Chapter 5
The Importance of Retail Atmosphere in Online and Offline Environments

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ABSTRACT

Retailers have found it increasingly difficult to create a differential advantage based on the traditional marketing mix. This chapter sheds light on the increasing role of atmosphere as a tool for keeping retailers favourable in the mind of consumers. As retailers no longer just use the place to do business in the form of physical structures but also the intangible virtual store, this chapter presents the main dimensions of the retail atmosphere in both conventional retail stores and their electronic counterparts. Store attributes are equally important for consumers when making a purchase decision both online and offline. Study results suggest Croatian consumers are very task-oriented and question retailers' decisions in creating the appropriate mix of environmental factors that may influence customers' patronage decisions.

INTRODUCTION

As customers become more sophisticated and better informed (McDonald, Rogers, & Woodburn, 2000), retailing is much less about the sale of products and services, and much more about the communication with customers and the creation of relationships with them. There is a growing body of literature on instruments that retailers use trying to differentiate themselves on the market and attract customers better than their competitors. Among them, the atmosphere plays an important role because it significantly influences consumer's behaviour in ways they might not be aware of (Donovan & Rositer, 1982; Foxall, 1997; Levy & Weitz, 2012). It is a multi-dimensional concept comprising the store's physical characteristics, such as architecture, layout, signs and displays, colours, lighting, temperature, sounds and smells (Levy & Weitz, 2012). They are highly interrelated and work together synergistically to affect consumers (Olahut, El-Murad, & Plaias, 2012, p. 319).

The communication process between the store and its customers begins with its exterior and it continues within the store relying on colour, music, texture, aroma, lighting, etc. Moreover, they are also elements of a retailer`s communication mix and play an important role in creating and reinforcing a retailer`s brand image (Levy & Weitz, 2012, p. 467). The retailer aims its communication through the atmosphere to improve customers' perceptions of the store in order to increase store loyalty; to improve customers' attitudes about the store to increase store visits, etc. Kotler and Keller (2016, p. 514) argue that every store must embody a planned atmosphere that suits the target market and draws consumers towards a purchase. Consumers purchase the total product, consisting of not simply the physical item but also the packaging, after-sales services, advertising, image and the atmosphere of the store (Kotler & Keller, 2016).

Changes in consumers` lifestyles and preferences have caused online retailing to become the more suitable option for many. At the same time, retailers realise the benefits of the intangible virtual store. As they have to provide consumers a positive shopping experience, to keep their virtual stores favourable in the minds of consumers and to control them as well, retailers have to create an individualized shopping experience. However, the ''store'' environment of online retailing differs from traditional retail atmospherics (it has three of the five sensory appeals) but possesses some other characteristics (such as flexibility across time and space). In the online retailing context, the entire store environment is all but reduced to a computer screen (Eroglu, Machleit, & Davis, 2001, p. 149). The purpose of this chapter is to present the main dimensions that constitute retail stores atmosphere from both the conventional retail store and its electronic counterpart. Additionally, the objective of the chapter is to investigate the difference between the customers` perception of the effects of the retail atmosphere in attracting customers both from the physical and virtual store.

In an attempt to explain the holistic and multidimensional character of the atmosphere, a review of the elements of the retail atmosphere in both retail settings was conducted. To get better insight into the development of the importance of atmosphere as the silent salesperson (Reddy & Reddy, 2012), and the particularities of the store and on-line retailing atmosphere, it has been explored in the selected retail context of Croatia, the Southeast European country with 60% of internet users purchasing online (https://www.export.gov/article?id=Croatia-eCommerce). Findings were compared and discussed with those of the research conducted in 2014. Following the structure of the chapter, a conclusion and future research possibilities are given.

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