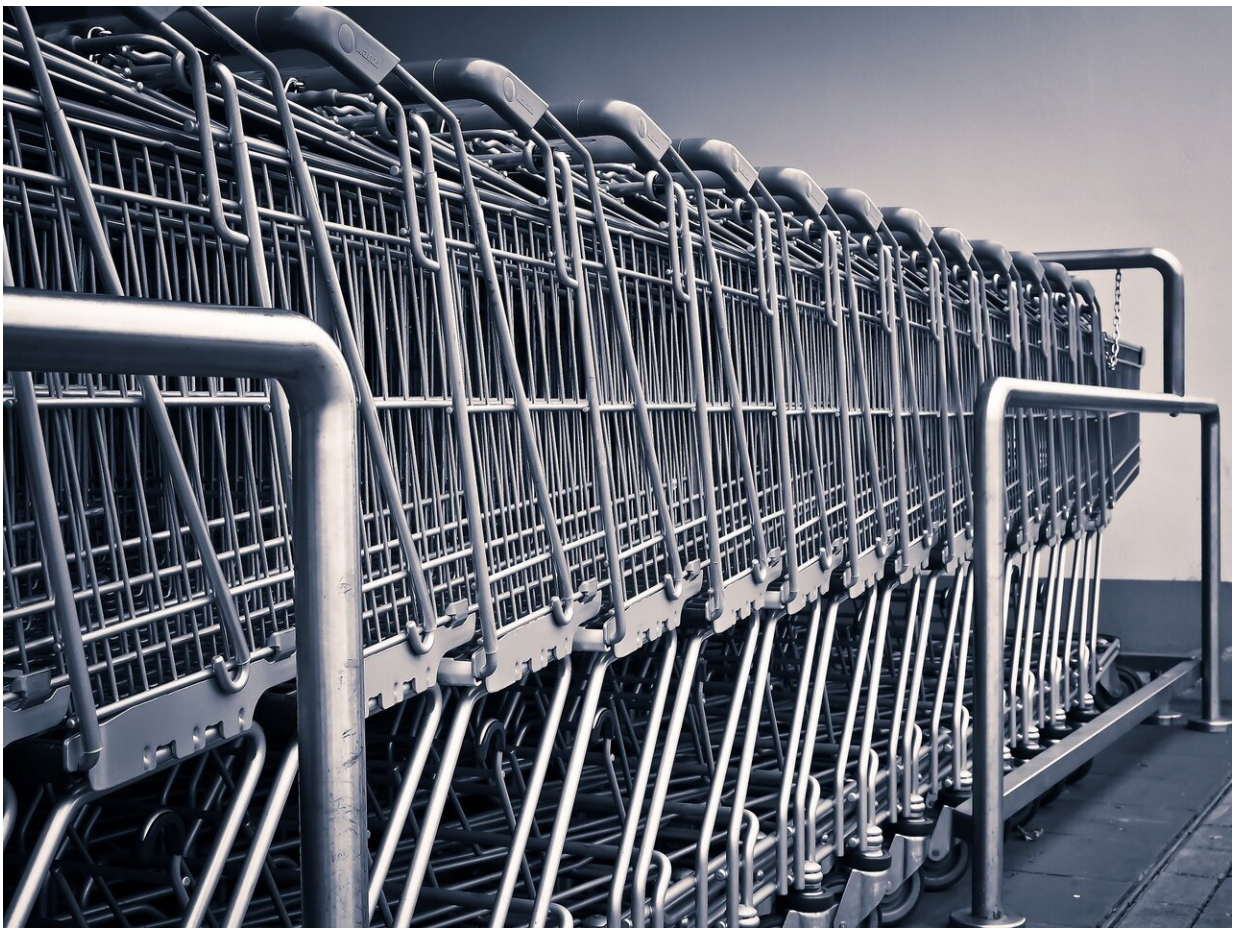
Waiting area entertainment and co-opetition between brick-and-mortar stores boosts profit

December 13 2019



Credit: CC0 Public Domain

With the popularity of online shopping, it's no secret brick-and-mortar stores are fighting to stay relevant. Waiting area entertainment is one way they are standing out, because no one likes to wait. New research in the INFORMS journal *Manufacturing & Service Operations Management* says funding entertainment is no easy task, but one way to offset the price and increase customer experience and revenue is to work with, not against competitors.

"A service provider can improve its bottom line by working with other stores or businesses to split the cost of providing entertainment options. This allows everyone to keep customers rolling in, then they can compete on other service dimensions such as prices," said Tinglong Dai of Johns Hopkins University.

Shoppers decisions are increasingly shaped by their experience and the desire for better service. No one likes to wait. By entertaining customers, with Wi-Fi, television, and other amenities, their experience is better and they tend to come back.

An example of businesses that share space and can benefit from this plan are boardwalks, malls or airport car rental facilities, to name a few. Disney Parks, Experiences and Products famously pioneered the practice of providing diversions for customers waiting for rides. Now it's being widely mimicked across several other industries.

Occupied waiting feels shorter than unoccupied waiting, however, waiting area entertainment can represent a significant portion of companies' operational costs.

This study, "Co-opetition in Service Clusters with Waiting-Area Entertainment," conducted by Dai and fellow co-authors Yuan Xuchuan of Singapore University of Social Sciences, Lucy Gongtao Chen of the National University of Singapore and Srinagesh Gavirneni of Cornell

University, looks at case studies in Singapore, Taiwan and here in the United States. The authors found that if businesses work together to create an entertainment space, they can save money and likely increase revenue with more customers flooding their stores.

"We looked at the case of two businesses in the same service cluster competing for customers and independently making price, capacity and entertainment decisions. We saw that with intense competition, service providers had to make heavy investments in entertainment options and it eroded profits," said Dai, a professor in the Carey Business School at Hopkins.

"We then looked at two service providers who were competing for customers but cooperated in providing entertainment options. We saw that co-opetition helped obtain higher profits than under a monopoly."

One key insight for co-opetition: it's important to be fair in the shared resource funding, but a narrow focus on fairness may backfire and completely eliminate the benefit from resource sharing.

More information: Xuchuan Yuan et al, Co-Opetition in Service Clusters with Waiting-Area Entertainment, *Manufacturing & Service Operations Management* (2019). DOI: 10.1287/msom.2019.0815

Provided by Institute for Operations Research and the Management Sciences