

Remodelling the retail store for better sales performance

Remodelling
the retail store

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Abstract

Purpose – The purpose of this paper is to demonstrate the relationship between strategic remodelling of the retail store and the performance of companies in the retail sector.

Design/methodology/approach – The method used was a quantitative and descriptive survey of 93 cases from a sample of 329 retail stores from three chains that had remodelled some of their retail stores.

Findings – The results showed that strategic remodelling improved the performance of the stores surveyed, demonstrating the importance of retail store management as a strategic resource that can improve performance and competitiveness. Applying the balanced scorecard (BSC) perspectives, the retail store strategies had a greater influence on the dimension of internal processes than on other dimensions. Specifically, lighting is the redesign strategy that provides the best performance result.

Practical implications – The findings offer support to managers who are considering modifications to the retail store. Decisions about strategies related to external visual communication, internal layout, internal visual communication, fixtures, painting of the store, lighting, location of the store and visual merchandising can make a difference in the pursuit for better performance across a range of dimensions.

Originality/value – This paper contributes to both the retail strategy and marketing literature by evidencing the link between specific retail remodelling strategies and performance using the BSC dimensions.

Keywords Servicescape, Balanced scorecard, Retail store, Remodelling strategy

Paper type Research paper

Introduction

Retail is often regarded as one of the most important sectors of the world economy. In Brazil, growth in this sector exceeded GDP growth in the years 2014 and 2015 (IBGE, 2016). The gross sales of the 250 largest retail networks in Brazil exceeded \$137bn in 2014, according to a survey by the Brazilian Retail and Consumer Society (SBVC, 2016).

In general, a large part of retail activity is still linked to the physical environment. The physical store remains the main distribution channel for retail companies and is an important source of competitive advantage (Turley and Chebat, 2002). To ensure competitiveness and reach the target market, retail organisations often remodel their retail stores. This remodelling focusses on the retail store as a strategic resource, creating an atmosphere that influences clients and workers (Bitner, 1986; Turley and Milliman, 2000; Baker *et al.*, 2002), and can lead to a sustainable competitive advantage (Wernerfelt, 1984; Barney, 1991). Mann *et al.* (2015) found that remodelling strategies are used by retail companies in recessionary times to survive and to increase the competitive potential of the company.

Focussing on remodelling strategies, several studies (e.g. Brügger *et al.*, 2011; Dagger and Danaher, 2014; Ferraro *et al.*, 2017) have examined how this retail strategy influences customers using measures based on their perspective. Dagger and Danaher (2014) verified that a remodelling strategy can increase sales, particularly by attracting new customers (vs existing customers). In another study, Brügger *et al.* (2011) found that remodelling strategies



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have only a short-term effect in retail; that is, after six months, the average in-store spending tends to return to the previous baseline. Ferraro *et al.* (2017) verified the effects of store remodelling on customers' measures such as satisfaction, positive word of mouth and loyalty. Additionally, Ferraro *et al.* (2017) measured stores' sales performances before and after the remodelling. None of these studies, however, has focussed on understanding how reformulation strategies can influence store performance when measured by strategic dimensions from their managers' perspectives.

To fill this gap and verify the effect of remodelling strategies on stores' strategic performance, from the view of their managers, this study analyses the performance of retail companies by applying the balanced scorecard (BSC) perspectives (Kaplan and Norton, 2006) – financial, customer, internal processes and learning and growth – to show that changes in a retail store can lead to positive performance results. Several authors have studied the BSC in distinct areas. Hoque (2014) reviewed 114 articles from 25 accounting journals and 67 articles from business and management journals published over a 20-year period and found that none included research about the BSC in marketing and retailing. This demonstrates that there has been little empirical work to date on the relationships and causality among BSC perspectives. Hoque (2014) indicated that future studies could investigate whether and how causal relationships among BSC perspectives could be the outcome of facilitating strategic organisational and employee learning and used to assess the impact on organisational strategic outcomes.

Beyond this gap, previous studies (e.g. Brügger *et al.*, 2011; Dagger and Danaher, 2014; Ferraro *et al.*, 2017) have focussed on the broad scope of remodelling strategies and have not verified the effect of each specific retail remodelling strategy. Ferraro *et al.* (2017), using a quasi-field experiment design, compared two stores that underwent remodelling processes that included new lighting, furnishings, floor finishes, colour schemes and layouts together, without specify each strategy. Brügger *et al.* (2011) followed a process similar to Ferraro *et al.* (2017), comparing remodelled stores (which underwent substantial changes to the lighting, spatial layout, furnishings, paintings, colour schemes and several other factors) with non-remodelled stores. Dagger and Danaher (2014) created two store environments by remodelling their layouts, displays, furniture, ornaments, plants, lighting and colours to improve stores' overall appearance. None of these studies included a test of a specific remodelling strategy for the retail outlet.

To fill another gap, the current paper aims to identify the effect of retail store remodelling strategies on the performance of retail companies. Specifically, and differently from previous studies, this study explores the effects of eight specific strategies of store remodelling (external visual communication, internal layout, internal visual communication, fixtures, painting of the store, lighting, location of the store and visual merchandising) on four perspectives of performance (the financial perspective, customer perspective, internal processes perspective and learning and growth perspective) based on the BSC. Although this paper verifies the effect of these eight remodelling strategies on performance, the objective is not to compare the specific retail strategies, but provide evidences of the effect that each remodelling strategy have on the overall performance of the store.

Highlighting the relationship between specific strategies for reshaping the retail stores' and retailers' performance, the results of this study can contribute significantly to companies in the retail sector by providing input for decision making related to changes in retail stores that can impact their performance and by indicating ways to establish better levels of competitiveness within the sector.

Theoretical background

The atmosphere of the retail store

The physical environment of the retail store can play an important role for the strategy of the store because it communicates the image of what is being sold and can play the role of a

facilitator, a socializing agent and a differentiator (Bitner, 1992). The retail store brings the advertisement, products, consumer and money together in the same place and at the same time (Ferracciu, 2008).

Chang and Luan (2010) highlighted that the store image dimensions also show that store atmosphere and service personnel are the most important factors in selecting a hypermarket. The survey reveals that attributes related to store atmosphere dimension showed the largest gap, and domestic retailers should consider improving this dimension a priority (Chang and Luan, 2010). Belwal and Belwal (2017) also demonstrated the importance of attributes that contribute to the image of the store as a decisive factor for a consumer choice for a particular store.

Turley and Chebat (2002) studied the relationship between the strategy of retail establishments, the design of the retail environment and the resulting buying behaviour. The authors discussed the possibility of creating retail strategies that comprise a number of controllable variables in the store environment and observed that these strategies can be implemented to redesign the store and set up a desired specific atmosphere. The ability to create and recreate a distinctive store atmosphere generates competitive advantages, as this is difficult for competitors to copy (Turley and Chebat, 2002).

Creating an atmosphere that influences customers is an important marketing strategy for most commercial environments, as consumers are influenced by physical stimuli and retail store experiences (Turley and Milliman, 2000). Bitner (1992) discusses the atmosphere of the retail store as one of the strategic factors used by companies to position themselves in the market. Bitner (1992) uses the term “servicescape” to define a store’s physical environment and describes how this environment affects consumers and employees in service organisations. Through careful and creative management of the servicescape, companies can contribute to the achievement of external marketing objectives and internal organisational goals (Bitner, 1992).

In the model presented by Bitner (1992), the service scenario has three environmental dimensions that affect the perceived quality of service. The first dimension is the environmental conditions; these consist of temperature, air quality, noise, music, aromas and lighting. The second dimension is the layout and functionality of the store, such as the general arrangement and the size and shape of equipment and fixtures. The third dimension is the signs, symbols and objects of the service scenario and encompasses the signage, communication elements and style of decoration (Bitner, 1992).

Turley and Milliman (2000) improved Berman and Evans’s (1995) model and described five categories of atmospheric variables: external variables (signs, entrances, windows and size and colour of the building); internal variables (floor, colours, lighting, music, aromas, corridor widths, materials, textures, lining, goods, temperature and cleaning); layout and design variables (design of space, location of fixtures and equipment, distribution and correlation of departments and products, waiting areas and circulation flow); decoration and sales points variables (display units, signs, wall decorations and photographs); and human variables (employee and customer characteristics, uniforms, agglomeration and privacy).

Baker *et al.* (2002) bring a broader approach to the retail environment, discussing it as a strengthening aspect of customer relationships. The authors discuss the concept of the atmosphere of the retail store and group the factors that characterize this atmosphere as: tactile factors (referring to the materials used, temperature and air quality); sounds (those of the ambient music and of the general atmosphere of the store); olfactory factors (from artificial or natural aromas); and visual factors (perceived through colours, materials, internal architecture and merchandising).

Haug and Münster (2015) defined four categories using an abstraction level slightly higher than that described by Turley and Milliman (2000). The categories are exterior variables (facade design and other exterior elements), general interior variables (floors, ceilings, walls, technical installations, lighting and operational manuals), layout and

furniture variables (space design/allocation, furniture/inventory, traffic flow and places for merchandise) and decoration and display variables (decoration items, product displays, price displays, images and screens/monitors).

Retail store remodelling strategies

Based on the concepts and categories noted above, eight of the factors most relevant to this research were selected. These are the external visual communication, the internal layout, the internal visual communication, the fixtures, the painting of the store, the lighting, the location of the store and the visual merchandising.

The external visual communication is represented mainly by the store front. According to Blessa (2008), the store's external visual communication offers the first visual and mental impression consumers have and influences their decisions to enter or not. The combination of brand-related efforts such as architecture, shop windows and store front sets the tone of an establishment, creating an image in the consumer's mind (Blessa, 2008). Parente (2010) identifies eight factors that must be taken into account in defining a store's external image: store visibility, compatibility with location in the city, consumer convenience, architectural motif, promotional facility, type of store front, identification and shop windows. The first of these factors to attract the attention of consumers and make impressions on them are the store front and shop windows.

Inside the retail store, one of the variables of the atmosphere is the internal layout and design (Berman and Evans, 1995; Turley and Milliman, 2000). These influence the flow of people inside the store and their exposure to displays and products, such as the way the products are displayed around the store, the location of the departments and the location of the products within the departments (Iyer, 1989). According to Bitner (1992, p. 66), the layout of the retail store "refers to the ways in which machinery, equipment, and furnishings are arranged, the size and shape of those items, and the spatial relationships among them". Turley and Milliman (2000) give the components of the layout as: space design and allocation, product placement areas, product grouping, workstation and equipment location, carton positioning, waiting areas, departmental organisation, traffic flow, places to queue, fixtures and dead areas.

In the sales area, the space can be divided into two main categories: the product display area and circulation areas (Parente, 2010). Bailey and Baker (2014) state that it is important to take into account the aesthetics of the commercial space, the comfort of the customers, and the way the space reflects the overall appearance of the brand. The layout models most used in sales outlets are those of a simple grid, a circular or a flexible grouping, a display island or a combination of these.

The characteristics of internal visual communication for the retail store are similar to those outside. In historical terms, graphical elements in the commercial environment were used as a form of communication. Even today, direct connections between old, conventional signalling and modern retail graphics can be seen (Bailey and Baker, 2014). Berman and Evans (1995) observed that price posters, product displays, images, decorations and signage are elements that provide additional and pertinent information that can influence purchases.

Blessa (2010) explained that the visual communication of a store includes indicative signs, visual identity, banners with product pictures, posters with photographs of people (consumer profiles) and seasonal decorations (balloons, Easter rabbits or Santa Clauses). The function of interior signage is to guide the customers and facilitate their search for and choice of products (Blessa, 2008).

Fixtures are also one of the key features of the retail store, as suggested by Bitner (1992), Turley and Milliman (2000) and Baker *et al.* (2002). Among the retail store materials, fixtures (shelves, tables, gondolas, counters and displays) stand out and exert a strong influence in the internal environment of the retail store, as they determine the flow of customers and exposure of products (Iyer, 1989; Parente, 2010). The fixtures at the retail store can take

many forms, but Morgan (2011) defines two universal styles: floor displays – usually smaller and occupying space in the central areas – and wall displays, which are located around the perimeter of the store. Bailey and Baker (2014) highlight some factors which determine the most appropriate choice of displays in the retail store. Managers and staff should observe which displays sell the most, which offer the maximum exposure to the client, which positions best optimises sales, what the display is made of and if it suits the brand, whether the display unit is right for its function, how many products it supports and what visual merchandising opportunities it provides.

The painting of the store is an important component in the atmosphere of the retail store. The use of colours helps to create an appropriate setting and is one of the first design elements that the client notices (Morgan, 2011; Bailey and Baker, 2014). Colour combinations can be varied and can cause different consumer behaviours. Complementary colours should not be used together. They are opposite in the colour wheel; they have a negative effect on the consumer and can be unpleasant. Examples of colour clusters that clash are red with green, or orange with blue. On the other hand, there are colours that emphasise each other; one colour tone can make a secondary colour look better. For example, white colours enhance reds, and, together, the two colours have a pleasing, attractive and elegant appearance (Colborne, 1996).

Lighting has an important function in the retail exhibition; it illuminates the products and influences the atmosphere of the retail store (Sackrider *et al.*, 2009). Morgan (2011, p. 170) points out that “[l]ighting plays an integral part in any retail environment, whether it is used for highlighting an in-store focal point or simply to flood the fixtures with enough light so that the customers can easily find what they are looking for”. Colborne (1996) emphasises that lighting is indispensable for the consumer to see the products. It provides better visibility, adds colour to products, emphasises texture, brightens the salespeople’s workplace, provides an overview of the store, and makes the store environment more exciting. Adequate lighting in the shop environment enhances supply visibility and makes the customers feel comfortable (Sackrider *et al.*, 2009).

Lighting not only affects the customer’s behaviour at the retail store but also influences their perceptions of the type of store they are entering and their expectations of what products will be marketed (Turley and Milliman, 2000). The store’s ambiance and the way it positions itself can be understood from the lighting, which can be more intensive and vibrant or more soft and intimate. More intense lighting is associated with lower prices (de Bernardino, 2004).

Decisions about location of a store are of strategic importance and can be useful for creating competitive advantage. Managers can change their prices, services and product ranges in a relatively short time, but location decisions are harder to change. Entrepreneurs often have to make substantial investments to acquire or lease property and then set it up (Weitz, 2000). For Levy and Weitz (1995), there are three basic types of places to choose: a central shopping district, a shopping mall or an isolated location. The managers can also choose trolleys, kiosks or wall displays, such as the sales spaces found inside a mall. Finally, stores can be located in areas of mixed use.

Finally, visual merchandising generally consists of any promotional material used at the retail store that provides information about and better visibility of products, brands or services, for the purpose of motivating and influencing consumers’ purchasing decisions. It can also be seen as a link between the product and the customer (Baker *et al.*, 2002; Blessa, 2008). Depending on the type of store, the merchandising may be directly related to the performance of the sales team, and the ability to set up and reorganise the retail store becomes a differential for the company in the competitive market (Zorrilla, 2002; Blessa, 2010).

Visual merchandising encompasses the visualisation of colours and their psychological influences. Bailey and Baker (2014) define visual merchandising as a process that extends from concept to completion and whose purpose is to create a clear brand identity, maintain its values, attract the customer into the commercial space and hold customers’ attentions for a longer time.

Organisational performance indicators based on BSC

Performance can be defined as the action, the outcome of the action, and the success of that same outcome as compared to some standard or as the sum of all processes leading to a potential or future sequence of impacts and outcomes (Lebas and Euske, 2002). Hronec (1994) refers to performance measures as the vital signs of an organisation and stresses that the benefit of having them is communicating to people “what” they are doing and “how”. Sink and Tuttle (1993) emphasise that organisational performance is a function of this complex set of criteria and of the interrelationships between the parts of the set.

In this sense, the literature on performance indicators suggests that there is no consensus on the criteria that should be adopted for the measurement of company performance (Amoah-Mensah, 2013). Some of the most prominent indicators that have appeared in the literature are related to financial measurement (e.g. profitability, sales volume and assets).

Among the various measures of organisational performance, the BSC proposed by Kaplan and Norton (1992) stands out. The BSC arose from the need to improve the functions of planning, control and performance measurement in managerial accounting and has proved to be an important tool to measure company performance (Atkinson *et al.*, 2015). Thus, the initial BSC concepts show that traditional (financial) accounting indicators show misleading signs for continuous improvement and innovation, so multidimensional measures, both financial and non-financial, are needed (Amoah-Mensah, 2013). That is, performance indicators must go beyond simple financial measures and incorporate more tangible and intangible results (Buller and McEvoy, 2012).

Kaplan and Norton (1996) proposed the BSC as a reference for describing strategy through the connection of intangible and tangible assets in value-creating activities. The BSC is a comprehensive tool that translates a company's vision and strategy into a coherent set of performance measures (Kaplan and Norton, 2006). Despite the benefits suggested by Kaplan and Norton (1996), authors such as Norrekliit (2003) and Busco and Quattrone (2009) have criticised the BSC for presenting rhetorical characteristics, questioning its ability to be used as a tool for strategic control.

However, Campbell *et al.* (2015) investigate how the quality of a company's strategy can be tested and validated using BSC data from a chain of retail stores, providing empirical evidence that measures of organisational performance reveal timely information about problems with strategies and can help identify where and why a given strategy failed. Likewise, Cheng and Humphreys (2012) examine the effect of BSC indicators on managers' ability to interpret and use information to evaluate company strategy, although some studies indicate a paucity of empirical evidence (Dekker *et al.*, 2013).

Bisbe and Malagueño (2012) found that there is a positive relationship between the use of performance indicators and organisational performance, but only for companies operating in a relatively stable environment. On the other hand, there are deficiencies regarding performance measurement and management, especially in luxury retail, which is characterised as a more dynamic environment with a greater need for understanding both quantitative and qualitative aspects of services (Ehbauer and Gresel, 2013).

In their studies, Hoque and James (2000) demonstrated a significantly positive relationship between the use of typical measures of the BSC and superior performance, mainly in activities that cannot be easily measured with objective metrics (Hoque, 2014). Kaplan and Norton (1992) suggest that in the BSC, mission and strategy are translated into objectives and measures organised from four different perspectives: financial, customer, internal processes and learning and growth. The BSC creates a framework for communicating mission and strategy and uses set indicators to inform employees about the vectors of current and future success.

From a financial perspective, performance measures indicate whether a company's strategy and its implementation and execution are contributing to the improvement of financial results. Financial objectives are usually related to profitability, measured by, for

example, operating revenue, return on capital investment, or more recently, aggregate economic value. Alternative financial objectives may be the rapid growth of sales or the generation of cash flow (Kaplan and Norton, 2006).

The customer perspective usually includes several basic or generic measures of the success of a strategy. Key measures include customer satisfaction, customer retention and account (customer) participation in target segments. The vectors of key customer outcomes are critical factors affecting whether customers change suppliers or remain loyal to one supplier.

Executives are able to identify the critical internal processes in which the company must achieve excellence, allowing the business unit to offer value propositions capable of attracting and retaining customers in target market segments that have excellent financial returns. The BSC approach usually results in the identification of entirely new processes in which a company must achieve excellence to achieve its financial and customer goals. The incorporation of innovation processes into the perspective of internal processes is the great differential of the BSC approach (Kaplan and Norton, 2006).

The fourth perspective is learning and growth, which identifies the infrastructure the company must build to deliver long-term growth and improvement. Organisational learning and growth comes from three main sources: people, systems and organisational procedures. Companies have to invest in employee retraining, information technology and systems improvement and alignment of organisational procedures and routines. Employee-based measures include employee satisfaction, retention, training and skills (Kaplan and Norton, 2006).

Method

Design and participants

The research for this study was a natural experiment involving the stores of three retail chains in the furniture and electronics segment. These chains were chosen because they have some stores that have been remodelled in the last three years and others that have not been remodelled. This makes it possible to compare between an experimental group (stores that have been remodelled) and a control group (stores that have not been remodelled). The companies were denominated as Retail A, B and C. Retail A is one of the largest furniture, home appliances and electronics retail chains based in Santa Catarina, Brazil, with 210 stores and 1,800 employees. It operates in Santa Catarina and Rio Grande do Sul, Brazil. Retail B has 72 stores in the state of Rio Grande do Sul, Brazil, with 750 employees. Retail C has 47 furniture and electronics stores and 650 employees. Its operating area comprises the states of Rio Grande do Sul and Santa Catarina, Brazil.

The respondents were store managers. Store managers were chosen because they have information about the performance of the stores and are close to the place where the remodelling took place. They could provide a first-hand, realistic view of the variables measured in the study. The questionnaires were sent to 165 stores and were returned by 127 of them, giving a response rate of 77 per cent. Of these, the data of 34 stores were excluded because more than 10 per cent of the questions were not answered. Retail A, B and C together returned 93 valid responses, which represented a sample of 28 per cent of the total of the 329 stores in these three retail chains. Table AIII presents a detailed description of the questionnaires distributed to each retail chain.

In 53 cases, remodelling had occurred at the retail store between January and December 2014 (experimental group), and in 40 cases there had been no remodelling (control group). Remodelling had taken place in 15 Retail A stores, 20 Retail B stores and 18 Retail C stores. No remodelling had taken place in 13 stores from Retail A, 17 from Retail B and 10 from Retail C.

Measures

To validate the main remodelling strategies chosen for this study, exploratory interviews were held with managers of three retail chains and one marketing specialist. Specifically, the

interviews were focussed on the theoretical background derived from the eight remodelling strategies used in this study. Moreover, the interviews explored and validated the main indicators appropriate to the BSC perspectives that are common to the retail context. After the interviews, the instrument for data collection was structured with the following measures.

First, we asked the store managers if there had been any remodelling of the store they managed during 2014 (possible answers were “Yes” or “No”). If the answer was yes, the instrument guided the respondent to reveal what remodelling strategies were used. This question allowed for multiple answers, since a store could have used more than one strategy. The managers were asked if the changes were in relation to the store’s external visual communications, internal layout, internal visual communications, fixtures, repainting the store, lighting, the store’s location or visual merchandising. Table AI presents these remodelling strategies and the theoretical source for each of them.

After that, the manager was asked about the store’s performance. All questions about performance were related to the following year 2015. This made it possible to compare the 2015 performance indicators of the stores that had been remodelled with those of the stores that had not been remodelled and to identify which remodelling strategies influenced the stores’ overall performances. The set of indicators to measure store performance was based on the BSC model (Kaplan and Norton, 2006) and validated with the managers of the store chains in the interviews, as follow:

- (1) financial perspective: revenues, sale of products, average ticket and reduction of fixed expenses ($\alpha = 0.869$);
- (2) customer perspective: customer satisfaction, customer flow, number of customers, sales to new customers and number of customers who repurchased ($\alpha = 0.901$);
- (3) internal processes perspective: improvement in service, average time of customer service, use of new processes and deadline for service delivery ($\alpha = 0.795$); and
- (4) learning and growth perspective: employee satisfaction, motivation of the team, achievement of goals and qualifications of employees ($\alpha = 0.808$).

Table AII presents the full items measured and the theoretical source for each of them. The questions were evaluated using an 11-point Likert scale, using 0 for the “totally disagree” option and 10 for the “totally agree” option. Before starting the data collection, a pre-test was carried out with managers of the same population of the study, not included in the final sample.

Data collection and analysis

Data collection was carried out online using the Qualtrics® platform. To collect the data, an e-mail was sent to the chief operating officer (COO) of each retail chain, and then another was sent to all store managers authorising the data collection. The authors controlled all communication between the COO and the store managers, to avoid biases in the responses and demand effects. After that, the authors sent, via e-mail, an invitation to each store manager asking him or her to participate in the research.

After the data were collected, its quality was evaluated, appropriate treatments were applied and the normality of the data was verified using the Komolgorov–Smirnov test. No problems of normality were identified among the dependent variables (store performance indicators).

Finally, in order to analyse the relationships between the remodelling strategies and the performance of the retailers, the data were divided into two groups. The first group (experimental) included all stores that had been remodelled (53 cases), and the second group (control) comprised stores where there had been no remodelling (40 cases). Due the high multicollinearity of the independent variables (remodelling strategies), since one store could

have used more than one remodelling strategy, the effects of each remodelling strategy were isolated and analysed with the *t*-test, but no multivariate model was used, to avoid the bias from the multicollinearity.

Analysis and discussion of results

To evaluate the effect of remodelling on the performance of the retailers, the performance of the companies for each dimension of the BSC was used as a dependent variable, and a global performance index was calculated from the average of the performance indicators for each element of the BSC. Remodelling was used as an independent variable for all stores in the survey.

Table I, which presents the averages of both groups and the *t*-values and their significance, shows that all the indicators of the stores that had remodelled were higher than those of the stores that did not, and all remodelled store indicators were also higher than the global performance.

The *t*-test shows that the differences are significant in the four BSC perspectives. All the performance indexes are significantly higher in stores that had remodelled in the last year than in those that had not. The financial performance of both groups of companies was: ($M_{\text{with}} = 6.25$ vs $M_{\text{without}} = 5.08$), their performance related to customers was ($M_{\text{with}} = 6.51$ vs $M_{\text{without}} = 5.36$), their performance of internal processes was ($M_{\text{with}} = 8.00$ vs $M_{\text{without}} = 6.64$) and their performance of learning and growth was ($M_{\text{with}} = 6.94$ vs $M_{\text{without}} = 6.00$).

In addition, the overall performance of stores that made changes ($M_{\text{with}} = 6.93$) was significantly higher than the performance of stores that did not make changes ($M_{\text{without}} = 5.77$). This suggests that reshaping the retail store positively influences the performance of retail companies. These results corroborate the recommendations to give greater attention to the retail store, mentioned by Bitner (1992), Turley and Milliman (2000) and Baker *et al.* (2002), to increase the performance and results of retailers.

The effects of each remodelling strategy were also analysed by comparing the overall performance of the stores that remodelled with those that did not. This comparison is shown in Table II.

Table II shows that all the specific strategies generated a superior global performance. In addition, in six of the strategies, the difference was significant at $p \leq 0.01$ (internal layout, internal visual communication, lighting, location of the store, front of the store and visual merchandising), indicating a difference in the overall performance of these stores.

Lighting stands out as the strategy that gives the greatest improvement. Lighting is indispensable for allowing consumers to see products, providing better visibility, adding colour to products, emphasising texture, brightening the salesperson's workplace and providing an overview of the store (Colborne, 1996). Painting of the store was the strategy that had the least effect on overall performance. Although remodelling the lighting gave the best results, the use of other strategies or a set of strategies could also lead to superior performance.

Variable	Group	Sample	Mean	SD	<i>t</i> -value	<i>p</i>
Financial perspective	With remodelling	53	6.25	3.05	2.078	0.041
	Without remodelling	40	5.08	2.41		
Customer perspective	With remodelling	53	6.51	2.51	2.318	0.023
	Without remodelling	40	5.36	2.27		
Perspective of internal processes	With remodelling	53	8.00	1.92	3.272	0.002
	Without remodelling	40	6.64	2.03		
Perspective of learning and growth	With remodelling	53	6.94	2.20	2.004	0.048
	Without remodelling	40	6.00	2.27		
Global performance	With remodelling	53	6.93	6.77	2.815	0.006
	Without remodelling	40	5.77	5.81		

Table I.
Performance
difference between
groups with or
without remodelling

Table II.
Comparison of the
overall performance
index between for
each remodelling
strategy

Strategy	Group	Sample	Mean	SD	t-value	p
Lighting	With remodelling	37	7.29	1.74	3.649	0.000
	Without remodelling	40	5.77	1.91		
Change of location	With remodelling	13	7.69	1.94	3.097	0.006
	Without remodelling	40	5.77	1.91		
Internal visual communication	With remodelling	49	6.97	1.95	2.924	0.004
	Without remodelling	40	5.77	1.91		
Layout	With remodelling	52	6.86	1.99	2.664	0.009
	Without remodelling	40	5.77	1.91		
Front of the store	With remodelling	42	6.91	1.96	2.662	0.009
	Without remodelling	40	5.77	1.91		
Visual merchandising	With remodelling	48	6.88	2.05	2.618	0.010
	Without remodelling	40	5.77	1.91		
Fixtures	With remodelling	43	6.83	1.85	2.562	0.012
	Without remodelling	40	5.77	1.91		
Painting	With remodelling	34	6.84	1.98	2.361	0.021
	Without remodelling	40	5.77	1.91		

Decisions to reshape a store are made for a variety of reasons and involve factors that are beyond this study. However, the results shown above suggest some methods that can be useful for measuring the importance of each strategy to be adopted and how each can influence the performance of the retail store.

Final remarks

The purpose of this study was to demonstrate the relationship between retail store remodelling strategies and the performance of retail companies, in light of the BSC perspective. Based on the results, the retail store can be used as a resource that can provide competitive advantages to organisations operating in the retail industry.

The various analyses showed that there is a positive relation between the use of remodelling strategies at the retail store and the performance of the store, since the stores that made remodelling changes performed better than those that did not. These results underline the importance of creating an atmosphere in the retail store environment that positively influences clients and employees, corroborating the studies of Baker (1987), Bitner (1986) and Turley and Milliman (2000).

The study also concluded that remodelling strategies had the greatest positive influence on the internal processes perspective. The indicators of this perspective are the improvement of service, the average time of customer service, the use of new processes and the deadline for service delivery.

Based on the findings, this study presents two main theoretical contributions. First, while previous studies have shown evidence that retail remodelling influences customer-based measures (Brüggen *et al.*, 2011; Dagger and Danaher, 2014; Ferraro *et al.*, 2017), this study advances the assertion that these strategies also influence stores' strategic performance, as measured by the BSC dimensions from the managers' perspective. In this way, the study also advances the field by proposing a type of measure for performance applied to retail stores using BSC perspectives that reflect the stores' performances. The use of BSC perspectives enables the application of financial and non-financial performance measures, bearing in mind that intangible assets are related to internal processes, learning and growth perspectives, while tangible assets are focussed on financial and customer perspectives (Kaplan and Norton, 2006). It is also important to note that this is the first study to integrate remodelling strategies and the dimensions of the BSC as performance measures.

The second theoretical contribution is related to the eight specific remodelling strategies analysed in this study. Previous literature on retail store remodelling either considered the

strategy in a broad sense, or only with or without remodelling (Brüggen *et al.*, 2011; Dagger and Danaher, 2014; Ferraro *et al.*, 2017). Moving beyond these studies, the findings of this research indicate that each of the eight specific strategies of retail remodelling have an effect on the overall performance of a retail store. In short, this paper provides evidence that all eight remodelling strategies are resources that can yield a competitive advantage to companies. It is difficult to imitate the value a physical retail store offers to the customer (Barney, 1991), or to demonstrate the importance of the store environment to a retailer. This study, of the relationship between store redesign and performance, contributes to the study of strategy and marketing, mainly in the retail sector, by understanding the reshaping of the retail store as a strategic action and considering the variables that make up the sales environment to be determining factors for improving performance.

Managerially, this paper offers support to managers who are considering modifications to the retail store. Decisions about strategies related to layout, internal and external visual communication, visual merchandising, fixtures, lighting, colours and location change can make a difference in the search for better performance across a range of dimensions. The understanding that the development of change strategies at the retail store can provide a competitive advantage is an important contribution to the retail sector, since the retail store is one of the main channels by which products reach final consumers. The use of the retail store to enhance the buying experience of consumers may even promote a sustainable competitive advantage for those who work in this sector.

A further contribution is this study's use of the BSC's perspectives as performance measures, using financial and non-financial indicators and demonstrating that the BSC can be used as a management system to evaluate performance in the retail sector.

One limitation of this study is that it considers strategies for remodelling the retail store and performance indicators from the perspective of the store managers. Working with people's perceptions inevitably introduces an element of subjectivity, and these data rely on the interpretation of a specific segment, in this case, retail managers. Future studies could integrate the view of the managers with data from reports and consumers.

Further research could be extended to obtain the views of other subjects involved in the process, such as consumer perceptions of the remodelling of the retail store. Other performance measurement indicators could also be used, especially if it is possible to access accounting, financial, marketing, operations and human resources information from the stores. This would make a more detailed analysis of the performance of stores possible. Finally, this research does not compare the specific retail strategies used; rather, it provides evidence of the effect that each remodelling strategy has on the overall performance of a store. Future studies can shed light on this comparison to specify for the managers which strategies are best in each situation.

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Further reading

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Appendix 1

1054

Table AI.
Strategies for
remodelling of retail
store and authors

Strategies in retail stores	Theoretical background
<i>Remodelling in stores</i>	
Front of the store	Blessa (2008), Parente (2010), Bailey and Baker (2014)
Layout	Bitner (1992), Berman and Evans (1995), Turley and Milliman (2000), Baker <i>et al.</i> (2002), Morgan (2011), Bailey and Baker (2014)
Internal visual communication	Bailey and Baker (2014), Blessa (2008)
Fixtures	
Painting (colours)	Morgan (2011), Bailey and Baker (2014), Parente (2010)
Lighting	
Change of location	Morgan (2011), Bailey and Baker (2014), Levy and Weitz (1995)
Visual merchandising	Bitner (1992), Berman and Evans (1995), Turley and Milliman (2000), Morgan (2011), Bailey and Baker (2014), Blessa (2008)

Appendix 2

Table AII.
Indicators of retail
store performance and
authors

Perspectives of BSC	Indicators of performance	Theoretical background
Financial perspective	The store had an increase in revenues in 2015 compared to 2014 The store sold more products in 2015 compared to 2014 The average ticket increased in 2015 compared to 2014 The store managed to reduce fixed expenses in 2015 compared to 2014	Kaplan and Norton (1996, 2006), Atkinson <i>et al.</i> (2015)
Customer perspective	Customer satisfaction increased in 2015 compared to 2014 The flow of people in the store increased in 2015 compared to 2014 The number of customers increased in 2015 compared to 2014 The sales to new customers increased in 2015 compared to 2014 The number of customers repurchase in the store increased in 2015 compared to 2014	Stokols (1972), Hui and Bateson (1991), Turley and Milliman (2000)
Perspective of internal processes	The customer service improved in 2015 compared to 2014 The average time of customer service decreased in 2015 compared to 2014 The company introduced process innovations (new procedures) in 2015 The store improved delivery and delivery times in 2015 compared to 2014	Kaplan and Norton (1996, 2006), Atkinson <i>et al.</i> (2015)
Perspective of learning and growth	The employee satisfaction increased in 2015 compared to 2014 The employees were more motivated in 2015 than in 2014 In general, we have been able to achieve the goals proposed in the year 2015 The store employees are more skilled now than in 2014	

	Total	A	%	Retail companies		C	%	1055
				B	%			
Questionnaires sent	165	74	44.8	44	26.7	47	28.5	Table AIII. Number of questionnaires answered and percentage of total
Questionnaires answered	127	44	34.6	43	33.9	40	31.5	
Valid questionnaires	93	28	30.1	37	39.8	28	30.1	
Stores with remodelling	53	15	28.3	20	37.7	18	34.0	
Stores without remodelling	40	13	32.5	17	42.5	10	25.0	

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