This is a self-archived version of an original article. This version may differ from the original in pagination and typographic details.

Author(s): Nyrhinen, Jussi; Skippari, Mika; Wilska, Terhi-Anna

Title: The role of social capital in digitalised retail servicescape

Year: 2022

Version: Published version

Copyright: © Authors, 2022

Rights: CC BY-NC-ND 4.0

Rights url: https://creativecommons.org/licenses/by-nc-nd/4.0/

Please cite the original version:

The role of social capital in digitalised retail servicescape

Jussi Nyrhinen, Mika Skippari and Terhi-Anna Wilska

Introduction

Regardless of the rapid digitalisation of the retail trade and the fast growth of online commerce (e-commerce), the majority (i.e. 88%) of all global retail of goods and services was still bought from physical stores (i.e. ‘offline’ or ‘brick-and-mortar’ stores) in places such as high streets or malls before the COVID-19 pandemic (Statista, 2019 – see Further reading). Pandemic’s preventing measures, such as quarantines, social distancing and moving restrictions, have forced consumers to increasingly adopt digital channels and that has further accelerated the digitalisation of retail trade. However, according to the blog post by World Economic Forum, the consumers are already returning to physical stores in China, where the COVID-19 outbreak has started to ease (see e.g. Zhou and Goh, 2020 – see Further reading). A similar development can be expected in the other parts of the world when quarantines and other restrictions are removed because consumers still have many reasons to visit physical stores. Among these reasons are social needs, such as real-life human contacts with other customers and store personnel (Maruyama and Wu, 2014). These needs are linked to the demand for authenticity and human interaction in a digitalised consumer society, which means that consumers also seek experiences rather than solely focus on economic norms and pragmatic motives while shopping (see Novak, Hoffman, and Duhachek, 2003). Thus, retail stores are places for humans to interact and gather (Pan and Zinkhan, 2006) as well as to examine products and to feel the shop’s atmosphere (Piotrowicz and Cuthbertson, 2014).

The need for experiences provides retail stores an opportunity to be more than just a channel of distribution (see Treadgold and Reynolds, 2016). These experiences are created across digital and physical environments because consumers are increasingly shopping across multiple channels at different stages of the purchase process, and different channels serve different purposes (Dholakia et al., 2010). For instance, a consumer may use a digital channel (i.e. online/mobile store) for information searching, a physical store for viewing and examining the product, and return to a digital channel to make the purchase (Kumar and Venkatesan, 2005). Hence, digitalisation of the retail trade has not only created new types of retail businesses but also altered how ‘traditional’ retail services are consumed and experienced; customers now interact with retail shops through a wide spectrum of touchpoints over plethora of channels and media types (Lemon and Verhoef, 2016). Nevertheless, the role of social interaction has not lost its importance in digitalised retail environment: only, its role as a determinant for customer experience has changed. Therefore, there is a need for better understanding the standpoint of human factor in...
digital retailing and how customer experience is formed in a retail space comprising multiple channels.

In this chapter, we aim to extend the understanding of the role of the social and experiential factors in explaining customer experience in digitalised retail environment. Firstly, we discuss how digitalisation has dispersed customer experience into ‘omnichannel customer experience’ where customers utilise both digital and physical channels, in a convergent manner and often simultaneously while interacting with brands. This process of customer’s interaction with a brand, as well as customer’s responses and impressions of it, is known as customer experience (Gentile, Spiller, and Noci, 2007). Secondly, we draw on the concept of servicescape, which comprises both tangible and intangible features which make up the service experience (Bitner, 1992, Tombs and McColl-Kennedy, 2003). Prior research on servicescape has mainly focused on digital and physical settings, while research on how these two settings related to the social element of retail is still rather scarce (Bolton et al., 2018). Finally, recognising that the servicescape consists of physical, digital and social realms (Bolton et al., 2018), we explore the role of social capital in determining the customer experience in digitalised retail servicescape. The theory of social capital is applied here because it captures the interactions, social relationships and social networks in terms of economic value (Bourdieu, 1980; Lin, 1999; Putnam, 2000; Coleman, 1988). We contribute to the theory of customer experience by offering an integrated view of social capital and servicescapes that explains how interpersonal relationships and social networks are formed in retail stores that comprise digital and physical channels.

**Omnichannel customer experience**

Customer experience, by definition, is a customer’s overall internal and subjective responses to a series of interactions with an organisation (Gentile, Spiller, and Noci, 2007) or a process, where customers construct experiences by merging services with their own lives’ processes (see e.g. McColl-Kennedy et al., 2015). When consumers experience services in a digital–physical environment, consumers often switch across both online and offline channels as well as a desktop and mobile devices within a single transaction process, and therefore, consumers expect seamless interplay of the retailer’s multiple channels (Piotrowicz and Cuthbertson, 2014; Verhoef, Kannan, and Inman, 2015). Thus, the interest of retailers and scholars has turned from measuring individual channel performance – multichannel retailing – towards the integration of offline and online channels, which is referred to as ‘omnichannel retailing’ (Herhausen et al., 2015). In omnichannel retailing, retailers combine multiple online (digital) and offline (physical) channels in a convergent manner to provide a unified customer experience during the purchase process (see e.g. Herhausen et al., 2015; Verhoef, Kannan, and Inman, 2015). In the omnichannel retail context, customer experience is constructed through interactions across myriad digital and physical touchpoints (Lemon and Verhoef, 2016; Verhoef et al., 2009).

Prior studies have shown that a satisfying omnichannel experience may lead to increasing purchases and stronger customer loyalty due to increased interaction with customers (Verhoef, Kannan, and Inman, 2015). This integration may augment the retail offering and enable customers to achieve their shopping goals more efficiently and effortlessly (e.g. Kumar and Venkatesan, 2005; Verhoef, Kannan, and Inman, 2015). Yet, empirical evidence on the success of omnichannel retail is rather scarce because many firms have been unable to provide a seamless omnichannel experience (Herhausen et al., 2015). The
challenge here is to map out customers’ unique experience through digital and physical channels (cf. e.g. Lemon and Verhoef, 2016). Therefore, we focus on experience creation as an interactive process that takes place in the physical and digital spaces of the retailer. In service literature, these spaces and social interactions within the theme are defined as the servicescape (see e.g. Ballantyne and Nilsson, 2017; Bittner, 1992).

**Digital–physical servicescape**

The dispersion of consumer behaviour between online and offline store environments has led scholars to re-examine the concept of servicescape (Bittner, 1992, Tombs and McColl-Kennedy, 2003). The servicescape is initially defined as a setting for the customer experience, a build environment that affects both consumers and employees in service encounters (Bittner, 1992), such as store space. Later definitions have acknowledged human interactions between customers and service personnel as an integral part of the servicescape (e.g. Johnstone, 2012; Rosenbaum and Massiah, 2011, pp. 474–480).

Regardless of the intangible nature of the digital servicescape, many sensory attributes of the physical servicescape are metaphorically maintained when conceptualising digital retail environments and virtual interactions (Ballantyne and Nilsson, 2017). For example, a website’s design will affect the atmosphere of an e-store similar to how the interior shapes the atmosphere of a physical store. Moreover, the customer experience in the digitalised servicescape has become more social by nature because SM platforms have increased customer-to-customer interactions (Lemon and Verhoef, 2016). Hence, customers may share their experiences as well as become influenced by peer customers during a service encounter (Lemon and Verhoef, 2016; Libai et al., 2010). Besides the online peer-culture, mobile technology has also brought peer culture into the physical channel. Customers can now communicate about their service experiences with their social networks via portable devices in real time, in a physical store (Piotrowicz and Cuthbertson, 2014). Hereby, customer servicescape can be regarded as three-dimensional, consisting of digital, physical and social realms (Bolton et al., 2018).

However, our understanding of the customer experience in the digital–physical servicescape is rather limited. Notably, the prior literature has focused on only one or two realms (Bolton et al., 2018) at a time. Models that conceptualize customer experience were initially developed separately for either the offline context (e.g. Shilpa and Rajnish, 2013), the online context (e.g. Rose et al., 2012) or to measure and compare the effects of individual channels separately (e.g. Wang, Jiang, and Chen, 2004). Understanding interconnections between digital, physical and social realms may help in creating sophisticated service systems that benefit consumers, organisations and society (Bolton et al., 2018). Therefore, better knowledge of how the three realms of the servicescape could converge is needed to create a superior customer experience.

Customers’ participation affects the essence of the service encounter because service experiences are co-created through interactions among customers and/or between customers and a retailer. Moreover, social interaction is among one of the motives for customers to visit retail stores (e.g. Skippari, Nyrhinen, and Karjaluoto, 2017). In addition, interpersonal relationships and social networks that are supported by digital and/or physical servicescapes may provide retailers with a competitive advantage because they are more difficult to replicate than product- or market-related factors. Although this social nature of the servicescape is widely recognised (e.g. McColl-Kennedy et al., 2015; Rosenbaum and Massiah, 2011), the research on how customers and service personnel
create trust and reciprocal relationships through the physical, digital and social realms of the servicescape is scarce. To understand how these social factors can be capitalised, the concept of social capital is utilised to examine the servicescape.

**Social capital in servicescape constitutes customer experience**

This chapter examines interpersonal relationships, social networks and customers’ involvement in relation to the customer experience. In literature, these kinds of phenomena are included in the concept of social capital (see Bourdieu, 1980; Lin, 1999; Putnam, 2000; Coleman, 1988). Social capital is defined as an investment in social relations with expected returns (see Lin, 1999) or further connections among individuals, including social networks and the norms of reciprocity and trustworthiness that arise from them (see Putnam, 2000). In the retailing context, social capital is examined as reciprocal actions between customers and retailers that represent both interpersonal and institutional levels of reciprocity (i.e. networks and relationships among customers as well as between customers and a retailer and its personnel) (Miller, 2001; Skippari, Nyrhinen, and Karjaluoto, 2017).

Studying customer experience in relation to social capital is crucial because it is important to understand how a customer’s experience in the retail environment constitutes social ties between the customer and service personnel. These social ties may engender interpersonal relationships that could become a source of customer loyalty towards the retailer. Therefore, managing the specific servicescape factors that affect social capital can help retailers with multiple channels stand out from their competitors through developing stronger relationship with their customers.

The social dimensions of the retail environment have been studied from the perspective of customer satisfaction, buyer behaviour and purchase intentions, but not in relation to either retail patronage or the customer’s social experience (Johnstone, 2012). Yet, how a customer identifies with the servicescape can be mutually consequential; customers may patronise a store if they perceive unity with either their peers, with other customers in general, or with the retail store itself, including its personnel (Johnstone, 2012; Sirgy, Grewal, and Mangleburg, 2000). Therefore, retail stores can also be seen as a *platform for non-commercial relationships*, such as those with family members, friends and acquaintances (Johnstone, 2012; Pan and Zinkhan, 2006). Moreover, for some consumers, the need for human connection is a central facet in retail shopping, hereby supporting the research that suggests that people become attached to places for the social connection (see Johnstone, 2012; Low and Altman, 1992). For instance, consumers visit retail stores because such environments enhance human contact and provide a sense of belonging (Johnstone, 2012; Shields, 1992). Moreover, the main foci of previous studies have been on product-relevant (i.e. product quality and price), market-relevant (i.e. convenience and service quality) and personal factors (i.e. demographics and attitude towards a store) (see Pan and Zinkhan, 2006) that explain retail patronage.

Regardless of the social motives for visiting retail stores in a physical setting, service is usually experienced in a socially detached manner or in ‘social bubbles’ where direct interaction is limited to their own entourage. Nevertheless, socially detached consumers in the physical servicescape may create a feeling of togetherness (see Rihova et al., 2013). This means that a generally friendly and social atmosphere may exist, even though consumers do not directly interact with others outside their own entourage in a service encounter. However, SM (e.g. social networking services, messaging
applications and review platforms) have altered these dynamics because customers now directly discuss and review their experiences with their peers online who are often total strangers.

Customers may also influence each other through SM during the service encounter, and mobile technology has augmented this peer culture in the physical setting as well (Leeflang et al., 2014; Lemon and Verhoef, 2016). In addition to the challenge of managing peer influence that is outside retailers’ control, SM has brought an unforeseen sense of community within the customer base of some retail brands. For instance, endorsers of a certain brand may form an ongoing neo-tribe (cf. Maffesoli, 1996), which may gather in physical settings but importantly will congregate in an online platform (Rihova et al., 2013). This community membership, which transcends the service’s physical experience, can lay the foundation for social capital in various forms, such as reciprocity, social trust and well-being (Cova, 1997; Rihova et al., 2013).

Due to the central role of human interaction in the service experience, the identity of a retail space is not limited to its physical characteristics; rather, it is also related to the social construction of place through the experiences of individuals and groups (see Bolton et al., 2018; Rosenbaum and Massiah, 2011). This means that the physical and functional clues of the servicescape can facilitate the meanings of the place, which are initially formed and interpreted by people in the servicescape. Therefore, a place can be regarded as a social construction; the servicescape is shaped by the interactions between people within it and the retailer neither owns nor has complete control over its servicescape (Johnstone, 2012). The customers’ reasons for becoming attached to a retail location, and repeatedly visiting it, may extend beyond the physical servicescape and product-related factors (Johnstone, 2012). In sum, these views support the notion that consumers may keep patronising shops that facilitate their social experiences with other customers or with the service personnel. Notably, a diminutive amount of prior research has examined how a place itself can constitute the creation and nurturing of consumers’ non-commercial relationships with the retail environment or how customers’ social relationships may mould the servicescape (Johnstone, 2012).

Prior literature (e.g. Rihova et al., 2013) has shown that customers co-create their experiences in a service setting in social interactions with service personnel and other customers. Therefore, the value of service is reliant on how well a retailer is able to involve customers in the service experience (Prahalad and Ramaswamy, 2004). In that sense, the customer themselves can be a resource for the retailer as well as for other customers who seek human contacts from retail stores (cf. Coleman, 1988). This is due to the contextual and individual nature of the experience, which is affected by the customer’s own processes (Prahalad and Ramaswamy, 2004).

In the retailing context, while customers have a central role in co-creating their own experiences, retailers reciprocally offer value propositions by providing suitable products and services and a retail setting with the aim of igniting the value co-creation processes through interactions and collaborations with customers (Mohd-Ramly and Omar, 2017). Prior studies have shown how value in the service experience is formed within insulating, bonding, communing and belonging practices, which illuminate the appeal of shared consumption experiences, particularly in physical contexts (Rihova et al., 2013). However, there is a research gap regarding how social interaction in the physical context is positioned in relation to the interaction through SM platforms. For instance, service-oriented retailers can benefit from the importance of bringing customers together in a physical setting alongside the online community (Rihova et al., 2013).
Social capital as an outcome of the customer experience

Besides constituting in experience formation, social capital can be seen as the outcome of customer experience. Coleman (1988) examines social capital through its outcomes: trust (insurance provided by close ties), community (social relations per se), reciprocal relationships (normative structures enable mutual reliance) and access to resources (the network of social exchange). Prior studies on customer relationships in online commerce have focused on how to fulfill customer expectations in online service encounters (see Bart et al., 2005). Even though the principles for forming customer trust in the servicescape still apply in digitalised commerce, their form differs from that of offline commerce (Papadopoulou et al., 2001). For example, in the online context, the mechanical factors of the servicescape are related to a website’s design, while the functional factors consist of the user interface and payment arrangements (Harris and Goode, 2010). Prior studies have acknowledged the importance of both mechanical and functional servicescape cues as antecedents for trust formation (e.g. Mathwick, Malhotra, and Rigdon, 2001). These cues create a first impression of the service (Berry, Wall, and Carbone, 2006) and thus they also create a setting for social interaction in the servicescape. For instance, the servicescape’s cues constitute a retail brand image that indicates what kinds of shoppers visit a certain store (Sirgy, Grewal, and Mangleburg, 2000).

In addition, the absence of face-to-face contact with store personnel and other customers cannot be easily replaced in the digital retail environment (Papadopoulou et al., 2001). Therefore, previous studies have suggested that an online servicescape should facilitate online presence of other customers and service personnel with virtual advisors (e.g. customer service chat) and community features (e.g. embedded customer reviews and the company’s SM profile). Some studies argue that a sense of social presence may also be provided by non-human entities, such as service robots (e.g. virtual assistants like Apple’s Siri or Amazon’s Alexa) (van Doorn et al., 2017). In high-involvement or high-risk purchases, the advisory mechanism may notably decrease a consumer’s concerns and increase his/her perceived trust towards the retailer (Bart et al., 2005; Urban, Sultan, and Qualls, 2000). Online brand communities may also enhance information exchange and knowledge sharing as well as provide a supportive environment for customers, which will increase consumer trust towards the retailer (Bart et al., 2005).

Due to a lack of familiarity or physical presence and the perceived uncertainty of online commerce, challenges in building customer trust are inherent to online commerce (see Papadopoulou et al., 2001). Therefore, omnichannel retailers may have an advantage over pure online retailers (Brynjolfsson, Hu, and Rahman, 2013). This trust may be directed towards an entire retail brand because a positive impression of an omnichannel retailer that is based upon experiences with the prior channel of a retailer has been shown to reflect on consumers’ evaluations of alternative channels of the same retailer (Kwon and Lennon, 2009).

Trust is also a mechanism for building a reciprocal relationship between the customer and the retailer. For example, in DM, customers’ willingness to share information is a prerequisite for marketers to create desired personalised experiences (Schoenbachler and Gordon, 2002). Therefore, digital marketers seek to strengthen their information sources by forming trust through customer relationship-building practices (Schoenbachler and Gordon, 2002). In other words, a customer’s consent to provide personal data for the efficiency of the retailer may afford them more personalised experiences in return. Loyal customers may feel affection and normative commitment towards a retailer (see Miller, 2001)
and consequently practice patronage behaviours and/or become endorsers of the retailer in return. Retail patronage behaviour involves trading off between economic costs and relationship benefits (see Baltas, Argouslidis, and Skarmeas, 2010) (i.e. consumers visit the retailer before its competitors or shop more frequently if they consider the relationship mutually beneficial). On a deeper level of customer loyalty, customers take pleasure in sharing their knowledge with peers and family (i.e. customers become vocal advocates for the product or service and constantly spread WOM with a positive valence) (see Griffin, 2002). Although prior literature acknowledges the ways how digitalisation has set challenges for forming trust and long-lasting customer loyalty, the evidence of how the elements of a blended servicescape affect these social capital outcomes is notably scarce.

Conclusion and implications

There is still scarce empirical evidence on how elements from the digital, physical and social realms of the servicescape can be combined to facilitate the customer experience (Bolton et al., 2018). The COVID-19 pandemic has also emphasised the importance of understanding the interplay between online and offline stores as well as social and experiential aspects of retail shopping. Firstly, social distancing restrictions and quarantines have rapidly increased the adoption of digital channels but also re-evoked desire to buy locally sourced products and supporting community stores (Vujanic and Burns (2020) – see Further reading). Above all, those retailers that have been able to respond to the changing needs and behaviours of their customers using online and offline channels have been more resilient to the crisis. For instance, according to the blog posts by Retailing Info Systems and Adobe Analytics (see Further reading), buy-online-pickup-in-store orders surged 208% in spring 2020 compared to 2019 because they ensure a safe transaction and provide customers instant gratification (Abramovich, 2020; Seraphin, 2020). Also, omnichannel retailers have been able to enhance their customer experience by using a storefront as a mini fulfilment centre for safe staff and customer interaction (Seraphin, 2020).

As depicted in this chapter, most studies have either focused on examining customer experience formation on a single channel basis or emphasised the consistency of service elements. More research is thus needed on the connectivity across the digital, physical and social realms of the servicescape: how customers may participate in experience creation to attain their goals, and how interaction in the servicescape can be linked to the outcomes which indicate sustainable customer relationships. This chapter suggests applying the theory of social capital to conceptualise how human relationships and social networks can act as a resource in experience formation. The chapter also links the elements of the servicescape to the outcomes of social capital, such as trust and mutual reciprocity between a customer and a retailer, which are prerequisites for lasting customer relationships.

Key lessons for future research

• To further explain how the elements from the digital, social and physical realms of the servicescape facilitate social capital in retail, there is a call for empirical studies on how social interaction in the physical context is positioned in relation to interaction through SM platforms.
• In more detail, how servicescape elements such as atmospherics (scents, visuals, etc.) nurture non-commercial relationships among customers in omnichannel retailing?
• There is a call for more empirical research on how the customer experience in a blended servicescape is associated with human contact, forming trust and developing a reciprocal relationship between the customer and the shop.

Disclaimer

The research presented in this chapter was collected for my University of Jyväskylä Doctoral Dissertation Social Capital in the Digitised Servicescape (2020). The copyright for this JYU thesis belongs to me, Jussi Nyrhinen, as the Author. Research presented here has not been otherwise previously published.

Further reading


References


