopper perceptions of the retailer and concerns about privacy vary substantially across new shopper-facing technologies and that these reactions in turn trigger behavioral intentions. That is, we find that technology adoption has a significant impact on shoppers' future retailer patronage intentions and their willingness to generate positive WOM about the retailer. These results suggest that retailers do need to take shoppers' attitudes into consideration to gauge the potential success of any large scale technology adoption because differences in attitudes and privacy concerns do indeed drive future purchase likelihood and positive WOM intentions – two shoppers' behaviors that are critical for the success of any retailer. Our findings support our main point that retailers' evaluation

process of new shopper-facing technology needs to be expanded beyond what the technology **can** potentially deliver to consider shopper reactions and assess what the technology **will** deliver.

## Using Visual Design to Improve Customer Perceptions of Online Assortments

BARBARA E. KAHN

In the future, we expect the percentage of shopping done online will grow exponentially. Physical stores will not go away, but even when purchases are ultimately made in a physical store, the shopping process will frequently start online. There are two things worth noting about this predicted change. First, when much of consumers' exposure to retail assortments comes through a digital interface, *visual design* decisions, both in how the overall assortment is depicted and in how the individual items within the assortment are shown, will become critical for influencing consumer reactions. Second, given the nature of mobile phones and online websites many critical perceptions will be formed in micro-moments that will occur throughout the consumer journey. These micro-moments will result in impressions that are often made instantaneously and automatically and they can be decisive moments when preferences are shaped.

Paralleling this change in observed shopping behavior has come new market research technology, such as sophisticated eye-tracking, which gives us the capability of (1) learning exactly what consumers are paying attention to when viewing an online assortment, and (2) allows us to understand exactly which assortment variables should be used to facilitate the ease of processing.

Using these techniques, we have learned that visual search is not random and can, in and of itself, influence consideration and subsequent choice. Involuntary attention is influenced by the visual aspects of an assortment, such as the salience of items within the assortment. Items that are more salient due to brightness, color, size, number of facings, will "pop out" of the display, leading to automatic attention towards those items, which can affect subsequent preferences. Location effects within an assortment will also affect involuntary attention. Items located near the center of online displays are noted and re-examined more often. Finally, even self-directed attention can differentially affect future choice because items that are not paid attention to are less likely to be attended to in the future.

Once consumers pay attention to items within an assortment, they then have to make sense of it. We know that when processing of stimuli is easy, people

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