

Please cite this article as:

Bellini E, Dell’Era C, Pinto G and Verganti R (2017).

Innovation Strategies in Retail Services: Solutions, Experiences, Meanings.

European Journal of Innovation Management, Vol. 20, No. 2, Pp. 190-209.

(DOI: 10.1108/EJIM-06-2015-0049)

INNOVATION STRATEGIES IN RETAIL SERVICES: SOLUTIONS, EXPERIENCES, MEANINGS

Structured Abstract:

Purpose – Notwithstanding the importance that innovation scholars have accredited to Design-Driven Innovation, no attempts have been done so far to systematically study whether and how this innovation strategy can be used in the retail context in order to gain and nurture their competitive advantage. The aim of this paper is to make a first step toward closing this gap, therefore understand whether and how companies involved in retail service can create competitive advantage by the adoption of a strategy based on innovation of meanings

Design/methodology/approach – Due to the complex ecosystem of variables that inevitably influence the problem, the case study approach represents the best option to grasp the different aspects highlighted by the research objectives. The analysis undergone a thorough and systematic comparison through the use of an ad hoc "paired comparison method" in which, common systemic characteristics have been intended as controlled variable in order to minimize the variance and quantity of factors that can impact on the selected case studies; intersystemic differences have been understood as explanatory variables to decree the contribution in terms of novelty in relation to the current paradigm

Findings – The paper provides empirical insights about how radical innovation in meanings can be a very important lever on which retail firms can act to gain and nurture their competitive advantage.

Research limitations/implications – Of course the study has several limitations, which represent however opportunities for future research. We have to say that our findings, given the exploratory nature of the study, cannot be generalized to any populations of firms or markets. Rather, they should be used as a basis to develop theoretical understanding of a complex phenomenon and draw research propositions and hypotheses to be tested in subsequent deductive empirical research

Practical implications – This paper highlights the importance to think, beyond shopping experience, at the role of new meanings when designing service innovation in retail firms. Although our findings do not have statistical relevance, given the exploratory nature of the study, they suggest that Design Driven Innovation can be a viable option for retail firms managers to improve their competitiveness

Originality/value – The study presented in this paper has the merit to broaden the generalizability of the Design Driven Innovation model to other industries, different from those where it was initially studied and applied. This is an important step towards conceptualizing Design Driven Innovation as a novel management paradigm

1. Introduction

Innovation is widely recognised for its role in the attainment of competitive advantage. Retailing is no exception. Although the study of innovation originally focused on new product development, service innovation and retail service innovation specifically have received greater attention in the last decade (Sawhney et al, 2004; Heiskanen et al., 2007; Zomerdijk and Voss, 2011, Perks et al., 2012). Empirical research has shown that companies such as Google, Starbucks, Federal Express and Amazon have become brands through the adoption of radical innovation policies (Berry et al., 2006, Chesbrough, 2011, Filippetti, A. 2011). Given those premises, the scope of the paper is to focus on the mechanisms through which different innovation strategies can improve service firm competitive performance but have not been examined widely by innovation management scholars. More specifically, service innovation research has only rarely focused the relationships between technology, customer experience and new service meanings, as these relationships have thus far been informed either by market-pull or technology-push perspectives (Parasuraman et al., 1988; Johnson et al., 2000; Goldstein et al., 2002). The Design Driven Innovation (DDI) model (Verganti, 2006, 2008 and 2009) overcomes the historically oversimplified dichotomy between technology-push and market-pull approaches. The Design Driven Innovation model explains that the competitive advantage enjoyed by companies such as Apple, Nintendo, Alessi or Kartell is neither attributable to a higher deployment of technical functions (as suggested by the technology-push perspective) or to higher adaptation to user needs (as the market-pull standpoint states), but that it is instead premised on the capability to generate new strategies for satisfying the profound emotional, psychological, and socio-cultural motivations behind customer choices.

Despite the importance that innovation scholars have accredited to Design-Driven Innovation (Dumas and Mintzberg, 1989 and 1991; Boland and Collopy, 2004; Rindova and Petkova, 2007; Hertenstein et al., 2005; Veryzer, 2005; Gemser and Leenders, 2011), no attempts have been made thus far to systematically study whether and how this innovation strategy is applied in retail settings to achieve and nurture competitive advantage. Innovation strategies applied by retail firms have received comparably less attention compared to those adopted by other service industries (e.g., banking and insurance). Moreover, retail firms are particularly well suited to the objectives of this empirical research, as the retail industry closely follows the evolution of socio-cultural models that determine new interactions between firms and customers. The retail industry is also growing increasingly competitive as consumer behaviours continue to evolve beyond the boundaries of utilitarian decision-making (e.g., emotional shopping experiences) and as new media technology breakthroughs (e.g., smartphone and tablet markets) revolutionise business dynamics (Arnold et al., 2005; Odekerken-Schröder et al., 2010; Pine and Korn, 2011). Finally, few case studies have explored how meaning innovation may be applied in the retail industry.

The purpose of this paper is to help close this gap in knowledge by determining whether and how retail companies achieve a competitive advantage through the adoption of meaning innovation strategies. We foresee to concretely contribute to managerial practices, providing a better understanding of the factors that participate to influence customers choices beyond the shopping experiences *per se*, taking into account the new meanings that should drive the retail firm service innovation strategies. The paper is structured as follows. In Section 2, we explore three literature streams that relate to retail service innovation. In Section 3, we describe the methodology used in the empirical analysis, and in Section 4, we present the empirical results. In Section 5, we discuss our findings and provide conclusions and a description of managerial implications.

2. Literature Review

2.1. What is Retail Service Innovation?

Research in retail management is rooted in marketing theory, where choices about channels, merchandising, store formats and shopper marketing have been studied as manifestations of the place policy, one of the “4 Ps” of the traditional marketing mix. According to the convergence between manufacturers and retailers, recent contributions have applied the marketing framework “service-dominant logic” (Lusch and Vargo, 2004; Michel et al., 2008) to the retail context (Lusch et al., 2007; Zentes et al., 2007; Edvardsson and Enquist, 2008; Kandampully, 2012; Barnes and Wright, 2012; Karpen et al, 2015). Indeed, in last twenty years the retail arena was successfully occupied by service-oriented actors coming from different business, such as original brand manufacturers (e.g. Apple, Nike, Ikea) or pure retailers (e.g. Sephora, Best Buy, Decathlon). According to this emergent stream in marketing literature and retail practice, and moving from well-established definitions of service (e.g. Zeithamal et al., 1990; Gronroos, 2008; Gallouj, 2002; Sundbo and Toivonen, 2011) we can define the retail services as co-creation processes where a bundle of physical, digital, and human resources interact in order to support the customer’s shopping experience in a value generating way.

Studies on service innovation offer different perspectives on the nature of the phenomenon from a range of disciplines including economics, management, sociology and geography, especially about the role of innovation systems in the service economy (Metcalf and Miles, 2012), and the role of services in the social innovation (Mulgan et al., 2010).

In this paper we adopt the innovation management perspective on service innovation that encompasses the relations between strategy, technology, customer involvement and new service development process. Studies on innovation strategies have focused the different typologies of radical vs. incremental innovation, spatial vs. temporal innovation, separable vs. inseparable services (Berry et al, 2006; Sawhney et al., 2006;

Perks et al, 2012). Other researches have addressed topics such as back-end innovations in operations, logistics and technologies platforms enabling service innovations (Kourouthanassis and Roussos, 2003; Chapman et al., 2003), and end-to-end processes that enable value delivering from enterprise to customers (Wooder and Baker, 2011; Zomerdijk and Voss, 2011). In order to study the relations between innovation and competitive advantage in retail services, we focus the innovation strategy, as the unifying logic aimed at radically improve the long term value generating power of a new retail service. According to existing definitions of radical innovation of services (Johnson et al., 2000; Menor et al., 2002) we analyze the radical innovation of a retail service as a profound change in the value-generating drivers that are proposed to the customer through back-end and front-end processes of a retailer.

Since value generation in retail is the result of different forms of customer involvement in co-creation processes, in the next three sections we propose a literature review for each of the three dimensions of interaction between customer, external front-end and internal back-end of retailer: the technology, the market, the meaning of the retail service.

2.2. The Technology Dimension of Retail Innovation

Studies on the evolutionary processes of adoption-maturity-substitution of new technologies and solutions inspired fundamental models in retail innovation literature, such as the “wheel of retailing” and the “retail accordion” (Hollander, 1960, 2002; Brown, 1991; McNair and May, 1978), that explain retail evolution patterns and cyclical trends. A general model of evolutionary patterns in retail was proposed by Clayton Christensen (2001) who analysed historical disruptions in retailing as a series of four waves that were enabled through the adoption of new functional solutions that facilitated a more effective distribution of goods and information: downtown department stores, mail order catalogues, discount department stores, and online stores. The author identifies a recurring pattern among these four waves: at an initial stage, radically improved technical solutions result in horizontal disruption, expanding the range of simple products offered at existing stores; in the second stage, competition produces vertically specialised retailers that are focused on selling specific aspects of complex products managed via expert salespeople.

We focus on the latest technological disruption to online stores through an examination of two literature streams: the supply chain innovation perspective, which views retail innovation as a product of efforts towards the development of a more efficient value chain, and the technology acceptance model, which views retail innovation as a product of the adoption of digital solutions that are designed to make retail business approaches more efficient. Supply chain innovation involves a shift in supply chain networks, technologies, or processes (or combination of these) within a specific company function, an entire company, an industry or a value chain that generates cost-saving and stakeholder value creation (Enkel et al., 2013; Flint, 2007; Caniato et al., 2013; Arlbjorn et al., 2011). The retail industry is characterized by several forces devoted to the introduction of supply chain innovations (Brun et al., 2008; Bello et. al., 2004; Fiorito et al., 2010; Sorescu

et al., 2011; Tambo, 2014 and Ha and Stoel, 2012), since value creation processes can benefit from radical improvements to systems that enable both back-end retail operations (e.g., logistics, transportations, conservation of goods) and front-end virtual and physical interactions. More recently, a relevant debate is taking place, both in practitioner and academic communities, about the shift from multi-channel retailing to omni-channel retailing (Verhoef et al., 2015) and the integration between on-line and off-line channels (Herhausen et al., 2015) as possible evolutions of the fourth wave described by Christensen.

The technology acceptance model was initially developed as framework for predicting the adoption of information systems and computer technologies and to explain perceived usefulness and usage intentions in terms of social influence and cognitive instrumental processes (Davis, 1989; Venkatesh and Davis, 2000; Drew, 2006). More recently, the technology acceptance model has been extensively adapted to examine potential effects of the fourth disruptive wave described by Christensen (i.e., the effect of digital technologies on retail service innovation), first in the context of online shopping (Gefen et al. 2003; Bruner & Kumar, 2005; Ha & Stoel, 2009) and later in the context of mobile shopping (Wu and Wang, 2005; Lu and Su, 2009). This approach to retail innovation is instrumental to the identification of improvements in empirical cases in which companies have adopted digital innovation solutions for retail purposes. Indeed, empirical research on retail innovation is further complicated by a lag between the formal adoption of state-of-the-art digital solutions (e.g., online stores, mobile apps) and its actual impact on the operational performance of retail processes.

We conclude that the innovation management perspective draws only the functional dimension of retail service innovation, which emerges from the availability of new-technology principles and devices that generate higher levels of satisfaction with rational and utilitarian needs in B2B (e.g., cost saving) and B2C market relations (e.g., information cost saving, time saving). Moreover, this dimension can only partially explain the relations between the innovation strategies and competitive advantage of the retailer, as the successes and failures of companies that invest in retail innovation cannot be entirely attributed to the existence of improvements in new retail service functions.

Nevertheless, the existing literature on technology disruption in retail environments allows us to define a first construct for the empirical research framework. We define it as the “HOW - Solution” of retail service innovation strategy, i.e., decisions regarding the adoption of new technical solutions that improve retail “end-to-end” operations along the entire supply chain. These new technical solutions can initiate user/shopper value creation processes because they satisfy utilitarian needs (e.g., lower prices, greater access to goods) while enabling rational problem solving (e.g., access to information, geographical distance, comparative goods testing).

2.3. The Market Dimension of Retail Innovation

Approaches to retail management are rooted in marketing theory because distribution channel choices are studied as manifestations of “place policy”, one of the “4 Ps” of the traditional marketing mix. Marketing and

communications thus play a key role in retail innovation strategies because value creation processes can benefit from the introduction of new solutions premised on analyses of customer needs and in-store consumer behaviours (Berry et al., 1990; Homburg et al., 2002).

Over the last twenty years, the growing role of the consumer as a co-producer of products and services has given rise to new perspectives on retail aspects of marketing and service management processes. This has occurred because customer intimacy and direct relationships with end users are growing increasingly relevant not only to channel distribution policies but also to strategic information and innovation insights. Several of these studies were premised on the seminal work of Holbrook and Hirschman (1982), which focused on the transition from rational choice to an “experiential view” in which fantasies, feelings and fun play a fundamental role. Strong ties between marketing theories and retail studies have inspired investigations on the shopping experience as a specific type of customer experience. Such studies have examined different forms of engagement that occur before, during and after store visits and facets of interactions with front-end stores. From a review of studies on the customer experience, we can identify three main focuses of shopping experience research: emotional shopping, holistic shopping, and theatrical shopping.

In the 1980s, a first wave of studies on the customer experience explored the imaginative, emotional, and evaluative components of the consumption experience (Holbrook et al., 1984; Peterson et al., 1986; Havlena and Holbrook, 1986; Holbrook et al., 1986). This wave formed the conceptual basis of subsequent examinations of “emotional shopping” encounters that facilitate personal interactions between shoppers and front-end stores that promote hedonic values, pleasurable in-store experiences, recreational shopping, and enjoyment activities (Berry et al, 1990, 2002; Jones, 1999; Babin et al, 1994; Falk and Campbell, 1997).

In the 1990s, customer behaviours changed completely. Rather, functional features, technological performance, product quality and positive brand image were considered central to the purchasing process. Customers began to desire products, communications and marketing campaigns that stimulated their senses and that could be incorporated into their daily lifestyles (Schmitt, 1999c). For this reason, several scholars have focused on fields of experiential marketing (Schmitt and Simonson, 1997; Schmitt, 1999a; Schmitt, 1999b; Schmitt, 1999c; Holbrook and Addis, 2001; Berthon et al., 2003; Gentile et a., 2007). Schmitt (1999a) examines how companies may offer holistic experiences to their customers through the adoption of lifestyle marketing; social identity campaigning; and branding that facilitates sensory, affective, and creative associations. Berry et al. (2002) on the other hand claim that companies compete to offer a holistic customer experience while executives must orchestrate the “clues” that customers detect throughout the buying process. This wave of research formed the conceptual basis for studies on “holistic shopping” experiences resulting of the sum total of multi-sensorial and inter-personal factors involved throughout the entire buying process. This involves an integrated series of interactions with front-end retail services and results from several determinants of customer experience such as social and retail environments, pricing, promotions,

self-service options and multi-channel technologies (Arnold et al., 2005; Verhoef et al., 2009; Jones et al., 2010).

The seminal book “The Experience Economy – Work is Theatre & Every Business a Stage” (Pine and Gilmore, 1999) initiated a third wave of studies on customer experience. In the work, the authors explore how successful companies, using goods as props and services as a stage, create memorable events that engage customers on a personal level. Within this stream of research, retail services studies have developed the concept of “theatrical shopping”, through which shoppers participate in a form of retail spectacle based on brands, products, customer needs and lifestyles (Kozinets et al., 2002; Thompson, 2006). Baron et al. (2001) examine 15 cases of strategy statements of innovative retailers focused on retail theatre (e.g. Sephora, Land Rover, Berketex Bride) and propose a taxonomy of 4 customer roles in theatrical shopping according the different level of engagement: the “voyeur” who participates as realistic observer, the “spect-actor” who participates as critical co-producer, the “sense-ceptor” who participates through the five senses, the “connoisseur” who participates as intellectual expert. Hollenbeck et al. (2008) studied the relations between spectacular retailing environments and the expansion of brand meaning; they propose a case study on the Coca Cola brand museum, the authors describe the concept of theatricisation through the brands use of entertainment-based strategies.

The second wave of literature on the retail innovation allows us to define a second construct for the empirical research framework. We define it as the “What - Experience” of retail service innovation strategy, i.e., decisions regarding the introduction of new shopper interactions that are designed to deliver a deeper level of personal engagement. These new forms of interaction can initiate end user/shopper value creation processes because they satisfy hedonic needs (e.g., multi-sensorial pleasures, recreational moments) while encouraging participatory problem solving (e.g., collective information sharing, better product testing with salespeople, comparative user experiences with products).

2.4. The Design Dimension of Retail Innovation

The two literature streams on technological and experience dimensions thus describe, even in the context of retail services, a well-established dichotomy between technology push and demand-pull approaches that are designed to improve the “how” and “what” of new services, respectively. Theoretical interpretations of case histories produce mutually exclusive motivations among executives who are engaged in new retail service development. Some will be motivated to invest in radical innovation through the incorporation of disruptive technologies and back-end operations into retail settings for more efficient end-user solutions. Others will invest in incremental innovation by adapting retail services to current socio-cultural models that are designed to deliver hedonic and recreational interactions with front-end retailers.

To overcome this dichotomy, we present a third approach to retail service innovation empirical analysis that is inspired by the model of Design-Driven Innovation (Verganti, 2009). Verganti (2006) goes beyond the

application of technology-push and market-pull models and shows that new product markets are not “given” *a priori*, but that they result from interactions between consumers and firms. At the cornerstone of this interaction is the generation of new product meanings that allow one to discover how the competitive success of several new products (e.g., Nintendo Wii vs. Sony Playstation PS3 and Microsoft Xbox 360, in the period of 2006-2009) is neither linked to a higher deployment of technical functions (according to the technology-push explanation), nor to a higher adaptation to user needs and requirements (according to the market-pull explanation). In the design-driven model, the success of a new product is based on the radical innovation of its semantic dimension. This innovation model arises from a new meaning of existing product categories, and it outlines new ways of satisfying the profound emotional, psychological, and socio-cultural factors that motivate customer choices.

Meanings are not simply given. Rather, meanings can be innovated, even radically, due to the evolution of socio-cultural contexts and the emergence of new technologies. Each product or service, alongside its function and performance, also carries a meaning that motivates customers buy and use it. This meaning is typically related to symbolic and emotional values. Symbols and languages allow products and services to convey precise meanings (Verganti, 2006 and 2008; Dell'Era and Verganti, 2007). What consumers are increasingly looking for in consumer products and services are new forms of psychological satisfaction that go beyond normal and mere consumption. Currently, more than ever before, products and services are defined by their meanings through the dialogue that they establish with users and through the symbolic nature from which they emanate. In his book entitled “Design-Driven Innovation - Changing the Rules of Competition by Radically Innovating What Things Mean”, Verganti (2009) examines a number of case studies on service/retail innovation: iTunes and the Apple Store, Intuit, McDonald's, Safaricom, Starbucks, and Whole Foods Market. According to Verganti (2009), Safaricom’s simple M-PESA service allows people to use mobile phones, one of the most trusted and popular devices in Kenya, to send money to relatives without opening a bank account, thus introducing simple telecommunications devices into the world of banking.

Through the Design Driven approach, we define a third construct for the empirical research framework. We define it as the “Why - Meaning” of retail service innovation strategy, i.e., the proposal of a new meaning of visiting a given category of stores. These new meanings can initiate end user/shopper value creation processes by affecting the profound emotional, affective, and cognitive motivations behind visiting a store (e.g., learning from the brand) while allowing for deeper levels of personal engagement (e.g., producing and sharing knowledge).

In Table 1, we synthesise the three dimensions arising from the literature review. The table describes the theoretical roots and corresponding insights for the empirical analysis presented in this study, which investigates whether and how retail firms use design-driven innovation to acquire and nurture a competitive advantage.

	TECHNOLOGY Dimension	MARKET Dimension	DESIGN Dimension
Innovation Strategy Approach	Disruptive Innovation	Experience Economy	Design-Driven Innovation
Key Supporting Literature on Innovation Management	Christensen, 2001	Pine and Gilmore, 1998	Verganti, 2009
Key Supporting Literature on Retail Management	Bello et al., 2004 Gefen et al., 2003 Herhausen et al., 2015	Jones, 1999 Verhoef et al., 2009 Baron et al., 2001	NA
Examples of Retail Innovation	Amazon, Wal Mart, Zara	Abercrombie & Fitch, Sephora, Audi	Starbucks, Whole Foods, M-pesa
Key Processes of Service Innovation	Back-end Processes	Front-end Multi-sensorial Interaction	Front-end Symbolic Interaction
Organisational Focus	Back-end Units (e.g., logistics, digital solutions, category management)	Front-end Units (e.g., salespeople, digital marketing, merchandising)	Individuals and their symbolic interactions (e.g., shoppers, salespeople)
Value Creation Drivers	New functional solutions that satisfy utilitarian needs while enabling rational problem solving	New forms of interaction performed by the shopper that satisfy hedonic needs	New meanings behind store visitation that enable more profound emotional, affective, cognitive forms of engagement
Role of Shopper	Receiver of the Advanced Retail Solution	Co-creator of the Retail Service	Person who interprets the Retail Service

Table 1: Overview of literature streams referring to Retail Service Innovation

For each of the three streams we have defined three specific constructs for the empirical research framework as value creation drivers of the retail service innovation strategy: the “How-Solution” derived from the Technology dimension, the “What-Experience” derived from the Market dimension, and the “Why-Meaning” derived from the Design dimension.

3. Research Methodology

Research objectives

As was previously mentioned, this paper examines whether and how retail service companies acquire a competitive advantage through the adoption of strategies based on meaning innovation. More precisely, the paper applies the principles of rich literature on "Design-Driven Innovation", which is performed during product development (Dell'Era and Verganti, 2007; Verganti, 2008; Verganti 2009; Verganti and Dell'Era, 2013) to explore its potential utility to retail service environments. This study investigates the impact of the three constructs previously introduced (see Figure 1).

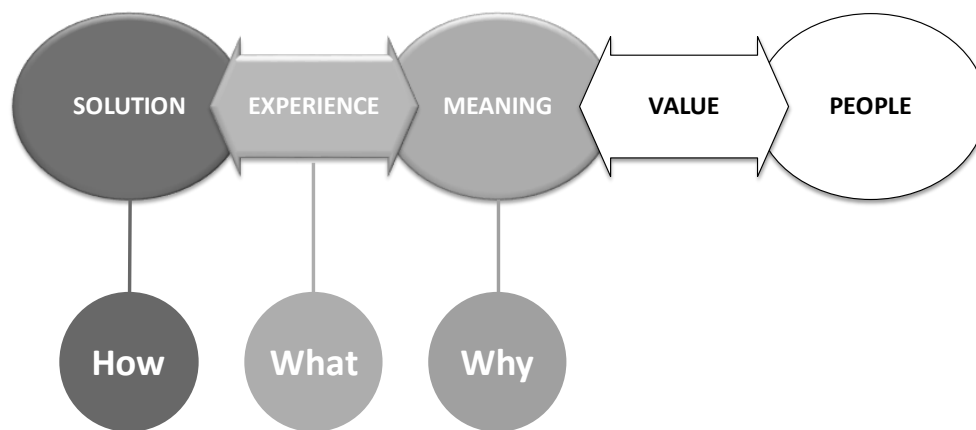


Figure 1: Conceptual Framework - Solution, Experience, Meaning

Case study research methodology

To accomplish the aforementioned objectives, a number of methodological approaches were implemented to determine the essential variable behind successful strategies. In studying a single market segment (the coffee industry), we minimise the degree of variance and number of factors potentially responsible for particular decisions. Through this uniform approach, relevant edges (those aspects that are deemed explanatory variables) that may affect retail innovation approach success can be more easily identified.

Due to the complex series of variables that inevitably influence this issue, the case study approach has been combined with a comparative analysis. Given the scarce number of cases available for the analysis, a cross-tabulation methodology aimed at establish credible controls variables has been acknowledged as not feasible (Lijphart, 1971). Thus, the considered case studies should be intended as illustrative , selected to provide an analysis that is holistic but also focused on the historical context and discursive production of “soft” socio-cultural variables such as languages and symbols (Alvesson and Mats, 2000; Madsbjerg & Rasmussen, 2014). One alternative to such selectivity is to quantify the qualitative data through the use of rigorous coding schemes so that formal statistical models can be used in carrying out the multi-case study. Yet such quantification can undermine the descriptive value of qualitative research field studies design is intended to exploit. Given these characteristics, the study was conducted following those rigorous stages (Yin,2013)

- Preparation for Data collection:we identified a set of companies in the coffee industry that have received several design/business awards and that are described as market leaders by specialized resources (journals, newspapers and reports on retail).
- Field Analysis/Interviews: further insights and evidences have been gathered through unstructured modes of data collection, including unobtrusive observation and schedule-free interviewing. These have been the primary forms of data collection and In order to mitigate the reliability problem connected to “biased observers”, we used multiple ones with different backgrounds.

In case studies, data collection should be treated as a mean that will improve the construct and internal validity of the study, as well as the external validity and reliability (Yin, 2013). Most of the field methods described in the literature tend to employ data collection in isolation from the other aspects of the research process itself (Yin, 2013), but that would not be correct in case study research. The rationale for using multiple sources of data is the triangulation of evidence (Yin, 2013). Triangulation increases the reliability of the data and the process of gathering it. In the context of data collection, triangulation serves to corroborate (Yin, 2013) the data gathered from other sources.

Drawing upon social sciences methodologies, the analysis undergone a thorough and systematic comparisons, thanks to the use of an *ad hoc* "paired comparison method" (Tarrow and Sidney, 2010). Through this method, common systemic characteristics are intended as controlled variables to minimise the variance and quantity of factors that may affect the selected case studies. On the other hand, intersystemic differences are understood as explanatory variables that determine contributions in terms of their novelty relative to existing paradigms.

Empirical Setting

In addition to narrowing the scope of the investigation to a specific market segment, we limited the study period to events that occurred in 2000. The coffee industry was not chosen for casual reasons. Rather, this industry has exhibited a relatively consistent approach to retail service delivery and, irrespective of incremental changes, the industry has been affected by a number of visible service renewals.

The chosen cases exhibit all the characteristics of radical innovations. In particular, they proposed a radically new meaning (that enables to create a product or service with a life cycle significantly longer than that of competition) or a radically new technology (a breakthrough change in the dominant technological paradigm, employed to enable the service).

It is easier to acknowledge innovation trajectories when it is possible to have a solid starting paradigm. Starbucks, although extremely disruptive and famous before the year 2000, plays exactly this pivotal role of being the paradigm to understand the innovation proposed by the others in those years. Howard Schultz, (American entrepreneur and the chairman, president and CEO of Starbucks Coffee Company) in 1983, after a trip to Milan, has been amazed by the social concept embedded in the Italian Cafè and proposed a radically new meaning of a coffee shop, transforming it from a play to grab a cup of coffee to a place to hang out; so to speak, an home away from home.

From this starting point, illycaffè and Nespresso were identified as relevant brands for our examination of new retail services because satisfy the aforementioned criteria of innovativeness in terms of meaning and technology. illycaffè was founded in Trieste in 1933 by Francesco Illy and is globally recognised for the production of high quality coffee. The company had always focused heavily on the development of cutting-

edge accessories/machinery and superior-quality coffee blends. Regarding retail services, the company utilised supermarkets as its main channel of product delivery and was accustomed to licensing the use of its brand/products (without controlling the quality of service directly). In 2003, illy expanded its retail presence through the creation of the “Espressamente illy” franchise chain, extending its visual presence beyond the product itself. To reinforce the values of the brand, illy launched the “University of coffee” (to disseminate coffee culture throughout Italy and worldwide) while collaborating with artists in the production of limited edition of coffee cups collections. Currently, illy manages approximately 200 locations that sell Espressamente illy, exporting the “Italian coffee bar” concept to 34 countries and employing nearly 800 staff. Nespresso was born as an intrapreneurial experiment conducted by Nestlé. The company was established as an independent unit in 1986 with its headquarters based in Lausanne, Switzerland. Nespresso’s main focus was to create a “premium” coffee line that was perceived as distinct from Nestlé. Although the company’s first attempt to enter the “office consumption” segment was not successful, its subsequent focus on the household product segment made Nespresso one of the company’s fastest growing divisions. The company’s strategy is based on three pillars that together generate the so-called Nespresso system. This system includes (1) premium coffee pods accompanied by (2) “ad hoc” machines and (3) full customer service (Nespresso Club) that maintains superior communication with customers. In 2000, the first Nespresso Boutique was opened. Currently, Nespresso is physically present with its 320 boutiques across nearly 60 countries, and the company employs 9,500 staff worldwide.

4. Empirical Results

In this section, we examine retail innovations adopted by illycaffè and Nespresso in the early 2000s based on the three constructs previously presented: Functional Solution (HOW), Customer Experience (WHAT), and Meaning (WHY). Analyses of each case will focus on forms of innovation that are considered most representative of retail services (although there will be inevitable overlap with those related to products).

Espressamente illy

According to the Espressamente illy vision, the soul of Italy’s coffee lives in its coffee bars, where centuries of tradition meet the modern barista’s expertise and understated, elegant style. Espressamente illy manages a global network of cafés that unite the authentic Italian coffee bar tradition with illy’s design sensibilities. This ambitious project connects illy coffee and products that are designed to enhance the coffee experiences of passionate coffee lovers who are seeking to refuel, reflect, or relax. illy espresso’s uniqueness is complemented by the display of authentic Italian foods and other illy products. No two espressamente illy cafés are exactly alike. Each offers a contemporary and local take on the traditional Italian coffee bar so that visitors may feel comfortable and at home while enjoying quality espresso, authentic Italian bar cuisine, and an overall experience of taste, style and excellence.



To provide a high quality coffee drinking experience that matches the sophistication of their products, illy configured their direct retail channels to sell a tailored “coffee drinking experience”. This acted as the central concept behind the creation of “Espressamente illy”, which was first launched in 2003. The company introduced Espressamente illy to reify (Weber, 1949) the authentic Italian bar experience through competition with the cultural and conceptual re-adaptation introduced by Starbucks. The illy café appears to amplify the concept behind illy products: *“the perfect place for tasting the perfect espresso”*. The illy café serves as a main vehicle for the communication of the coffee drinking experience envisioned by Illy has continuously collaborated with artists, and this approach was incorporated into the coffee bar experience through the introduction of *ad hoc* art installations (through which coffee serves as the protagonist) that decorate already carefully designed café interiors. Quality staff also serve as a main component of the customer service experience.

To deliver *an Italian experience* to customers, illy stores are designed by Italian architects. In turn, illy coherently benefits not only from its brand heritage but also from the surroundings in which the final customer is immersed. Illy’s coffee bar concept also emphasises the social aspect of coffee consumption. The space surrounding the coffee bar extends the consumer space, creating a recreational space where the focus is placed not only on the service/product but also on the vivid intellectual experience that may be realised through it (see Figure 2).

. By capitalising on Italian culture, these cafés serves as places where customers can relax, converse and, above all, socialise (see Figure 2). So to speak, people that decide to welcome the proposal made by Illy in the act of “coffee consumption” are captured by the idea of living a social experience , an authentic Italian one. If we think about the value proposed by Starbucks (a home away from home, a place to hang out), it is possible to recognize a clear parallelism that tend to emphasize this current paradigm associated to coffee shops, making it more authentic but rather similar.

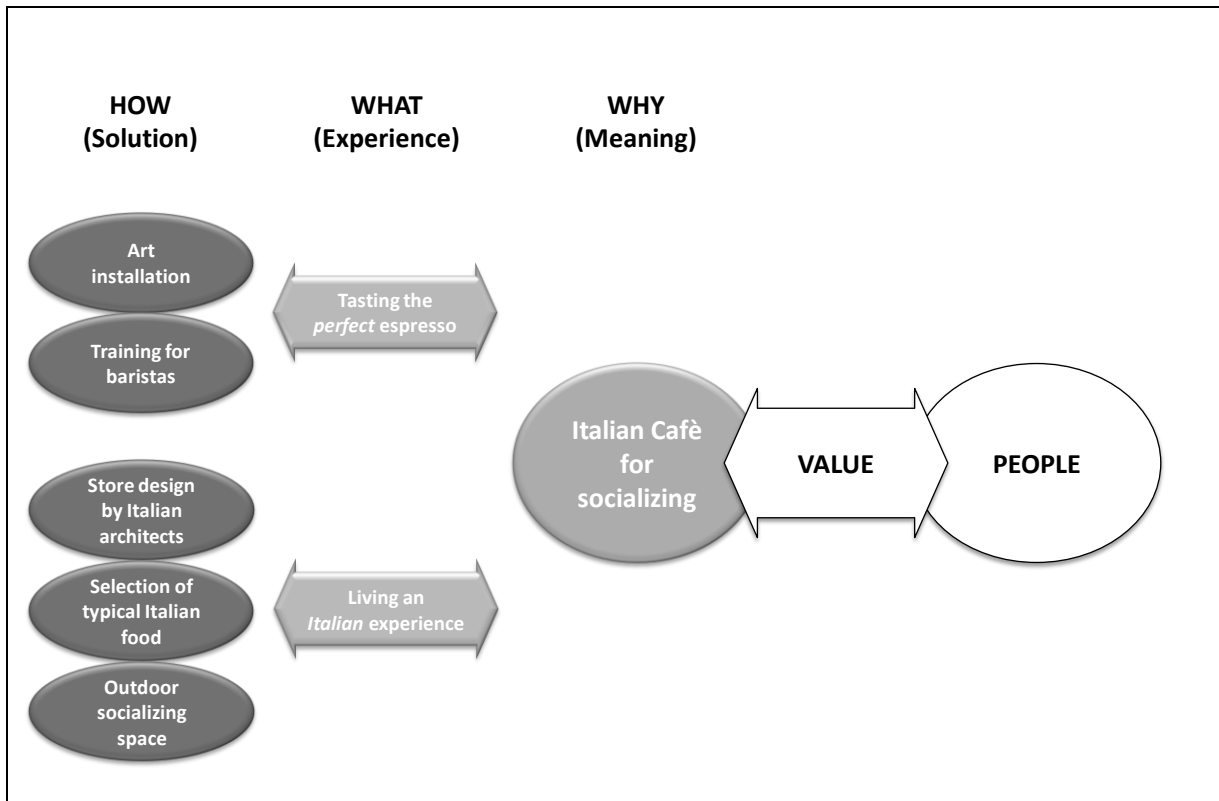


Figure 2: Solution, Experience and Meaning offered through *Espressamente illy*

Nespresso Boutique

Nespresso premised its services on similar products and technologies as the *illy* brand. Most R&D efforts initiated by Nespresso were focused on developing new ways of preserving coffee freshness and aroma overtime, thus allowed consumers to brew coffee easily and intuitively (using the machine/pod system). After initial (and unsuccessful) attempts to capitalise on classic retail channels while focusing on the office coffee sector¹, Nespresso instead focused on alternative channels that paradoxically narrowed rather than widening the scope of reachable customers. The company initially used online channels to connect the channel's exclusivity to an existing Nespresso club community. By 2000, the company opened its first Nespresso Boutique, representing an additional step towards exclusivity.



¹ <http://www.nestle-nespresso.com/about-us/our-history>

French architect Francis Kremp developed a unique design that combines elements of art deco design with contemporary shapes and materials. The designer uses two complementary geometric shapes. The square shapes symbolises the brand's values: perfection, pleasure, aestheticism and simplicity. The circle evokes the coffee cup, the sense of taste, and themes of discovery. Customers are invited to enter these new concept stores to buy coffee that (although present worldwide) typically can only be found in only one or two locations in major cities. On the other hand, the customer journey strictly revolves around the coffee drinking experience, as coffee is the main product sold. Though the Nespresso Boutique cannot be categorised as a bar despite the fact that it dedicates space to coffee tasting, it also cannot be considered a traditional retail space where generic products are sold (coffee in this case). The former and more evident difference is related to the boutique interior. The furniture, coffee capsules and machines are designed to convey a specific sensation of walking through a sophisticated gallery. This experience is delivered indirectly (Nespresso Club circle) and factually through the space itself (see Figure 3). The ability to seamlessly provide this experience exploiting all the channels generate more consistency and awareness in terms of meaning delivery.

The "tasting area" adds an additional customer experience feature that arises from its ambivalent role. The space allows the clients to actually taste the coffee that they are going to purchase (tasting and buying become merged acts) or to simply have a cup if they casually enter the boutique (because they belong to the "Nespresso circle"). Although basic, this aspect reconciles two different experiences that traditionally have been separated ("buy first" and "taste after"), delivering an experience of immediacy and authenticity. The customer does not need to differentiate his or her boutique experience from at-home experiences that follow after the purchase. In fact, the customer's experience at the Nespresso Boutique in terms of taste, smell and actions to perform will mirror the client's experience with the product at home, achieving the same outcome and feeling of empowerment. The "tasting area" of the boutique is designed to emphasise individualistic traits rather than aggregative ones (appropriately, tasting areas are located indoors and are designed specifically for tasting rather than socialising) providing the final customer with the sensation of being knowledgeable and being acknowledged at the same time. Impeccably dressed Nespresso staff assume a dual role as consultants who offer technical advice and as "coffee" experts who suggest the blend of coffee (22 grand cru variants) that best suits the client. Aluminium coffee pods come in different colours as well, and they are often elevated to the status of a piece of furniture as a result of their aesthetic features (a major visual experience feature in terms of perceived and assigned value) (see Figure 3).

The Boutique assumes different roles, and some may be considered more traditional while others are fairly new. First, boutiques serve to sell machines and coffee pods. Although intuitive, the possibility of buying both at the same location is not as obvious as it may appear. In fact, this unusual feature offers a holistic experience and condense in a single time/space the act of buying the two items; this is fundamental to the reproduction of the same experience at home. Unlike numerous other competitors, using the right combination of technology and experience, Nespresso has succeeded in delivering the meaning that its retail service was

intended to convey. Nespresso's clients go to a boutique that can adapt to and reflect the customer's expertise, allowing the customer to have complete control of their choices. This customer journey is differentiated from the traditional utilitarian action of buying a commodity and cannot be assimilated to the meaning assigned when one is having an espresso in a bar. Instead, the customer attributes a different meaning to the customer journey, leading him/her to relate the image of the Nespresso Boutique to that of a wine expert. Ritual actions of brewing, selecting, understanding and tasting transform the customer into a "coffee expert" who can purchase the entire experience and reproduce it at home without needing to adopt a different set of technologies to reproduce the action performed in the boutique. As a result of these wisely orchestrated components, Nespresso went beyond the tri-chotomy coffee-machine-channels and introduced an efficient system that locks the consumer into the business model. The "Nespresso Boutique" is a unique retail service in its own right; a place that is not a bar, but which also differs considerably from a classic department or brick and mortar store. The model connects more closely with the consumer while engaging the growing Nespresso Club community through a seamless combination of e-tail and retail store channels (see Figure 3).

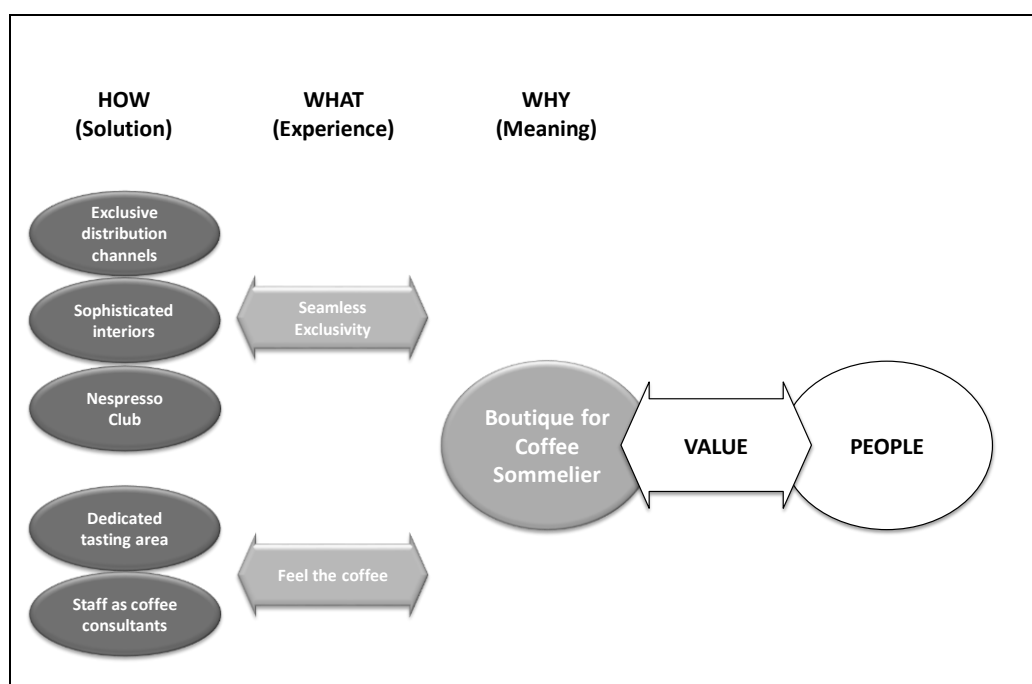


Figure 3: Solution, Experience and Meaning provided through the Nespresso Boutique

5. Discussion and Conclusions

As previously noted, due to methodological issues, this study focuses on a short time period to clearly illustrate the outcomes of different strategic choices. From the elements described above, at the time of initiating their first retail experiments (Nespresso 2000 and illy 2003), both of the companies exhibited the same technological and marketing position. To determine a more accurate starting point, it may be useful to

examine trends that occurred over several years prior. We argue that a brief reconstruction of major events that brought about radical changes in the coffee retail industry would allow for a deeper understanding of the events described. Because past events mediate “pre-understandings” of recent events, a brief overview will elucidate the basis of cultural “meanings” that customers have assigned to these services.

The Starbucks brand heavily influenced the notion of the coffee consumption experience. Prior to Starbucks, there was the basic dichotomy of buying one’s coffee from the supermarket or of purchasing a "coffee to go" at an undifferentiated chain establishment: the so-called Joe’s cup (Topik, 2009). In introducing its new conceptualisation of the coffee drinking experience, Starbucks acted as cultural broker, readapting a cultural set of values (perceptions of the Italian bar space/timing/meaning) and incorporating them into American culture. As a result of a radical change in meaning enabled by new technologies (Wi-Fi, carefully designed furniture, friendly personnel) and new Experience, Starbucks has since reinterpreted the meaning of coffee "discourse", making customers willing not just to buy coffee to-go, but to "stay and enjoy" instead. While the latter statement may now appear obvious, this new retail approach drastically changed perceptions that are today acknowledged so carelessly. Through Starbucks’ new approach, retail services acquire new meaning and retail spaces assume a different connotation: “the coffee bar is your home away from home”. A new paradigm of coffee retail services was thus established, forcing competitors to raise the bar in terms of quality standards offered to clients.

illy and Nespresso should be placed within this paradigm, and it should be noted that customers are now navigating retail industries with an awareness of Starbucks’ model. A cultural paradigm can produce two outcomes: it can reinforce existing meanings while improving experiences associated with them or it can change existing meanings and potentially produce a shift. illy, despite presenting great potential in terms of technological equipment, brand and cultural heritage, decided to instead reinforce existing meanings ascribed to the retail experience that, in their essence, can be easily reconciled with those of Starbucks: the "Cafè for Socialising". Unlike Starbucks, *Espressamente illy* embodies the true Italian coffee experience rather than its American reinterpretation. However, regardless, the brand does not significantly change the meanings ascribed to the customer journey. The meaning conveyed by *Espressamente illy* is that of an "Italian Cafè for Socialising".

On the other hand, Nespresso purposely delivered and proposed a completely different meaning to final customers, overcoming (rather than merely improving) the dominant paradigm. The revolutionised and pervasive ecosystem that takes the "customers by the hand" and guides them through a journey where the boundaries of different experiences (buying selected coffee blends, buying a machine, relaxing and taste in a lounge, drinking an espresso that can only be tasted at a coffee bar) are separated by blurred imaginary line. In this sense, Nespresso generated a new meaning for its customers, anticipating consumption and purchasing trends and offering coffee products that the new educated class and premium customer wanted, but which could not previously be found. Nespresso allows the customer to abolish the necessity of

distinguishing between the space "coffee bar" and the space "home", as both can be merged in a unique and meaningful place: the "Boutique for coffee sommelier". Figure 3 provides a visual overview of how the two examined companies evolved in terms of experience and meaning (the solution construct has been set aside to better illustrate the essence of the figure).

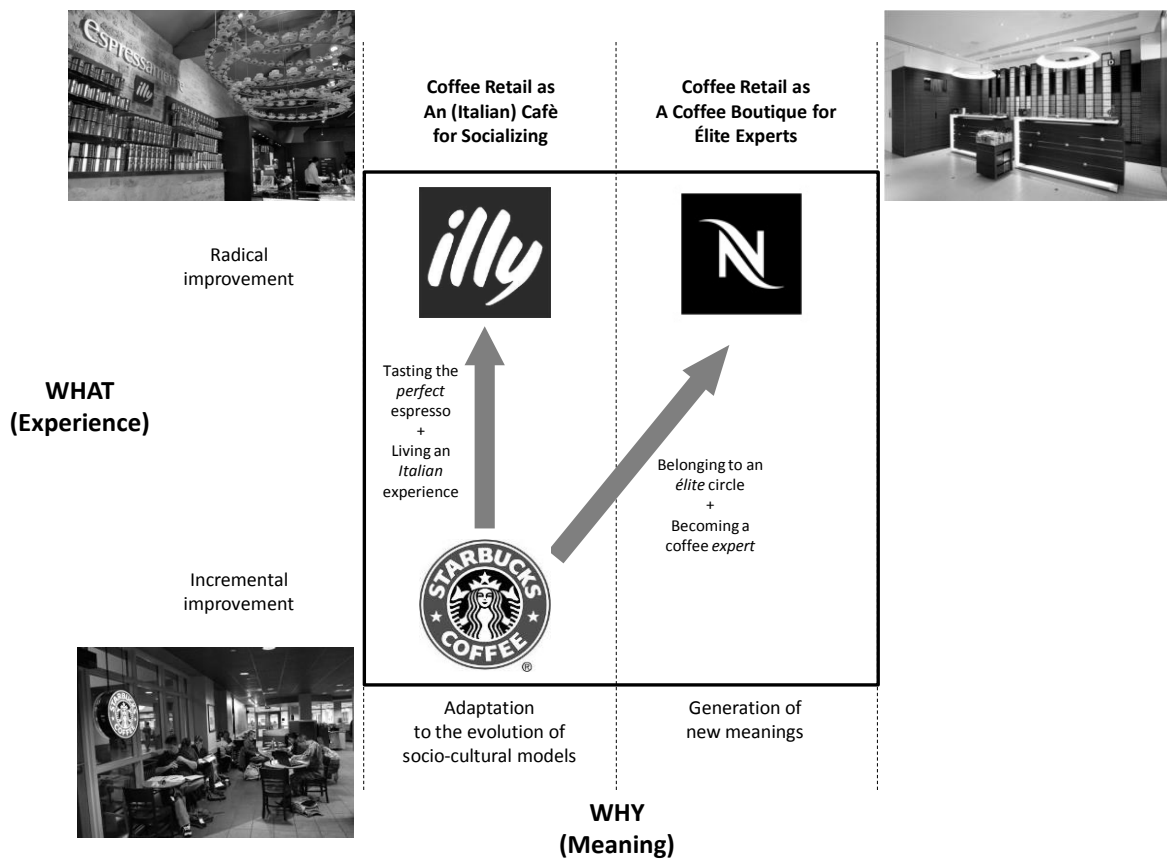


Figure 4: Comparison between Esspressamente illy and the Nespresso Boutique

Former Nespresso CEO Jean-Paul Gaillard depicts the complexities of proposing new meanings through new services. Gaillard illustrates how this process is not particularly related to customer needs, suggesting that classical tools may not adequately predict cultural change (Markides and Oyon, 2000):

“Market research was done by my predecessors who found that there was no market for Nespresso. Market research cannot work for really new products. Look at mobile phones and fax machines — market research at the time they were developed suggested that there’s no market for these products. But look at them now! I would say that market research is useful but only for checking things that already exist. Consumers can only give you meaningful feedback on what they already know”.

Notwithstanding its exploratory nature, our analysis presents interesting theoretical and practical implications. First and foremost, it helps us deepen our understanding of retail firm innovation, a surprisingly under-researched topic in the innovation literature. In particular, the study suggests that retail firms can apply radical meaning innovation strategies to acquire and nurture a competitive advantage. Moreover, this study broadens the generalisability of the Design Driven Innovation model to other industries, unlike previous studies that have applied this method. This is an important step towards the conceptualisation of Design Driven Innovation as a novel management paradigm. Regarding practical implications, this paper highlights the importance of considering factors beyond shopping experiences and of examining new meanings when designing retail firm service innovation strategies. Although our findings are not statistically relevant, given the Illustrative nature of the study, they suggest that Design Driven Innovation can be a viable option for retail firm managers to improve their competitiveness. Usually managers assume that meanings are given and they cannot be innovated but simply understood ; however, if meaning are placed at the core of the service development, they can lead to a radical innovation able to expand the perspective of that specific industry, revealing new way to capture value from customers.

Of course, this study presents several limitations that suggest opportunities for future research. Since the study should be intended as exploratory and the cases are illustrative, our findings cannot be generalised to any populations of firm or market. Rather, they should be used as a basis for developing theoretical understandings of complex phenomena and to draw research propositions and hypotheses to be tested in future deductive, empirical research. We encourage scholars of retail innovation and Design Driven Innovation to do so. To test and generalise the findings of our exploratory analysis, it is important to conceptually consider the particular features of the coffee retail industry that are likely to affect the conclusions achieved in this study. Industry-specific factors (e.g., the durable vs. non-durable nature of the purchased good and, consequently, its price) can have a strong effect on the role of Design Driven Innovation.

7. References

Addis, M., & Holbrook, M. B. (2001) "On the conceptual link between mass customisation and experiential consumption: an explosion of subjectivity", *Journal of Consumer Behaviour*, 1(1), 50-66.

Alvesson, M. (2000). *"Reflexive Methodology, New Vistas for Qualitative Research"*, edited by Sköldbberg. London.

Arlbjørn, J. S., de Haas, H., & Munksgaard, K. B. (2011) "Exploring supply chain innovation", *Logistics research*, 3(1), 3-18.

Arnold, M.J., Reynolds, K.E., Ponder N., and Lueg, J.E., (2005) "Customer delight in a retail context: investigating delightful and terrible shopping experiences", *Journal of Business Research*, Vol. 58, No. 8, pp. 1132-1145.

- Babin, B.J., Chebat, J.-C., Michon, R. (2004) "Perceived appropriateness and its effect on quality affect and behaviour", *Journal of Retailing and Consumer Services*, 11 (5), pp. 287-298.
- Barnes, J. G., & Wright, J. W. (2012). "A Framework for Applying Customer Insight and Context to the Development of a Shopping Experience Strategy", In *Service Management*, pp. 43-65. Springer New York.
- Baron, S., Harris, K. and Harris, R. (2001) "Retail theatre: the intended effect of the performance", *Journal of Service Research*, Vol. 4 No. 2, pp. 102-117.
- Bello, D.C., Lohtia, R., & Sangtani, V. (2004) "An institutional analysis of supply chain innovations in global marketing channels", *Industrial Marketing Management*, 33(1), pp. 57-64.
- Berry, L. L., Shankar, V., Parish, J. T., Cadwallader, S., & Dotzel, T. (2006) "Creating new markets through service innovation", *Sloan Management Review*, 47 (2), pp. 56–63.
- Berry, L.L., Carbone, L.P., & Haeckel, S.H. (2002) "Managing the total customer experience", *MIT Sloan Management Review*, 43 (3), pp. 85-89
- Berry, L.L., Venkatesh S., Janet T.P., Susan C. and Thomas D. (2006) "Creating new markets through service innovation", *Sloan Management Review*, 47 (2), pp.56–63.
- Berry, L.L., Zeithaml, V.A., & Parasuraman, A. (1990) "Five imperatives for improving service quality" *Sloan Management Review*, Vol. 31 No.4, pp.29-38.
- Berthon, P., Holbrook, M. B., & Hulbert, G. J. (2003) "Understanding and managing the brand space", *MIT Sloan Management Review*, 44(2), pp.49-54.
- Boland, R., & Collopy, F. (Eds.). (2004) "*Managing as designing*", Stanford University Press.
- Brown, S. (1991). "Variations on a marketing enigma: the wheel of retailing theory", *Journal of marketing management*, 7(2), pp. 131-155.
- Brun, A., Caniato, F., Caridi, M., Castelli, C., Miragliotta, G., Ronchi, S., Sianesi, A. and Spina, G. (2008) "Logistics and supply chain management in luxury fashion retail: an empirical investigation of Italian firms", *International Journal of Production Economics*, Vol. 114 No. 2, pp. 554-570.
- Bruner II, G. C., & Kumar, A. (2005) "Explaining consumer acceptance of handheld Internet devices", *Journal of Business Research*, 58(5), pp. 553-558.
- Caniato, F., Caridi, M. and Moretto, A. (2013) "Dynamic capabilities for fashion-luxury supply chain innovation", *International Journal of Retail & Distribution Management*, 41 (11/12), pp.940–960
- Chapman, R. L., Soosay, C., & Kandampully, J. (2003). "Innovation in logistic services and the new business model: a conceptual framework", *International Journal of Physical Distribution & Logistics Management*, 33(7), pp. 630-650.
- Chesbrough, H., (2011) "Bringing Open Innovation to Services", *MIT Sloan Management Review*, 52(02), pp. 85-90.

Christensen, C. M. (2001) "The past and future of competitive advantage", *Sloan Management Review*, 42(2), pp. 105-109.

Davis, F. D. (1989) "Perceived usefulness, perceived ease of use, and user acceptance of information technology", *MIS Quarterly*, pp. 319–340.

Dell’Era, C. and Verganti, R. (2007) "Strategies of Innovation and Imitation of Product Languages", *Journal of Product Innovation Management*, Vol. 24, pp. 580-599.

Drew, S.A.W. (2006) "*Building technology foresight: using scenarios to embrace innovation*", *European Journal of Innovation Management*, Vol. 9 Iss: 3, pp.241 - 257

Dumas, A. and Mintzberg, H. (1989) "Managing Design, Designing Management", *Design Management Journal*, 1 (1): pp. 37-43.

Dumas, A. and Mintzberg, H. (1991) "Managing the form, function and fit of design", *Design Management Journal*, 2 (3): pp. 26-31.

Edvardsson, B., & Enquist, B. (2008) "*Values-based service for sustainable business: lessons from IKEA*". Routledge.

Enkel, E., & Mezger, F. (2013) "Imitation processes and their application for business model innovation: An explorative study", *International Journal of Innovation Management*, 17(01).

Falk, P., & Campbell, C. (Eds.). (1997) "The Shopping Experience" , (Vol. 52). Sage..

Filippetti, A. (2011) "*Innovation modes and design as a source of innovation: a firm-level analysis*", *European Journal of Innovation Management*, Vol. 14 Iss: 1, pp.5 - 26

Fiorito, S. S., Gable, M., & Conseur, A. (2010). "Technology: Advancing retail buyer performance in the twenty-first century", *International Journal of Retail & Distribution Management*, 38(11/12), pp. 879-893.

Flint, D.J. (2007) "Supply chain innovation – differentiating on processes is more sustainable than differentiating on products", *IndustryWeek*.

Gallouj, F. (2002) "*Innovation in the service economy: the new wealth of nations*", Edward Elgar Publishing.

Gefen, D., Karahanna, E., & Straub, D.W. (2003) "Trust and TAM in online shopping: an integrated model", *MIS Quarterly*, Vol. 27 No.1, pp.51-90.

Gemser, G., & Leenders, M. A. (2011) "Managing cross-functional cooperation for new product development success", *Long Range Planning*, 44(1), pp. 26-41. 1.

Gentile, C., Spiller, N. & Noci, G., (2007) "How to Sustain the Customer Experience: An Overview of Experience Components that Co-create Value With the Customer", *European Management Journal*, 25(5), pp. 395-410.

Goldstein, S. M., Johnston, R., Duffy, J., & Rao, J. (2002) "The service concept: the missing link in service design research?", *Journal of Operations management*, 20(2), pp. 121-134.

- Grönroos, C. (2008). "Service logic revisited: who creates value? And who co-creates?", *European business review*, 20(4), pp. 298-314.
- Ha, S., & Stoel, L. (2009) "Consumer e-shopping acceptance: Antecedents in a technology acceptance model", *Journal of Business Research*, 62(5), pp.565-571.
- Ha, S., and Stoel, L. (2012), "Online apparel retailing: roles of e-shopping quality and experiential e-shopping motives" *Journal of Service Management*, Vol. 23 No. 2, pp. 197-
- Havlena, W. J., & Holbrook, M. B. (1986) "The varieties of consumption experience: Comparing two typologies of emotion in consumer behaviour", *Journal of Consumer Research*, pp. 394-404.
- Herhausen, D., Binder, J., Schögel, M., & Herrmann, A. (2015)." Integrating Bricks with Clicks: Retailer-Level and Channel-Level Outcomes of Online–Offline Channel Integration", *Journal of Retailing*, 91(2), pp. 309-325.
- Hertenstein, J. H., Platt, M. B. and Veryzer, R. W. (2005) "The Impact of Industrial Design Effectiveness on Corporate Financial Performance", *Journal of Product Innovation Management*, 22: pp. 3–21.
- Heiskanen, E., Hyvönen, K., Niva, M., Pantzar, M., Timonen, P., Varjonen, J. (2007) "User involvement in radical innovation: are consumers conservative?", *European Journal of Innovation Management*, Vol. 10 Iss: 4, pp.489 - 509
- Holbrook, M.B. and O'Shaughnessy J. (1984) "The Role of Emotions in Advertising", *Psychology and Marketing*, pp. 45-64.
- Holbrook, M.B., Lehmann D.R. and O'Shaughnessy J. (1986) "Using Versus Choosing: The Relationship of the Consumption Experience to Reasons for Purchasing", *European Journal of Marketing*, Vol. 20, No. 8, pp. 49-62
- Holbrook, M. B., & Hirschman, E. C. (1982 b) "Hedonic consumption: Emerging concepts, methods and propositions", *Journal of Marketing*, 46, pp. 92-101.
- Holbrook, M. B., & Hirschman, E. C. (1982) "The experiential aspects of consumption: consumer fantasies, feelings, and fun", *Journal of consumer research*, pp. 132-140.
- Hollander, S. C. (1960). "The wheel of retailing", *The Journal of Marketing*, pp. 37-42.
- Hollander, S. C. (2002). "Notes on the retail accordion", *Retailing: The evolution and development of retailing*, 1, pp. 322.
- Hollenbeck, C. R., Peters, C. and Zinkhan, G.M. (2008) "Retail Spectacles and Brand Meaning: Insights from a Brand Museum Case Study", *Journal of Retailing*, 84 (3), pp. 334–53.
- Homburg, C., Hoyer, W.D., Fassnacht, M. (2002) "Service orientation of a retailer's business strategy: dimensions, antecedents, and performance outcomes", *Journal of Marketing*, Vol. 66 No.4, pp.86-101.
- Johnson, S. P., Menor, L. J., Roth, A. V., & Chase, R. B. (2000) "A critical evaluation of the new service development process", *New service development*, pp. 1-32.

- Jones, M. A. (1999) "Entertaining shopping experiences: an exploratory investigation", *Journal of Retailing and Consumer Services*, 6(3), pp. 129-139.
- Jones, P., Comfort, D., Clarke-Hill, C., & Hillier, D. (2010). "Retail experience stores: experiencing the brand at first hand", *Marketing Intelligence & Planning*, 28(3), 241-248.
- Kandampully, J. (2012). "Service as the new paradigm in retailing", In *Service Management* (pp. 1-6). Springer New York.
- Karpen, I. O., Bove, L. L., Lukas, B. A., & Zyphur, M. J. (2015). "Service-dominant orientation: Measurement and impact on performance outcomes", *Journal of Retailing*, 91(1), pp. 89-108.
- Kourouthanassis, P. E., and G. Roussos. 2003. "Developing consumer- friendly pervasive retail systems", *IEEE Pervasive Computing* 2 (2): pp. 2–39
- Kozinets, R. V., Sherry, J. F., DeBerry-Spence, B., Duhachek, A., Nuttavuthisit, K., & Storm, D. (2002) "Themed Flagship BrandStores in the New Millennium: Theory, Practice, Prospects", *Journal of Retailing*, 78 (Spring), pp. 17–29.
- Lijphart, A. (1971). "Comparative politics and the comparative method", *American political science review*, 65(03), pp. 682-693.
- Lu, H. P., & Su, Y. J. P. (2009) "Factors affecting purchase intention on mobile shopping web sites", *Internet Research*, 19, pp. 442–458.
- Lusch, R. F., and Vargo, S. L. (2004). Evolving to a new dominant logic for marketing. *Journal of marketing*, 68(1), pp. 1-17.
- Lusch, R. F., Vargo, S. L., & O'Brien, M. (2007). "Competing through service: Insights from service-dominant logic", *Journal of retailing*, 83(1), pp. 5-18.
- Madsbjerg, C., & Rasmussen, M. (2014). "The moment of clarity: using the human sciences to solve your toughest business problems" Harvard Business Review Press.
- Markides C and Oyon D (2000) "Changing the Strategy at Nespresso", *European Management Journal*, 18 (3): pp. 296-301.
- McNair, M. P., & May, E. G. (1978). "NEXT REVOLUTION OF RETAILING WHEEL", *Harvard Business Review*, 56(5), pp. 81-91.
- Michel, S., Brown, S. W., & Gallan, A. S. (2008) "An expanded and strategic view of discontinuous innovations: Deploying a service-dominant logic", *Journal of the Academy of Marketing Science*, 36(1), pp. 54–67.
- Odekerken-Schröder, G., Hennig-Thurau, T., & Knaevelsrud, A. B. (2010) "Exploring the post-termination stage of consumer–brand relationships: An empirical investigation of the premium car market", *Journal of Retailing*, 86(4), pp. 372-385..
- Parasuraman, A., Zeithaml, V.A., and Berry L.L., (1988) "SERVQUAL: A Multiple-Item Scale for Measuring Consumer Perceptions of Service Quality", *Journal of Retailing*, Vol. 64, No, 1, pp. 12–37.

- Perks, H., Gruber, T. and Edvardsson, B., (2012) "Co-creation in Radical Service Innovation: A Systematic Analysis of Microlevel Processes", *Journal of Product Innovation Management*, 29 (6) pp. 935-951.
- Peterson, R. A., Hoyer, W. D., & Wilson, W. R. (1986) "Reflections on the role of affect in consumer behaviour", *The role of affect in consumer behavior*, pp. 141-59.
- Pine, B. J., & Gilmore, J. H. (1999) "*The experience economy: work is theatre & every business a stage*", Harvard Business Press.
- Pine, J.B., and Korn, K.C., (2011) "*Infinite Possibility: Creating Customer Value on the Digital Frontier*", Berrett-Koehler Publishers.
- Rindova, V.P., & Petkova, A.P. (2007) "When is a new thing a good thing? Technological change, product form design, and perceptions of value for product innovations", *Organization Science*, Vol. 18 No.2, pp.217-32.
- Sawhney M., Balasubramanian S. and Krishnan V.V. (2004) "Creating Growth with Services", *MIT Sloan Management Review*, Vol. 45, No. 2.
- Schmitt B. (1999a) "Experiential Marketing", *Journal of Marketing Management*, Vol. 15, pp. 53-67.
- Schmitt B. (1999b) "Experiential Marketing: A New Framework for Design and Communications", *Design Management Journal*, Vol. 10, No. 2, pp. 10-16.
- Schmitt B. (1999c) "Experiential Marketing – How to Get Customers to Sense, Feel, Think, Act and Relate", *The Free Press*.
- Shankar, Venkatesh, Jeffrey Inman, Eileen Kelly, Murali Mantrala and Ross Rizley (2011), "Innovations in Shopper Marketing," *Journal of Retailing*, 87 (S1), pp. 29–42.
- Simonson, A., & Schmitt, B. H. (1997) "*Marketing Aesthetics: The Strategic Management of Brands, Identity, and Imag*", Simon and Schuster.
- Sorescu, Alina, Ruud Frambach, Jagdip Singh, Arvind Rangaswamy and Cheryl Bridges (2011), "Innovations in Retail Business Models," *Journal of Retail*
- Sundbo, J., & Toivonen, M. (Eds.). (2011). "*User-based innovation in services*." Edward Elgar Publishing.
- Tambo, T. (2014), "Collaboration on technological innovation in Danish fashion chains: a network perspective", *Journal of Retailing and Consumers Services*, Vol. 21 No. 5, pp. 827- 835.
- Tarrow, S. (2010) "The Strategy of Paired Comparison: Toward a Theory of Practice", *Comparative Political Studies* 43 (2): pp. 230-259.
- Thompson, C. J., Rindfleisch, A., & Arsel, Z. (2006) "Emotional branding and the strategic value of the Doppelgänger brand image", *Journal of Marketing*, 70(1), pp. 50-64.
- Topik, S. (2009). "Coffee as a Social Drug". *Cultural Critique* 71 (1): pp. 81-106.
- Venkatesh, V., & Davis, F. D. (2000) "A theoretical extension of the technology acceptance model: four longitudinal field studies", *Management science*, 46(2), pp. 186-204.

- Verganti, R. (2009) *“Design-Driven Innovation. Changing the Rules of Competition by Radically Innovating What Things Mean”*, Harvard Business Press, Boston.
- Verganti, R. (2008) “Design, Meanings, and Radical Innovation: A Metamodel and a Research Agenda”, *Journal of Product Innovation Management*, Vol. 25, pp. 436-456.
- Verganti, R. and Dell'Era, C. (2013) “Design-Driven Innovation: meaning as a source of innovation” (Pp. 139-162), in Dodgson M, Gann D and Philips N (eds.), *The Oxford Handbook of Innovation Management*, Oxford University Press (ISBN: 978-0-19-969494-5).
- Verganti, R. (2006) “Innovating through Design”, *Harvard Business Review* 84 (12): pp. 114–122
- Verhoef, P. et al., (2009) “Customer Experience Creation: Determinants, Dynamics and Management Strategies”, *Journal of Retailing*, 85(1), pp. 31-41.
- Verhoef, P. C., Kannan, P. K., & Inman, J. J. (2015). “From Multi-Channel Retailing to Omni-Channel Retailing: Introduction to the Special Issue on Multi-Channel Retailing”, *Journal of Retailing*, 91(2), pp. 174-181.
- Veryzer, R. W. and Borja de Mozota, B. (2005) “The Impact of User-Oriented Design on New Product Development: An Examination of Fundamental Relationships”, *Journal of Product Innovation Management*, 22: pp. 128–143.
- Weber, M. (1949). *“The methodology of the social sciences”*
- Wooder, S., & Baker, S. (2012). “Extracting key lessons in service innovation”, *Journal of Product Innovation Management*, 29(1), pp. 13-20.
- Wu, J.-H., & Wang, S.-C. (2005) “What drives mobile commerce? An empirical evaluation of the revised technology acceptance model”, *Information & Management*, 42(5), pp. 719-729.
- Yin, R. K. (2013) *“Case study research: Design and methods”*, Sage publications.
- Zeithaml, V.A., Bitner, M.J., (2002) *“Services Marketing”*, 3rd edition, Irwin McGraw & Hill New York, NY.
- Zeithaml, V. A., Parasuraman, A., & Berry, L. L. (1990). *Delivering quality service: Balancing customer perceptions and expectations*. Simon and Schuster.
- Zentes, J., Morschett, D., & Schramm-Klein, H. (2007) *“Strategic retail management”*, Betriebswirtschaftlicher Verlag Dr. Th. Gabler GWV Fachverlage GmbH, Wiesbaden (GWV).
- Zomerdijk, L. G., & Voss, C. A. (2011). “NSD Processes and Practices in Experiential Services”, *Journal of Product Innovation Management*, 28(1), pp. 63-80.