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Customer Experience Management in Retailing: An Organizing Framework

Dhruv Grewal [a,*], Michael Levy [b,1], V. Kumar [c]

[a] 213 Malloy Hall, Babson College, Babson Park, MA 02457, United States
[b] Retail Supply Chain Institute, Babson College, Babson Park, MA, United States
[c] J. Mack Robinson School of Business, Georgia State University, Atlanta, GA 30303, United States

Abstract

Survival in today's economic climate and competitive retail environment requires more than just low prices and innovative products. To compete effectively, businesses must focus on the customer's shopping experience. To manage a customer's experience, retailers should understand what "customer experience" actually means. Customer experience includes every point of contact at which the customer interacts with the business, product, or service. Customer experience management represents a business strategy designed to manage the customer experience. It represents a strategy that results in a win–win value exchange between the retailer and its customers. This paper focuses on the role of macro factors in the retail environment and how they can shape customer experiences and behaviors. Several ways (e.g., promotion, price, merchandise, supply chain and location) to deliver a superior customer experience are identified which should result in higher customer satisfaction, more frequent shopping visits, larger wallet shares, and higher profits.

Keywords: Retailing; Customer experience; Retailer; Supply Chain; Macro factors; Location; Marketing metrics

Retailing research has always been one of the mainstays of the marketing field, as evidenced by the status of *Journal of Retailing* as its oldest journal, established in 1925. In line with its rich history of publishing the articles that tackle the most important and substantive issues faced by retailers and their suppliers and to foster collaboration and shared insights among researchers and practitioners, *Journal of Retailing* offers this special issue on "Enhancing the Retail Customer Experience."[2]

Understanding and enhancing the customer experience sits atop most marketing and chief executives' agendas, both in consumer packaged goods manufacturing and retailing fields and it remains a critical area for academic research. To spur greater understanding, this special issue serves as a vehicle to stimulate research on issues that affect how retailers and their suppliers can enhance the customer experience.

These issues become even more timely and important in the face of 30–40 percent stock price losses for many firms, major concerns about the sustainability of major financial institutions and the U.S. auto industry, and fluctuating energy costs. The popular press reports that retailers will close tens of thousands of stores in 2009, with several more filing for Chapter 11 bankruptcy protection in the face of the worst economic environment in more than 40 years (Blount 2009). Retailers must assess every location; if it does not produce profit, the store will not be viable. Strong promotional efforts by online retailers, including deep discounts and free shipping, have persuaded some consumers to shop, but these measures cut deeply into their profits.

Desperate measures are being taken to reverse the trend. Thus, retailers and their suppliers must do everything possible to compete for a shrinking share of consumers' wallets. Many retailers are realizing that their growth and profitability are being determined by the little things that make a big difference in customer satisfaction and loyalty; for example, easy interactions between the customers and the firm, consistency of the message across all the communication channels, providing

* Corresponding author. Tel.: +1 781 239 3902.
E-mail addresses: dgrewal@babson.edu (D. Grewal), mlevy@babson.edu (M. Levy), vk@gsu.edu (V. Kumar).
[1] Tel.: +1 781 239 5629.

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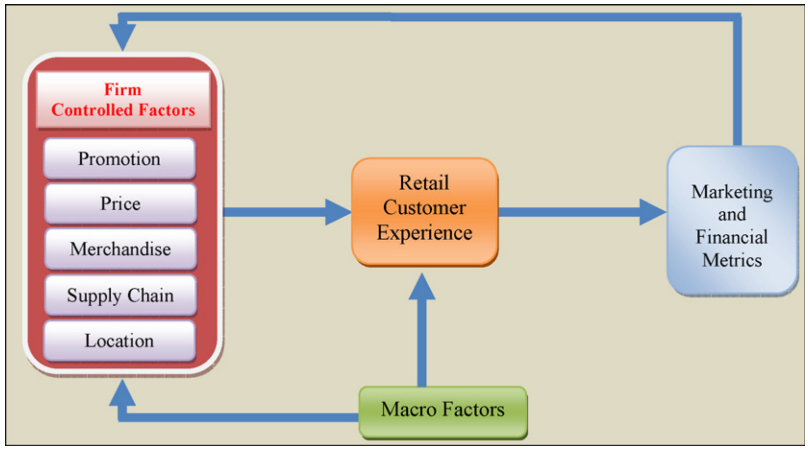

Fig. 1. Organizing structure.

multiple channels to interact and shop, and finally being responsive to customer needs and feedback.

In recent years, many articles have summarized key findings published in this journal during this decade (e.g., Brown and Dant 2008a; Brown and Dant 2008b; Grewal and Levy 2007). These reviews contain suggestions for research and practice; the articles in this special issue supplement the existing reviews by providing insights from both marketing and related fields. We present the organizing framework in Fig. 1.

Following Fig. 1, we first discuss the macro factors that affect retailers and the customer experience. The second section contains an overview of the retail customer experience, the firm controlled factors (aka: retail drivers) and marketing and financial metrics. As shown in the framework, the macro factors can affect the retail drivers as well as the customer experience. Customer experience then mediates the impact of retail drivers on retail performance. For example, articles by Puccinelli et al. (2009) and Verhoef et al. (2009) illuminate the customer side of the retail shopping equation. To provide a better understanding of retail drivers, other authors examine promotion (Ailawadi et al. 2009), price and competitive effects (Kopalle et al. 2009), merchandise management (Mantrala et al. 2009), supply chains (Ganesan et al. 2009), and location. Since none of the papers in this special issue specifically address location issues, we call for additional work in this significant area. We then examine the various metrics (Petersen et al. 2009) that can assess retail performance. Finally, insights from recent articles published in *JR* in 2008 are summarized, in Appendix A.

The role of macro factors

For world markets in general and retailing in particular, 2008 represented a very turbulent year. Some current retailing trends result from major macroeconomic and political factors, such as dramatic gasoline price fluctuations, which influenced the cost of alternative fuels such as corn and soy, causing shortfalls in other items derived from these crops and an ensuing increase in food prices. On the consumer front, many people's savings have evaporated, primarily because of the precipitous decline in stock prices, suffering real estate markets, and increasing unemployment. Consumers thus take greater care in what they buy, where they buy, and how much they will pay. As the null entries under the column "Macro" in Appendix A makes abundantly clear, these macro factors have not received sufficient research attention.

The popular press is replete with stories about the effects of economic factors (e.g., gasoline prices, inflation, recession, unemployment, interest rates, and declining stock markets) on consumer shopping behavior. Economic and financial uncertainty also has influenced the retail environment, and several prominent retailers (e.g., Linens 'N Things, Levitz, Circuit City, Sharper Image) have either closed their doors or filed for bankruptcy protection. In such challenging economic times, customers search for value: they have not necessarily stopped shopping per se, but they are shopping more carefully and deliberately. Some purchase in similar merchandise categories but at stores that offer lower prices, such as H&M, Wal-Mart, or Costco (Capell 2008; Coupe 2008), whereas others search for products or services they perceive as special because they appear stylish, trendy, prestigious, or reflective of media hype (Mui 2008).

To create excitement in order to attract customers to their stores, and potentially increase profit margins, several prominent retailers have expanded their assortment of private label offerings. They are moving beyond the idea of private labels as being only low price/low quality alternatives to national brands. Instead, retailers provide premium private labels that sometimes exceed their national brand counterparts in quality ratings, including Wal-Mart's Sam's Choice (U.S.), Loblaw's President's Choice (Canada), Tesco's Finest (U.K.), Marks & Spencer's St. Michael (U.K.), Woolworth Select (Australia), Pick and Pay's Choice (South Africa), and Albert Heijn's AH Select (Netherlands) (Kumar and Steenkamp 2007). Another private-label alternative uses exclusive co-branding, such that the brand is developed by a national brand vendor, often in conjunction with a retailer, and sold exclusively by that retailer. For instance, JCPenney now offers lines designed by Kenneth Cole and Ralph Lauren, called Le Tigre and American Living, respectively (Mui 2008). In this context, the stores that consumers do not perceive as offering either low prices or salient attributes are the most vulnerable.