Creating Retail Customer Experience through Distribution of Decision Authority between Headquarters and Stores

Ryusuke KOSUGE\textsuperscript{a)} and Jing-Ming SHIU\textsuperscript{b)}

Abstract: Even when customers are satisfied, they could be having experiences not intended by the company. By comparing dyad relationships between headquarters and stores of a Japanese auto dealer company, this paper examines how decision authority on touchpoints should be distributed to create a superior customer experience. Overall, decision authority was distributed towards stores; however, two stores known for high-quality customer experiences had headquarters exercise decision authority on brand promotion touchpoints. Further, these two stores adapted interpersonal touchpoints to brand promotion touchpoints created by headquarters. In short, from a brand perspective, it is desirable to differentiate decision authority while achieving consistency

\textsuperscript{a)} Graduate School of Management, Ritsumeikan University, Iwakuracho 2-150, Ibaraki, Osaka, Japan, kosuge@fc.ritsumei.ac.jp

\textsuperscript{b)} Department of Business Administration, National Cheng Kung University, No. 1, University Road, Tainan City, 701. Taiwan, jingmingshiu@mail.ncku.edu.tw

A version of this paper was presented at the ABAS Conference 2019 Winter (Kosuge & Shiu, 2019). © 2019 Ryusuke Kosuge and Jing-Ming Shiu. This is an Open Access article distributed under the terms of the Creative Commons Attribution License, which permits unrestricted reuse, distribution, and reproduction in any medium, provided the original work is properly cited.
Introduction

In recent years, management of customer experience has been one of the most important topics in the marketing field, particularly in retail studies (Homburg, Jozić, & Kuehnl, 2017; Lemon & Verhoef, 2016). Customer experience has been defined as “a customer's cognitive, emotional, sensory, social, and spiritual response to interactions with a firm” (Lemon & Verhoef, 2016). Throughout the entire process, that is, from pre-purchase to post-purchase, customer experience is created through individual contacts between the firm and the customer at distinct points, called touchpoints (Homburg et al., 2017; Meyer & Schwager, 2007).

Customer experience construct is similar to customer satisfaction, yet customer satisfaction does not contain the perspective of the firms’ intentions or consistency throughout the process (Meyer & Schwager, 2007). This means that even high level customer satisfaction may not be ideal from the perspective of customer experience. For example, a customer visiting an auto dealer may be satisfied if a salesperson is very friendly and approachable. However, if the car being looked at is a luxury vehicle that symbolizes social status, and the website also exudes a sense of luxury, the customer may receive an odd impression. In other words, to create a superior customer experience in retail, firms have to achieve brand consistency between all touchpoints (Mosley, 2007; Nysveen, Pedersen, & Skard, 2013).

The problem for retail firms is the cost associated with coordination between touchpoints.
Creating retail customer experience

between headquarters and geographically dispersed stores when deciding on touchpoints. What matters here is the distribution of decision authority \(^1\) (Jensen & Meckling, 1995; Windsperger, 2004). Generally, it would appear that the headquarter holds all authority to make decisions related to touchpoints, and that stores simply do as they are told. However, if local customer needs or expectations are unique, stores are in a better position to exercise decision authority on interpersonal touchpoints. In addition, there may be instances where stores have decision authority on brand promotion touchpoints for some reasons. Thus, distribution of decision authority is not always self-evident, and various patterns for distribution are possible. For retail firms, the issue of what types of patterns lead to superior customer experiences is an important one.

Given the above, this paper analyzes the case of auto dealer Company X to examine how decision authority on brand promotion and interpersonal touchpoints should be distributed between headquarters and stores to create a superior customer experience.

**Context and Methods**

Company X is one of the dealerships of a certain automaker in Japan. Normally, Japanese auto dealers focus on selling the number of cars for which they entered into a contract with automakers, but Company X is known to be customer-oriented and take on advanced initiatives. The company has 46 stores, with decision authority unintentionally distributed in various ways between headquarters and the stores. By comparing the dyad relationships between headquarters and the stores, it is possible to see an ideal distribution of decision authority.

The analysis focused on Store A and Store B, which had reputation

---

\(^1\) In the cited literature, this is called “decision rights” from the perspective of the property-rights theory of the firm.
among customers and headquarters staff for creating a particularly high-quality purchase experience. These stores appeared to exercise decision authority differently from other stores. Store A is a large store that leases space in a shopping mall and its sales are consistently at the top in the company. Store B was in a slump for a long time, but since the manager was replaced in 2016, Store B’s reputations has changed in the eyes of customers and its performance has improved.

Data was collected between 2014 to 2018 through multiple interviews with managers of both stores, people in marketing and sales promotions, and company management. In addition, triangulation was done through observations of meetings and an analysis of internal company documents. Data was then coded into distinct categories (Saldaña, 2016).

Case of Company X

Company X’s brand promotion and interpersonal touchpoints can be summarized as shown in Table 1.

The primary role of brand promotion touchpoints is to deliver images or stories of the company or product to customers. Examples of specific forms include websites, direct mails, product displays, in-store decorations, and in-store events. In contrast, the role of interpersonal touchpoints is to satisfy customers through customized interactions. Examples of specific forms include promotional phone calls, in-store customer services, and negotiations.

Overall, it was found that the decision authority on interpersonal touchpoints had gradually shifted from headquarters to the stores. This was because of the company’s policy to advance customer-oriented selling. For example, the timing and method used to offer a car inspection service to customers had previously followed
a headquarters protocol originally developed by the automaker, but each store came to try out their own methods according to local conditions. Headquarters consequently approved such efforts because most stores certainly had greater knowledge of the area and interpersonal subtleties than headquarters.

In addition, the decision authority on brand promotion touchpoints also gradually shifted from headquarters to stores. This is because, to match with interpersonal touchpoints, stores began to create brand promotion touchpoints on their own. For example, as an incentive for customers with children to visit, some stores planned events with games that children would enjoy. Overall, stores adapted touchpoints formally decided by headquarters to suit their local conditions. That is, there was a growing decentralization of overall decision authority in Company X.

However, even as Store A and Store B focused on creating effective interpersonal touchpoints, they had headquarters exercise the decision authority on brand promotion touchpoints. That is, although the stores were in a position to create brand promotion touchpoints on their own similar to other stores, they did not. The manager of Store A acknowledged that creating brand promotion touchpoints was not their specialty and the store staff simply

|                  | Brand promotion touchpoints | Interpersonal touchpoints |
|------------------|-----------------------------|---------------------------|
| **Main role**    | To deliver images and stories of the company or product to customers | To satisfy customers through customized interactions |
| **Forms of touchpoints** | Website, direct mail, product display, in-store decoration, in-store event | Promotional phone call, in-store customer service, negotiation |
followed headquarters’ decisions. Store B requested support directly from headquarters on touchpoints such as product display and in-store decoration. The above suggests that it is best if headquarters exercises the decision authority on brand promotion touchpoints.

So how can consistency between touchpoints be achieved from a brand perspective? In actuality, these two stores added interpersonal touchpoints to brand promotion touchpoints. For example, they crafted their own styles of negotiation in accordance with the brand image of the product shown on the website. In contrast, other stores focused on customer satisfaction and adapted brand promotion touchpoints to interpersonal touchpoints. This implies that customers would not have the experience intended by the company, even if they were satisfied.

In short, to create superior customer experience, it is important to clearly differentiate decision authority on touchpoints between headquarters and stores. Also, interpersonal touchpoints should follow brand promotion touchpoints, but not vice versa. By doing so, headquarters and stores can each exert their own strengths, and achieve consistency between touchpoints from a brand perspective.

**Discussions**

The findings of this paper are consistent with those stated in prior studies that useful knowledge and decision authority should be co-located (e.g., Jensen & Meckling, 1995; Windsperger, 2004). The decision authority on interpersonal touchpoints should be exercised by stores, which have knowledge of local needs and interpersonal subtleties, while the decision authority on brand promotion touchpoints should be exercised by headquarters, which has brand-related and promotional knowledge. Effectively leveraging the knowledge assets of both is believed to lead to efficient creation of a superior customer experience (c.f., Jensen & Meckling, 1995). Within
the constraints imposed by the cost of transferring implicit and sticky knowledge, the two stores in this case made experiments to figure out an ideal distribution of decision authority for improving customer experience.

It should be noted that other stores tended to exercise decision authority on all sorts of touchpoints in an attempt to achieve customer satisfaction. In actuality, this was related to their attitude toward headquarters, rather than to low brand awareness. Most stores of Company X had formed a negative stereotype that the headquarters did not understand or care about what happened at stores (Wieseke, Kraus, Ahearne, & Mikolon, 2012). Because of this psychological barrier, stores acted on their own, distorting the distribution of decision authority between headquarters and stores. In other words, a loss of control by headquarters lead to undesirable consequences. To prevent such a problem and achieve an ideal distribution of decision authority, it is effective to build trusting relationships across the organization as a control mechanism (Mills & Ungson, 2003).

From a dynamic viewpoint, the case analysis suggests that it is vital for headquarters to promote stores’ learning for improving customer experiences, while keeping track of how they exercise decision authority. By proactively specifying, evaluating, and spreading newly emerged forms of touchpoints, the company can further develop its market orientation and organizational capabilities for customer experience creation (Kosuge & Takahashi, 2016). Since there is little incentive for stores to adopt new forms, especially when KPIs including customer satisfaction levels are being achieved (Yamashiro, 2019), legitimacy needs to be made explicit from the perspective of brand.
Concluding Remarks

This paper is the first to reveal that the creation of customer experiences in retail is impacted by the distribution of decision authority between headquarters and stores. This insight adds to the existing literature that focuses on organization-wide management of various touchpoints (e.g., Homburg et al., 2017). That said, the findings of this paper are preliminary and further empirical validation is required in the future through quantitative approaches.

Acknowledgments

This work was supported by JSPS KAKENHI Grant Number JP16K21487 and JSPS Grant-in-Aid for Publication of Scientific Research Results, Grant Number JP16HP2004.

References

Homburg, C., Jozić, D., & Kuehnl, C. (2017). Customer experience management: Toward implementing an evolving marketing concept. Journal of the Academy of Marketing Science, 45(3), 377–401.
Jensen, M. C., & Meckling, W. H. (1995). Specific and general knowledge, and organizational structure. Journal of Applied Corporate Finance, 8(2), 4–18.
Kosuge, R., & Shiu, J.-M. (2019, March). The relationship between headquarters and stores in the age of customer experience. Paper presented at ABAS Conference 2019 Winter, University of Tokyo, Japan.
Kosuge, R., & Takahashi, N. (2016). The survival of market orientation through artificial selection. Annals of Business Administrative Science, 15, 273–284. doi: 10.7880/abas.0161109b
Lemon, K. N., & Verhoef, P. C. (2016). Understanding customer experience
Creating retail customer experience throughout the customer journey. *Journal of Marketing, 80*(6), 69–96.

Meyer, C., & Schwager, A. (2007). Understanding customer experience. *Harvard Business Review, 85*(2), 116–126.

Mills, P. K., & Ungson, G. R. (2003). Reassessing the limits of structural empowerment: Organizational constitution and trust as controls. *Academy of Management Review, 28*(1), 143–153.

Mosley, R. W. (2007). Customer experience, organizational culture and the employer brand. *Journal of Brand Management, 15*(2), 123–134.

Nysveen, H., Pedersen, P. E., & Skard, S. (2013). Brand experiences in service organizations: Exploring the individual effects of brand experience dimensions. *Journal of Brand Management, 20*(5), 404–423.

Saldaña, J. (2016). *The coding manual for qualitative researchers* (3rd ed.). Thousand Oaks, CA: Sage.

Wieseke, J., Kraus, F., Ahearne, M., & Mikolon, S. (2012). Multiple identification foci and their countervailing effects on salespeople’s negative headquarters stereotypes. *Journal of Marketing, 76*(3), 1–20.

Windsperger, J. (2004). Centralization of franchising networks: Evidence from the Austrian franchise sector. *Journal of Business Research, 57*(12), 1361–1369.

Yamashiro, Y. (2019). Disincentives of organizational routine transfer: Case of adaptive radiation in a sales and marketing company. *Annals of Business Administrative Science, 18*, 37–49. doi: 10.7880/abas.0190303a