"Customer Value Creation in Retail Environment"

Case Study based on Apple Retail Store

Independent Final Report

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I. Introduction

In the recent years, the retail stores sector has become exposed to the new conditions. Modern market has started to change rapidly due to technological advancement and increased competition thanks to consumerism and globalization (Baudet & Van der Meulen, 2014). In this dynamic market, for retail stores, the main focus has shifted toward differentiation and standing out among competitors in a bid to protect their market shares (Baudet & Van der Meulen, 2014). In the context of marketing, there was a considerable shift from mass marketing toward personalized marketing and making customers value co-creators (Gronroos, 2008). This implies that retail store companies have started to include customers in the value creation process (Gronroos, 2008). Apparently, modern consumers look for the best products and services that suit their needs (Deloitte, 2015). In the light of the increased consumerism, companies are driven to diversify their products and services to stand out among competitors, attract consumer attention and generate consumer interest (Statista, 2016; Lax & Mau, 2013).

Similarly, it is important to highlight the increased price sensitivity of consumers in the core European markets due to consequences of the recent economic recession (Lax & Mau, 2013). Firms manage price sensitivity issues along with the emergence of the online retail channel that offers products and service at prices lower than brick and mortar retail stores (Lax & Mau, 2013). This has changed the whole retailing experience where customers have become more informed about products and services and gained access to less expensive products and services via online channels (Lax & Mau, 2013).

Right now, the trend has shifted again, where customers evaluate products in a retail store and then order the preferred product from an online retailer (Deloitte, 2015). The ubiquity of wireless connectivity and hand-held devices to access the Internet makes information about product availability and prices more readily available and is further

abetting this behavior (Lax & Mau, 2013). These developments have led to an increased use of retail stores solely as an information channel to establish a customer's best-fit product definitively (Lax & Mau, 2013). Such "Show rooming" customers end up making their purchases online so that retailers, who base their business models on business models on shops or outlets, view this trend as a threat to their bottom lines (Lax & Mau, 2013). Therefore, in recent times, the majority of retail businesses have been retrieving various ways to create customer value. This research will focus on the investigation of customer value creation in physical retail stores in the light of the growth in popularity of online retail channels. Likewise, this research will focus on the investigation of ways firms create customer value along with the protection of the standardized price level. More precisely, the paper will place its primary focus on the case study of Apple retail store.

1.1 Research Purpose

The main purpose of this research is to evaluate ways companies create customer value along with the protection of the original price. As it is mentioned above, the primary focus will be placed on the investigation of Apple Retail Store case study. Apple Company can charge premium prices whereas customers are drawn to visit Apple retail stores without the risk of substituting those for less expensive options (Apple Official Website, 2016). Consequently, the main attention of this research will be drawn to the evaluation of strategies and tactics that Apple Company utilizes to maintain and increase customer retention toward its brand and its physical retail stores. Likewise, the purpose of the paper is to identify and analyze challenges of value creation in retail business models.

1.2 Research Question

The main research question is - How should Retail shops challenge themselves to capture the value of customers as well as maintain their profitability and loyalty?

1.3 Research Aim and Objectives

The main research aim is:

- To investigate strategies and tactics Apple retail stores apply to capture customer value and increase organizational revenues and customer loyalty.

Smaller research objectives are:

- To critically evaluate current retail store strategies and tactics Apple retail stores apply to capture customer value.

- To investigate changes in the consumer behavior about the customer value creation process.

- To examine the main strategies and tactics that Apple retail stores apply to increase customer retention rate and ensure an increase in organizational revenues.

1.4 Design Methodology/Approach

Research methodology focuses on the integration and investigation of the secondary data that is sourced from professional and academic books, professional reports, academic journals, different professional databases, as well as news reports. This method has certain disadvantages as it is a function on the primary data that has been evaluated and analyzed and is located in highly accessible places (Saunders, 2012). The main disadvantage relates to the statement that secondary data may be out-dated and obsolete, factors that may decrease the quality of the research (Saunders, 2012). In the context of this study, the impact of this disadvantage is reduced since Apple Inc. is a highly popular company. Therefore, the

information about this company is constantly updated, and this enhances access to updated secondary data (Saunders, 2012). Besides, it decreases the negative impact of out-dated secondary data on the quality of the research. Another aspect taken into consideration is the characteristic of the secondary data that suggests that it poses more questions rather than answers to the same (Saunders, 2012). As a result, there is a risk of confusion emergence along the research development process. To reduce the impact of this disadvantage, it is important to take an objective and critical perspective on the secondary data research. This way, it will be easier to identify answers to given questions (Saunders, 2012).

II. Literature review

2.1 Introduction

This chapter is designed to present a critical investigation of the value creation process in the context of the modern retail store sector in the U.K. The paper will focus on the general retailing store sector with special attention given to the technological industry. Likewise, this chapter will concentrate on the concept of value creation process in retail stores, new ways of customer involvement, consumer behaviour, and strategies and tactics that are integrated to increase customer retention rate.

2.2 Value Creation Process

Experts allude that firms can understand value creation through the business model concept. It is "a representation of an RM's underlying core logic and strategic choices for creating and capturing value within a value network" (Shafer, Smith, & Linder, 2005, 202). Sources of value creation or value drivers, are factors that enhance the total value a business creates. For example, in electronic business, value drivers are novelty, lock-in, complementarities, and efficiency (Amit & Zott, 2001). In the retailing context, the creation of customer value is connected tightly to the creation of shopping experiences (Sorescu, Framback, Singh, Rangaswamy, & Bridges, 2011). Organizations create Customer value when a customer and a retailer utilize and combine different resources during the shopping experience. These resources can be tangible, such as products and the retail space, or intangible, like the creativity of a customer or the competence of a sales-clerk.

To exploit best features of channels, multichannel retail business models are adopting new formats, such as "click-and-mortar" or the "online-and-mobile retail" business model (Rangaswamy & Van Bruggen, 2005; Lin, 2012). For example, the option to return products

to stores might lower the barrier to ordering online. Channel characteristics include, for example, availability, possibility of real-time communications, adaptability of the customer interface, and ease of use. Channels also vary regarding how easily customers can change to a competitive retailer's channel (lock-in), and their ability to capture information on customer behavior (Dholakia, Kahn, Reeves, Rindeisch, Stewart, & Taylor, 2010).

Multi-channel business models can enhance value creation through segmentation, efficiency or customer satisfaction (Neslin and Shankar, 2009). For example, adding new channels to the business model can be an efficient way to reach new market segments, enhance customer satisfaction or customer loyalty (Berman and Thelen, 2004; Zhang, Farris, Irvin, Kushwaha, Steenburghe and Weitzf, 2010).

2.3 Value Creation in Business Models

Johnson, Christensen, and Kagermann, (2008) have estimated that successful business models include four main elements. These elements include

a) A customer value proposition that presents the description of the value companies offer to customers.

b) A profit formula that gives the description of the value that the company generates for itself.

c) Key resources that provide the description of the nature of the key assets that are used to deliver the customer value and this include human resources, technological resources, and equipment among other assets.

d) Critical processes that provide an insight into the ways the firm deliver value to the customers.

2.4 Show rooming activity

For retailers, the competition for new and existing customers is essential for the survival in the modern market. In relation to this matter, one of the most critical aspects is the point of contact between a customer and a retailer (Prahalad & Ramswamy, 2004). Experts estimate that the point of contact between a brand and a customer happens during showrooming in the physical stores (Lux & Mau, 2013). In this case, showrooming relates to the search for products in physical stores and the consequent purchase of those products online. This trend is especially applicable to the consumer electronics market where 63 % of consumers tend to search for a product in the store and purchase it further online (Lux & Mau, 2013). Indeed, the more technically sophisticated a product is, the higher the chance for it to fall in the Showrooming group (Lux & Mau, 2013). Besides, price has been titled as one of the key reasons for Showrooming activity.

Products are high involvement products and, therefore, require integration of more cognitive abilities in the context of consumer decision-making process (Lux & Mau, 2013). In the context of consumer behavior, the purchase of consumer electronics requires more time for the search of information and evaluation of alternatives (Lux & Mau, 2013).

2.5 Consumer Behaviour and Value Co-Creation Process

Engel, Kollat and Blackwell developed one of the most popular consumer behavior models (Solomon, 2012). This model has five main stages, namely, needs identification, search for information, evaluation of the alternatives, purchase, and disposal. This model is regarded to be quite rational; therefore, it has attracted considerable criticism in the context of lack of focus being placed on impulse buying behavior (Solomon, 2012). However, high involvement purchases require rational decision-making activity. Therefore, this model is the most useful model for evaluation of the consumer behavior in the context of consumer

electronics sector (Lin & Chen, 2006; Darley et al., 2010). As this paper mentioned above, search for information and evaluation of alternatives stages in the context of consumer electronics products, require more time as compared to the low involvement products (Lin & Chen, 2006; Darley et al., 2010). As a result, showrooming has become a popular trend as consumers require the assistance of specialists in the decision-making process. On the other hand, consumers have become more knowledgeable about prices for the consumer electronics products; therefore, they turn to the actual purchase process to the online retail channel (Seck & Philippe, 2013). As the paper mentions above, it is the main reason that relates to the price level of consumer electronics products.

Some companies tend to sustain consumers in their official online and offline stores to ensure that the purchase process is maintained through these channels only (Seck & Philippe, 2013). One of the main strategies that are applied to achieve this objective relates to the delivery of more value in the context of the purchase process than other online retail alternatives (Seck & Philippe, 2013). It is important to mention customer relationship management in this context (Gronroos, 2008; Solomon, 2012). This implies that modern companies tend to integrate personalized approach to customers and in the process make customers value co-creators (Zeithaml et al., 2012). In other words, such companies develop communities around the brand based on the individualized interaction with customers and customer engagement in the process of product creation (Zeithaml et al., 2012). This is especially applicable to the consumer electronics sector that is characterized by the innovative ideas and creativity to generate considerable interest among consumers (Zeithaml et al., 2012). It is important to highlight that originally, the value was analyzed from the elusive perspective in the context of service marketing and management (Carú & Cova 2003; Sánchez-Fernández & Iniesta-Bonilla 2007; Woodall, 2003). Later, some scholars attempted to present value from the holistic and experiential perspective (Heinonen & Strandvik 2009;

Helkkula et al., 2012). This implies that companies and customers viewed value as an element that results in conceptualization on a personal level and assessment of trade-offs between benefits and sacrifices, and that is based on the utilization of means-end models (Heinonen & Strandvik 2009; Helkkula et al., 2012). Likewise, the value is viewed in the context of customer experience and a part of social systems as well as driving force that the increase in monetary gains between the business partners (Heinonen & Strandvik 2009; Helkkula et al., 2012). This implies that there has been a shift from the elusive view on the value concept toward a common cognitive perspective. In general, the value is considered the aspect that enhances and benefits the experience of a consumer; therefore, the consumer feels better off in some area (Carú & Cova 2003; Sánchez-Fernández & Iniesta-Bonilla 2007; Woodall, 2003).

The modern trend in the consumer behavior suggests that customers are after value for their money (Brodie et al., 2013). As a result, once they enter a retail store, they have certain expectations about the service delivery process in respect to showcased products and prices for these products (Solomon, 2012). In other words, this implies that the higher the price for products, the higher consumer expectations are in respect to the service delivery process from the store (Solomon, 2012). Along with that, it is important to highlight the role of customer segmentation. Premium consumers who are after products for the premium price would be less interested in purchasing high involvement products through the online channel (Brun et al., 2013). In this case, it is important to highlight the role of segmentation in the customer value creation process (Brun et al., 2013). This implies that premium customers purchase consumer electronics products for the demonstration of prestige and social status (Brun et al., 2013). Therefore, they are more prone to come to the physical store and be assisted in the purchase process as part of the luxury premium purchase process (Brun et al., 2013). This implies that these consumers perceive purchase in the physical retail store as well

as the experience of the service delivery process in the retail store as an integral part of the purchase process (Brun et al., 2013). In the case of the premium consumer decision-making process, showrooming is not an option.

2.6 Value Co-Creation Process in the Context of Service Management

The Individualized approach to the interaction with consumers is part of the service delivery process and is also interlinked with customer relationship management (Gronroos, 2008; 2014; Prahalad & Ramaswamy, 2004). As a result, service quality is another aspect that affects the consumer experience in the retail store. In other words, service quality is one of the most critical elements in value creation process (Zeithaml et al., 2012). It affects the development of customer satisfaction, achievement of customer expectations, and development of customer loyalty (Zeithaml et al., 2012). Concerning in-store experience, service quality directly affects the consumer decision-making process. Jaakota and Alexander (2014) argue that there is little research available on the subject of the role of customer engagement in the value co-creation process. However, in their research, they have stated that customer engagement behavior affects value co-creation by customer different resource contributions to the given company and stakeholders that modify the offering and impact other stakeholder perceptions, expectations, and preferences toward the given company. As a result, this study suggests that firms ought to place the main focus on customer resources and potential for the engagement of various stakeholders around the common cause as well as employ emerging systems that would aid in the enhancement of the overall value co-creation process. Vargo et al., (2009) agrees that value is not created until the customer applies resources of the service provider with their resources. In this case, the value is contextually specific and, therefore, determined by the beneficiary or customer. More technological companies with the support of innovative ideas have transformed and enhanced value co-

creation process where customers are totally in charge of this process (Libert, Wind, & Beck, 2014).

2.7 Dart Model of Value Co-Creation

This goes in line with the Dart model of co-creation of value (Prahalad and Ramaswamy, 2004). This models suggests that the building blocks of the value co-creation process are dialogue, access, risk assessment and transparency (Prahalad and Ramaswamy, 2004). In the context of this model, dialogue implies interaction, communication and development of a propensity to act. Access means the delivery of the necessary information and tools for the ability to experience value co-creation process (Prahalad and Ramaswamy, 2004). Risk assessment relates to the risk evaluation process from both the company's side and customer perspective in the context of value co-creation process (Prahalad and Ramaswamy, 2004). Finally, transparency relates to the increased visibility of business operations that are interrelated with the value co-creation process (Prahalad and Ramaswamy, 2004). This model serves as a beneficial starting platform that aims at the discussion of the key features of value co-creation platforms. On the other hand, this framework is considered to be lacking the insight into the opportunities for personalized co-creation experience and their areas of choice. Prahalad and Ramaswamy, (2004) have identified four main areas of choice, namely co-creation across multiple channels, co-creation through options, co-creation through transactions and co-creation through the ability to impact the link between price and experience.

In this case, co-creation across multiple channels characterizes value co-creation process (Tanev, Knudsen, & Gerstlberger, 2009). Co-creation through choices suggests that consumers are willing to define options in a manner that would develop the value from their perspective and view about this concept (Tanev, Knudsen, & Gerstlberger, 2009). Co-

creation through transaction suggests that consumers are willing to interact in their preferred language, manner, and style. Consequently, the main aim of the company is to focus on enriching value co-creation process through transactions (Tanev, Knudsen, & Gerstlberger, 2009). In other words, diversity in transactions ensures an enhanced access to products and services that customers are looking for (Tanev, Knudsen, & Gerstlberger, 2009). Similarly, multiple transactions at multiple points of access allows consumers to impact the production process whereas consumers can add or deny certain features in products and services, and this affects value co-creation process that is personalized by their needs and desires (Tanev, Knudsen, & Gerstlberger, 2009). From the company's perspective, transactional efficiency leads to the cost reduction as well as the ability to capture more value. From the consumer perspective, transactional modularity leads to the development of trust by openness (Tanev, Knudsen, & Gerstlberger, 2009). Similarly, this directly develops a chance for personalization of the transaction based on the price-experience relationship. Finally, co-creation through the potential to affect price-experience relationship suggests the presentation of the opportunity for consumers to become part of the experience they are willing to pay for (Tanev, Knudsen, & Gerstlberger, 2009). In other words, this aspect relates to the delivery of value for money from the consumer perspective. In this case, the fit in the price-experience relationship is sourced from the market development and profitability (Tanev, Knudsen, & Gerstlberger, 2009).

Companies, like Airbnb and Uber, allow customers to be in charge of the whole value co-creation process (Libert, Wind, & Beck, 2014). It is important to highlight that Airbnb provides holiday accommodation rental services, while Uber provides taxi booking services (Libert, Wind, & Beck, 2014). This implies that customers control all activities in the context of the whole booking, purchasing, and consumption process (Libert, Wind, & Beck, 2014). This results in the development of trust since customers maintain all activities. A similar

situation applies to Apple retail stores where the management allows customers to access new products and get full assistance in all the purchase-related and after purchase-related areas (Forbes, 2012). This results in the development of trust from consumers toward the brand by the ability to try the product, to ask for full assistance, to acquire full guarantee for the product and experience a high level of service quality during the in-store experience (Forbes, 2012).

*2.8 Value Co-Creation through Resource-based Perspective*

Some scholars have presented the perspective on the value co-creation process through the service-dominant logic. As it the paper mentions above, one of the main elements that relate to the customer engagement during value co-creation process is the integration of the necessary resource from both a customer and a company. As a result, a business is not restricted by the transaction-related logic only. Vargo (2008) argues that a company understands its activity through the "input for customer's resource-integrating, value creating activities" rather than company's integration of customer resources to create valuable input.

In the context of resource-based activity aimed at value co-creation process, there are two main types of resources, namely operand resources and operant resources. Operand resources relate to the physical resources, like raw materials and physical products. Operant resources, on the other hand, relate to human resources, organizational resources, informational and relational resources (Hunt and Derozier, 2004). It has been estimated that operand resources tend to be static in nature whereas operant resources are considered to be dynamic therefore are more prone to be rejuvenated and replenished (Hunt and Derozier, 2004).

One of the ultimate aims of any company is to create and manage a sustainable competitive advantage. In case of integration of resources within the value co-creation process, competitive advantage is developed through operant resources rather than operand resources. This implies that competitive advantage is developed and sustained through the knowledge, know-how, and skills that are used to solve problems, fulfill primary needs, and achieve customer expectations (Vargo & Lusch, 2004). In the context of service-dominant logic, it has been revealed that value is co-created with customers through the framework of reciprocal service provision in which firms view value as "value-in-use" or "value-in-context" (Vargo & Lusch, 2004). On the other hand, some studies have presented an argument that value, in this case, is viewed through an "individualized" prism, which is independent of the social context in which the reciprocal service provision takes place. However, it is important to note that there is the accepted notion that suggests that value is part of the social system in the light of social construction theory. As a result, value co-creation process extends beyond the personalized and subjective perception to include the impact of social systems on it.

The process of value creation is not considered to be linear. However, the model the presents the differences between "value-in-use" and "value-in-context" suggests that there is some level of linearity. On the other hand, value creation process is adaptable; therefore, activities might be brought together in any sequence and order to benefit the organization or value delivery process.

Fig. 1 A comparison of the nature and locus of the value-in-use and value-in-exchange concepts
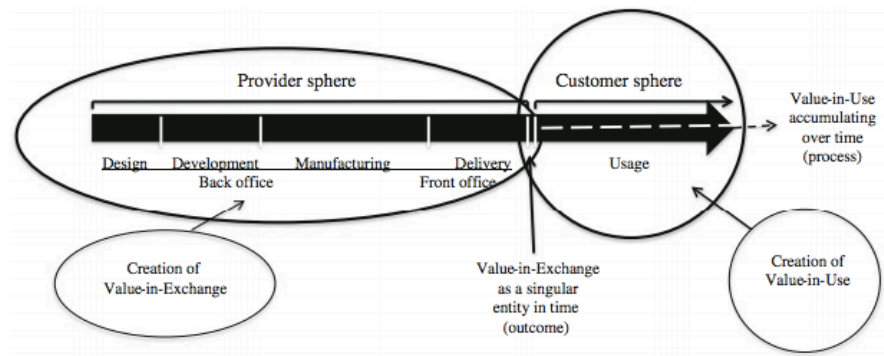
This figure presents the evaluation of "value-in-use" and "value-in-exchange" processes. The model suggests that provider sphere includes design, development, manufacturing, and delivery, whereas customer sphere includes usage. The overlap between provider and customer spheres creates a "value-in-exchange" process sourced from the design, development, manufacturing, and delivery. Conversely, "value-in-use" is developed over time and is, therefore, expected to emerge in the long run in the context of customer sphere.

2.9 Conclusion

This chapter was designed to demonstrate a critical evaluation of customer value co-creation process. It has shown that value co-creation process is regarded to be dynamic in character. Therefore, it takes different forms along with the evolvement of the modern business models. However, this process includes personalization of interactions and transactions as well as transparency of operations and risk assessment. Likewise, there are two types of value created as part of the value co-creation process, namely "value-in-use" and "value-in-exchange".

III. Investigation of Apple Case Study

3.1 Introduction

Before opening the first retail shop in Virginia approximately ten years ago, Apple has never sold products directly to its customers. Yet, the company has boasted some unbelievable bragging rights for its retail channel (Apple's Official Website, 2016). Nowadays, Apple run about 479 retail stores with approximately 40,000 people all around the world, and these stores host and entertain more than million visitors every single day (Apple Official Website, 2016).

3.2 History

Initially, the company experienced immense fiasco in 1990s, because it has started to distribute its products through American physical shops such as CompUSA and Sears (Schneiders, 2011). According to Steve, Apple's Macintosh computers at that time were not represented to the wide public and the brand was so weak that many retail shops rejected to take these products as an inventory and represent them in their shops' shelves. (Walter Isaacson, 2011)

Although Apple entered the IT Retail business as a highly innovative start up to capture customers' attention, market conditions were not favourable for such move (Schneiders, 2011). According to Merritt, by this experience, Apple started to learn how to do things differently in order to stand out among its competitors. As a result, Gateway was not able to sustain its businesses and had to close all of its stores and decreased the labour force by 2,500 workers (Merritt, 2012). Meanwhile, Apple continued to try selling its products by using various marketing strategies even though market conditions were unstable. These

efforts should be one the main reasons that led the company to show it's competitive advantage and capture the value of its loyal customers.

3.3 Pure Retailers Prospective

This paper mostly focuses on Apple, which has a special case because it manufactures and sells its products. However, it is also crucial to pay attention to how non-manufacturer retailers confront the issue of show rooming and attempt to create and capture value. A study by Lax & Mau (2013) indicates that customers' strong price sensitivity in many markets in Europe depends on competitive situations that are reinforced by a myriad of opportunities to compare prices via phone or computers. Notably, customers tend to compare prices at the point of sale through mobile phones applications or Internet-connected computers either at an office or home. As a consequence, buyers are increasingly savvy and perceive online shopping alternatives. Furthermore and more importantly, pure retailers cannot win a price competition if they just offer a broad range of products as their competitors; rather, they can win the market battle if they understand how well they can attract more buyers and retain existing ones. Since pure retailers do not have products of their own, they must deal with products, which are not only marketable but also the best in the market. Besides, they must train their employees on various ways to approach a customer and respond to complaints.

3.4 Factors that Lead to Successful Sales at Apple Retail Stores

Total Customer Satisfaction. To a great extent, whether a client is satisfied after a purchasing experience or not depends on a general offer's performance as compared to his or her customer's expectations, especially if there are deviations between both aspects. In general, satisfaction is an individual's feelings of disappointment or pleasure that comes from the comparison of a service's or products' perceived performance to expectations. To this

end, only two outcomes are expected: (a) If customers interpret the performance to be below their expectation, and they are not satisfied and (b) when the performance matches or exceeds expectations, and they are satisfied. This aspect of customer satisfaction is an area that Apple Stores seems to have mastered because a visit to the store, a customer notices vast differences from services offered at competitors' stores. Employees are trained and groomed on ways to approach a customer and make the visit a great experience. Even if customers do not buy, they tend to return to the same store should they be in need of the product. Besides being more than just a necessity, shopping ought to be an experience that consumers enjoy irrespective of services or products' value. Consequently, the experience customers get while purchasing determines whether they will return and refer friends to the business or not.

Service. Albeit not limited, customer value is a combination of three fundamental factors: best cost, best product, and best service. It may sound so simple and familiar to an average retailer but deep understanding as well implementation of good service is an avenue that helps a business see off competition easily irrespective of products and price similarities with competitors (Chang, 2014). In fact, Apple stands out as the best specimen to study excellent customer services that intend to not only match customers' expectations but, more importantly, exceed them. Apple stores provide training to employees to impart them with necessary skills and knowledge needed to deliver an unparalleled customer service. Aside from offering unmatched customer service, Apple stores reward loyal and frequent customers adequately to encourage them to return and even invite other shoppers to participate in a loyalty program. A close check at customer reviews and comments on different online platforms is a testimony of great customer service at the Apple stores.

Expertise. During the purchase of electronic gadgets of electronic gadgets, such as smartphones, tablets, and computers, a customer, especially a first time one, requires expert advice on ways to use and maintain a product. Apparently, expert advice can transform a

buyer-seller relationship from being merely transactional to a deeper long-term one (Chang, 2014). As a consequence, a retailer uses this experience and relationship to not only fight off competition but also attract other customers. Apple, for instance, have a network named "The Apple Consultants Network", which is made up of independent, local firms that offer Information Technology services as well as solutions based around Apple products. Therefore, a customer is not only assured that he or she will get expert advice during the time of purchase but also during usage. Besides offering expert advice, Apple consultants assure customers that the company's solutions are set up, supported, and configured correctly.

3.5 Economic Reasons for Showrooming

Lower Prices. Nowadays, many customers practice show rooming to purchase a product at a lower price. However, although this method saves them money, currently, it has surfaced as a threat to many retailers. This trend may not end anytime in the future because technology and online buying prove to be a formidable force that can withstand any brick-and-mortar retailers. As a result, these retailers need, as a necessity, to strategize how they are going to ensure that when customers visit their shops for a show rooming experience, they end up buying. Retailers can actualize this by (a) providing personable, attentive, savvy service, (b) building and articulating trust in their brand, and (c) enabling in-store browsing personalization and analytics. In effect, presenting one's customer with an explicit and professionally vetted product selection choice helps position his/her brands as a dependable and trustworthy guide. The reason for this is that with trust comes respect and loyalty. Also, it enhances the relationship customers' form with a brand. Therefore, online vendors' prices matter less if brick-and-mortar retailers can offer and maintain customer value.

3.6 Perceived Economic Threat of Showrooming to Brick-and-Mortar Retail Stores

Most customers do not care if or how retailers make money. Indeed, all they are concerned about is which retailer, brick-and-mortar or online platform, has the lowest prices for best products in the market. More often than not, online vendors offer products at lower prices because they do not have to spend on some expenses that brick-and-mortar marketers incur. For this reason, many online sales marketers are always one foot ahead of others. As a consequence, brick-and-mortar retailers ought to admit that online vendors are ahead of them, but this also provides them with an opportunity to plan how to counter the threat to their businesses. Consequently, showrooming needs not to be a threat to businesses, which operate brick-and-mortar retails (Magel, 2016). In fact, many of these retailers can use it to their advantage. For example, retailers can implement a perfect strategy that projects to connect more closely with customers to offer them a richer shopping experience.

3.7 Value Co-Creation in Apple Stores

There is no doubt that the uniqueness of Apple is not only in selling well-designed products, but also how it builds and sells these innovations through its own stores. Hitt argues that these strategies can be used by any company to succeed in retail business. However, he claims back that the operation of the stores is done in such a way, that the person, who comes to the store, has out-and-outer customer experience (Hitt, Ireland and Hoskisson, 2012). It is obvious that any company might be innovative imitator; yet delivering this innovation to the customer cannot be imitated without knowing the appropriate way to do. Here is the Apple's specialty, how it treats its customers by creating a great customer journey and enriching their lives.

First and foremost, Apple had to think different about the actual retailing process. Some people believe that even though Apple is well known as an innovative company, it

rarely invents new products (Gallo, 2012). Many academic books claimed about how Steve Jobs stole the ideas of companies like Xerox and Sony. (Gallo, 2012). He didn't invent the personal computer, iPod (which is mp3 player), or the smart phone as part of innovation creation process (Linzmayer, 2004). All of the products were all successfully adopted because the company had invested considerable time to improve the existing designs and functionality (Linzmayer, 2004). Apple was compelled to improve the main products adding differentiating features in order to stay competitive on the market (Linzmayer, 2004).

One of the key success aspects for Apple in the context of manufacturing and product design processes is that it makes complex things simple (Linzmayer, 2004; Hitt, Ireland and Hoskisson, 2012). Apple was able to show how Mac was easy-to-use than Windows PC, similarly the people were amazed when they imagined their all playlists can be played from your pocket by using the iPod. It was that simple (Linzmayer, 2004; Hitt, Ireland and Hoskisson, 2012). It can be said that Apple was able to simplify the whole experience of listening to music by using mp3 players. While other music players forced users to rip, copy, organise and transfer their music players using a variety of software applications and adapters, IPod's concept suggested plugging in the cable into the PC and downloading the music along with automatic organization of the playlist, whereas other mp3 players forced music lovers to transfer their music by using complicated steps via connecting to various software applications. (Linzmayer, 2004; Hitt, Ireland and Hoskisson, 2012). Transformative power of the simple and beautifully designed iPod became a must-have gadget of the decade and very popular music player for music lovers as well as ordinary people (Linzmayer, 2004; Hitt, Ireland and Hoskisson, 2012).

Furthermore, this music transferring experience paved the way for the iTunes Music Store to synchronize the legalized music directly to iPod. It let and proved that consumers would pay for their favourite music rather than using complicated free ways to obtain them,

because copying the music from iTunes made user experience very comfortable and enjoyable (O'Grady, 2009). In 2008, Apple outdone Wall-Mart as the number one music retailer in the U.S (Apple Official Website, 2016). Not surprisingly, the next step for Apple was to think different about Applifying the customers' retail experience.

In particular, this implies that the core of Apple retail model's success is the reliance on the brilliance of Apple products. Likewise, Apple generates and sustains the competitive advantage through the delivery of the product, retail, and customer experience that is maintained through Apple official "dialed" channel (Linzmayer, 2004; Gallo, 2012; , & Ozcan,). This implies that the company does not allow any third parties to sell Apple products at the 2014 low price (Sherr & Kane, 2011). In this case, the company allows intermediary contracts with monthly payments with mobile networks that offer mobile phone contracts to customers (Linzmayer, 2004; Gallo, 2012; Ramswamy & Ozcan, 2014). This restricts consumers access to the 3rd party, online retailers when it comes to purchasing Apple products. Apple's control over the pricing level supports this; in other words, the company controls prices that intermediaries should apply for Apple products, and this limits consumer access to less expensive Apple products that customers may find on the Internet (Linzmayer, 2004; Gallo, 2012; Ramswamy & Ozcan, 2014; Sherr & Kane, 2011).

3.8 Apple's Value Creation via "Owning the Customer"

Ideally, Apple owes its recent success to its unique business model that enables to control its multi-channel platforms. Such a business model is largely based on the integration of its content (applications, media, and software) and hardware (phones, tablets, and laptops) to drive the growth of the company in terms of manufacturing and retailing. Therefore, the firm has much-needed control of the quality and service warranty of goods that make it to its retail stores. Apple's sales records have shown a tremendous rise in profits, and this is

attributed to both its excellent consumer service as well as quality goods. As Reder (2009) points out, Apple's software may not be as profitable as the firm wishes but repeated sales due to excellent customer service and response make it one of the profitable retailers across the globe. Notably, absolute control over the multi-platform enables the company to have the final say on both clients and suppliers (Reder, 2009). In fact, the firm's dominance of the retail landscape is attributable to well-thought, orchestrated strategies that allow it to act both as the primary hardware supplier to retailers and a formidable competitor via its retail shops.

In the context of product assortment that is available in-store, Apple offers Apple products as well as peripherals that are designed to support the main Apple product lines (Ramswamy & Ozcan, 2014). In the context of the in-store experience, consumers come to Apple stores already knowing what they are willing to purchase. In this case, they do not need much of seller advice on product choice or evaluation of alternatives (Ramswamy & Ozcan, 2014). In this case, an assistant's role is mainly focused on order-taking rather than explaining features of Apple products to make customers purchase them (Ramswamy & Ozcan, 2014). The number of Apple product lines that are available in-store is relatively small. In particular, this implies that Apple offers Mac products, Macbook products, IPhone, IPad, IPod, Apple TV, and different accessories for these products in-store (Ramswamy & Ozcan, 2014). As a result, employees do not need to memorize an enormous amount of information about them to be able to explain to customers (Business Insider, 2012). In this case, Apple management can focus on the quality of service delivery products, which the need to focus on memorizing a lot of information about characteristics of different products do not overshadow them (Business Insider, 2012). The cause of service quality in the Apple retail stores lies in the employee attitude toward customers (Business Insider, 2012).

It should also be mentioned that Apple has some rules and regulations regarding the customer interaction (Ramaswamy and Ozcar, 2014). Nevertheless, Apple's credo is

carefully orchestrated to manage its employees to welcome the visitors and create friendly environment that positively affects value creation (Ramaswamy and Ozcar, 2014). One of the main service strategies is embodied by the acronym APPLE, (Approach. Probe. Present. Listen. End) (Ramaswamy and Ozcar, 2014). The Apple Store employee-training manual spells it out:

"Approach customers with a personalised, warm welcome. Probe politely to understand all the customer's needs. Present a solution for the customer to take home today. Listen for and resolve any issues or concerns. End with a fond farewell and an invitation to return. (Apple Official Website, 2016)*"*

Apple trains its new workers how to demonstrate a delicate service delivery process to customers (Ramaswamy & Ozcar, 2014). For instance, one of the aspects of Apple-designed employee training suggests that employees should ask for permission before touching customer's Apple product (Ramaswamy & Ozcar, 2014). Along with that, Apple management teaches employees that they are more than Apple products sellers (Shuman, 2015). This implies that Apple management makes them feel like they are working for a higher purpose, and they transform this into the in-store experience for customers (Shuman, 2015). This also implies that employees are motivated by the intrinsic motivation, and in the process, demonstrate better attitude and behavior in respect to customers regardless of financial rewards (Shuman, 2015).

Another important aspect of the in-store experience and service quality delivery process relates to the fact that Apple employees are not trained to sell but to assist in solving problems for customers (Sherr & Kane, 2011). On the other hand, the company aims at the achievement of customer expectations. Therefore, they do not promise that they will fix all problems (Sherr & Kane, 2011). In fact, when customers approach Genius Bar in Apple store with a problem, employees tend to specify that they will try to help them. However, they do

not promise that they will fix a problem (Sherr & Kane, 2011). In other words, this implies that not all problems are fixable, and employees should first examine the problem to be able to tell whether they can fix it; therefore, they do not promise customers something they cannot deliver (Sherr & Kane, 2011).

Employees in Apple stores are considered to be part of the engagement platform. As a result, they fit in the overall value creation experience that the firm presents to customers (Ramaswamy & Ozcar, 2014). This implies that from the moment customers walk in, workers assist them with any problems they have (Ramaswamy & Ozcar, 2014). For this, employees ask questions to get to know what a customer is willing to purchase or what sort of problem a customer has (Ramaswamy & Ozcar, 2014). Apple retail store design allows their customers to try and play with Apple products and in the process contributes to the overall interactivity experience in Apple stores (Ramaswamy & Ozcar, 2014). Likewise, Apple stores are designed in a way to contribute to emotional, behavioural, and cognitive engagement in relation to in-store experience (Ramaswamy & Ozcar, 2014).

Likewise, Apple store is presented as a learning environment for customers. Such implies that if the past or potential customers are coming in the Apple store without any knowledge of Apple products and hardware and software specifics, employees tend to provide answers to questions they might have about the same (Ramaswamy & Ozcar, 2014). Genius Bars contribute to the overall learning experience. This implies that at Genius Bars, customers can come and interact with Apple employees about any subject that they have on their mind about Apple products (Ramaswamy & Ozcar, 2014). Likewise, they can try new and old products with the help of employees. This creates a unique experience based on the original and innovative interaction between a customer and an employee in comparison to the faceless call interactions that other companies provide (Ramaswamy & Ozcar, 2014). The appointment at the Genius Bar may be made with the concierge at the Apple retail store

entrance. In this case, Genius Bar employee is considered to be a customer service assistant who can provide answers to all relevant questions that a customer might have in relation to Apple products (Ramaswamy & Ozcar, 2014). This increases the quality of value co-creation process in the context of Apple in-store experience.

Along with that, Apple also offers personal training programs for 99 USD a year (Ramaswamy & Ozcar, 2014). This training includes a one-to-one session with Apple specialist that offers to teach a customer about any subject concerning Apple product management and maintenance (Ramaswamy & Ozcar, 2014). This suggests that a customer can learn how to manage Apple products or how to deal with Apple products. It also interconnects with the engagement objective in relation to Apple in-store experience (Ramaswamy & Ozcar, 2014). In general, Apple stores allow touching of products, interacting, and learning within Apple stores, factors that contribute to the valuable customer experience.

3.9 Findings

The main findings from Apple case study have demonstrated that the company focuses on the creation of engaging and interactive experience within Apple stores. The company achieves uniqueness, especially on the engagement of a customer in all its in-store processes. In fact, Apple management is focused on the development and management of the interactive platform for customers to engage in trying products and acquisition of knowledge about the same. Apple stores are designed to interconnect with cognitive, behavioural, and emotional aspects of consumer psychological state, and as a result, develop the interest for consumers to come again to the stores.

In the context of the protection of Apple store experience, Apple can control the price level in all 3rd party companies. Therefore, there are no price fluctuations on Apple products

in any of the retail stores. Likewise, Apple can maintain control over the design of shelves where it places its products in other retail stores. This is due its popularity and strong position of the brand in the market. As a result, consumers are not able to find Apple products through official online and offline retail stores that would cost less than the price in the official Apple retail store.

IV. Discussion and Conclusions

The literature review has demonstrated that value co-creation process is realized by a combination of interaction, risk assessment, access and transparency (Prahalad & Ramaswamy, 2004). As a result, value co-creation happens through multiple channels, options, transactions, and impact on the relationship between price and experience (Prahalad & Ramaswamy, 2004). Apple maintains value co-creation process through multiple channels, which include in-store experience as well as the online channel (Prahalad & Ramaswamy, 2004). In the context of in-store experience, Apple engages customers through interaction with employees, visual design aspect, the possibility of playing with products, and possibility to engage in the learning experience (Ramaswamy & Ozcan, 2014). In other words, Apple stores include multiple sub-channels that contribute to the overall customer value co-creation process (Ramaswamy & Ozcan, 2014). In essence, firms reflect value co-creation through options in the variability of different ways for customer engagement in Apple store experience (Prahalad & Ramaswamy, 2004: Ramaswamy & Ozcan, 2014). Apple maintains value co-creation through transactions via interaction with its employees and specialists that offer assistance for any problem (Ramaswamy & Ozcan, 2014). Likewise, interaction is maintained through the learning experience that consumers acquire as part of Apple in-store experience (Ramaswamy & Ozcan, 2014).

Value co-creation process is also based on the transparency. All Apple retail stores are bright and white in the context of design with loads of open space (Ramaswamy & Ozcan, 2014). This develops the impression of openness that interconnects with the transparency. In the context of service delivery process, transparency is achieved through interaction with employees (Ramaswamy & Ozcan, 2014).

This implies that employees provide all answers to questions that customers might have. In fact, employees are trained to provide the expertise and knowledge concerning all possible problems and issues that customers might have in connection to the experience with Apple products (Ramaswamy & Ozcan, 2014). In the secondary research, this implies that employees approach customers and start asking questions about the experience with Apple products and in the process identify what sort of help they require (Ramaswamy & Ozcan, 2014). In this case, employees are interested in approaching customers rather than customers' need to approach employees. This creates value in the context of customers being in charge of all the in-store experience (Ramaswamy & Ozcan, 2014). Secondary research has also revealed that the right attitude from employees reinforces customer value, which is intrinsically motivated (Ramaswamy & Ozcan, 2014; Business Insider, 2012). The paper has also revealed that the secondary research that employees are trained to feel that they work for the higher purpose of the real authentic care that the company develops toward the brand (Ramaswamy & Ozcan, 2014; Business Insider, 2012). As a result, workers understand customers that are coming to the store for the advice or assistance (Ramaswamy & Ozcan, 2014; Business Insider, 2012). This contributes to the overall high service quality the firm presents in store.

Along with that, customer engagement is developed by the integration of resources from both employees, company, and customers (Johnson, Christensen, & Kagermann, 2008). From the employee side, knowledge, expertise, and assistance are being integrated into the value co-creation process (Johnson, Christensen, & Kagermann, 2008). From the company's side, financial resources are invested in the employee training as well as retail store design, management, and innovative ideas (Ramaswamy & Ozcan, 2014; Business Insider, 2012). From the customer side, cognitive, emotional, and behavioral elements are being integrated into the value co-creation process (Ramaswamy & Ozcan, 2014; Business Insider, 2012). As

a result, this suggests that the company is focused on the integration of resources from all stakeholder groups in value co-creation process, and therefore, increase the quality of value co-creation process (Ramaswamy & Ozcan, 2014; Business Insider, 2012).

In their study that attempts to analyze value creation and customer service, Gronroos and Voima (2011) embolden the claim that "a customer is always the co-creator of value". However, to reinforce both theory and managerial decisions making efficiently, authors recommend that a firm has to scrutinize this statement. In Effect, when one analyses the statement in detail, the significance of the question Vargo, Maglio, and Akaka (2008) table comes to the light: "Exploration of the value co-creation raises as many questions at it answers. For instance, what exactly are the processes involved in value creation?" To this end, it is apparent that consumer's creation of "value in use" is the center of value creation. In other words, for any attempt by Apple to improve the customer service as well qualities of their brands, customers must take a central stage. In that regard, the company needs to involve customers continually as one of its key stakeholders in every decision it makes, such as a change in the quality of its products or prices alterations.

Along similar lines, in their case study titled, "Co-creation: New pathways to value", Roser et al. (2009) present critical points of view that shed more light on the aspect of value co-creation and how its implementation can help firms remain ahead of competitors. These points include:

- Value co-creation is a collaborative creativity businesses initiate to facilitate "innovation with," as opposed to "innovation for their customers."

- Value co-creation is a rich mix that combines marketing and management approaches, psychoanalytic tradition, as well as processes associated with innovation group decision-making and knowledge.

- It is a facilitated process that thrives on creativity, play, and fantasy; however, the onus of the facilitating organization is, unfortunately, overlooked.

- Value co-creation is all about relationships where firms stress the significance of paying close attention to the quality of organization-customer relationship as opposed to the quality of technologies per se.

- Value co-creation is a learning process, and firms need to intertwine processes and knowledge in the entire co-creation framework instead of only enabling co-creativity. This will help them to achieve more and wider organizational impact.

In the context of the brand's protection, secondary research has demonstrated that Apple controls the level of pricing that is integrated through 3rd party intermediaries (Kane & Sherr, 2011). In other words, Apple does not allow other retail stores to decrease the price below the level of manufactured standard price (Kane & Sherr, 2011). As a result, customers are not able to find Apple products at a price lower than the one the firm offers in its official stores (Kane & Sherr, 2011). As a result, consumers do not see the difference between purchasing Apple products through an online channel or official Apple website or Apple retail stores (Kane & Sherr, 2011). This decreases the risk of showrooming activity. The literature review has demonstrated that showrooming is the activity where a consumer comes into the store to ask about characteristics of a product and try it on; however, the actual purchase occurs through the online channel that offers same products at a lower price (Lux & Mau, 2013; Kane & Sherr, 2011). In case of Apple products, online retailing channel does not offer Apple products at the lower than the standard price, and this protects the brand from showrooming activity (Kane & Sherr, 2011). However, the problem is that the majority of brands are not able to control the pricing strategy of third-party intermediaries. Therefore, consumers can benefit from a showrooming activity from other brands (Kane & Sherr, 2011). The literature review has also revealed that showrooming mainly occurs in the case of

technological or consumer electronic products since these require explanations of technical details (Lux & Mau, 2013). Contrary to the general showrooming trend, Apple has protected itself from becoming a victim of showrooming. Furthermore, to see off cut throat competition in the reference group, brands and products have to be sufficiently superior in quality than current products in the market. If a particular brand passes this test, then it will be easy to any retail outlet, online or brick-and-mortar, to attract many customers. In the contemporary world where customers can search for the quality of products and brands from the comfort of their home or office, retailers need to be one step ahead of their rivals by storing products that not only superior quality but also durable.

4.1 Summary

This research was developed to demonstrate the process of value co-creation in Apple stores. Estimations show that Apple brand is unique in the development of value co-creating experience in Apple retail stores. In fact, it has been estimated that the majority of retailing brands tried to replicate Apple's in-store experience, however, failed.

The uniqueness of Apple in-store experience plays in the integration of all elements of Apple store to engage a customer in the in-store experience. Likewise, the company also integrates a lot of resources as well as different stakeholders to contribute to the value co-creation process in Apple retail stores. Along with that, it has been revealed that Apple brand protects itself from showrooming by controlling prices that retailers apply to its products in the major retail stores. This restricts access to Apple products for the less expensive than the standard price. As a result, this decreases the risk of showrooming. In general, Apple brand has created an interactive atmosphere in respect to recent trends in the context of relational marketing. This implies that Apple brand offers learning, interactive, assisting, and engaging experience in Apple retail stores that tackle behavioral, cognitive, and emotional elements within consumer psychological state and in process creates a better opportunity for achieving and exceeding customer expectations.

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