



The New Face of Retailing: The Impact of the Small, Inventory-Free Store Experience on Brand Equity and Ordering Behavior

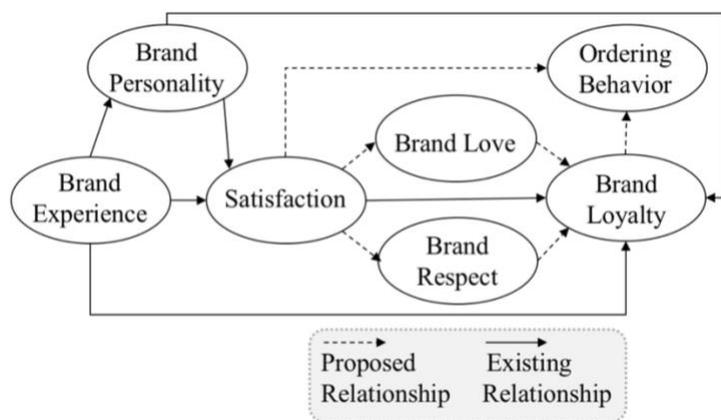
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Popular press has reported a “retail apocalypse” in which an unprecedented number of U.S. retail store closures began in 2015 and is expected to peak in 2018 (Peterson, 2018; Retail apocalypse, 2015). Retailers are reacting to the challenging environment by changing formats to compete with other thriving sectors (Crawford, 2017; Yohn, 2016). Notably, Nordstrom has launched an innovative new store format (Nordstrom Local) that is only 1/50 the size of their standard location and is inventory-free (Taylor, 2017). The store emphasizes experiences instead of strictly point of sale where products can be ordered at Nordstrom Local or other channels; purchases are brought from Nordstrom stores to Nordstrom Local or shipped to the customer (Serdari, 2017). The concept store provides unique experiential services that offer convenience and reinforce the customer’s lifestyle, such as a nail salon, beverage bar, personal styling, alternations, curbside pickup, and product return drop off, where customers can mail returns to Nordstrom and other retailers, and if the returns isn’t prepaid, Nordstrom will cover the cost for a flat \$5 fee.

In an era of change in the retail industry, this new, small, inventory-free retail environment has the potential to transform the face of retailing by offering a new lifestyle experience-oriented format. According to Pine & Gilmore (1998), consumer shopping preferences have changed dramatically from commodities, to goods, to services, and now to experiences in the experience economy; coinciding with the experience economy, consumers are spending less on physical goods and valuing experiences, travel, and entertainment more than they have in the past. The value placed on experiences in retail formats is warranted, as experiences play a key role in affecting a consumer’s emotions (Schmitt, 2011). Whereas other department stores have opened smaller format stores, they still focus on immediate product sales (Kennedy, 2017). Instead, Nordstrom is the first department store to try such an extreme departure from their traditional retail format, eschewing the trend toward expanding store size and product availability, and instead maximizing service/consumer experience offerings. Nordstrom Local presents a new retail format that revolutionizes retailing by providing a consumer-centric offering that does not concentrate on product sales revenue of the location, but instead prioritizes factors impacting consumer-based brand equity (Cho, 2011; Keller, 1993, 2001) elements (e.g., brand love, respect, loyalty) for Nordstrom. Yet, we have found no research tapping consumer experience, brand equity elements, and conversion rates fostered by the new retail format. Therefore, the authors proposed a new conceptual model with relationships between consumer experience, consumer-based brand equity elements (brand personality, satisfaction, love, respect, loyalty), and product ordering behavior at other Nordstrom retail channels.

Given the emphasis on consumer experience and the potential impact on the brand equity elements, we proposed the use of Brakus, Schmidt, and Zarantonello's (2009) *brand experience* construct, modified to tap the experience while shopping the small, inventory-free retail store



(see Figure 1). Brand experience is defined as “subjective consumer responses that are evoked by specific brand-related experiential attributes in such settings” (Brakus et al., 2009, pg. 65). The construct consists of sensory, affective, behavioral, and intellectual experience variables. According to Brakus et al., brand experience has a direct effect on satisfaction and brand loyalty and an indirect effect on satisfaction through brand personality, as noted in the model.

Figure 1. Conceptual model.

Based on his work with brands, Roberts (2004) provided anecdotal evidence that both brand love and respect were mediators between satisfaction and brand loyalty. These relationships were added to the conceptual model. Product ordering behavior has been added to measure sales conversion fostered by the new format. In the instance of Nordstrom Local, the intention is to build loyalty through the unique experiences the format offers, which positively affects product ordering through any of Nordstrom's channels (i.e., Nordstrom Local, Nordstrom department stores, Nordstrom.com, and Nordstrom's mobile app) (Serdari, 2017). Nordstrom Local becomes one channel in an omni-channel approach, requiring the measurement of ordering behavior at any Nordstrom retail channels following the Local experience. Thus, brand loyalty is the antecedent of a broad measure of ordering behavior, instead of immediate purchase behavior in the Local shop.

The purpose of the proposed framework is to better understand consumer (brand experience) variables affected by the new retail format, their impact on consumer-based brand equity-related variables (e.g., brand personality, satisfaction love, respect, loyalty) and consequent ordering behavior through any available retail channel. Through future testing of this model, the authors will be able to provide industry and academicians with insight into the potential impact, success, and longevity of the new small, inventory-free retail format. The conceptual model reveals that research that evaluates the impact of new retail formats may need to depend more on measuring brand equity elements and ordering through more than one retailer channel rather than strictly focusing on purchase/intention to purchase in the one retail space of the study.

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