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Article

Retail Experience Design - Adding Value via Systematic Experience Design in Retailing

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Retail Experience Design

Adding Value via Systematic Experience Design in Retailing

Today, experience design is a main lever to create added value for the customer. Especially in highly competitive environments like the retailing industry it is seen as pivotal. This paper argues that retail experiences are a significant pillar for retail value, and it introduces a layer framework for experience design in retailing. The framework will improve the accessibility of retail experience design for researchers and managers.

Prof. Dr. Joachim Hurth, Prof. Dr. Jörn Redler

1. Introduction

In retailing, the concept of “experience” is usually seen as pivotal for creating added customer value (e.g. Grewal/Levy/Kumar 2009). On a universal level experiences might be grasped as a particular class of complex emotional responses, they are subjectively perceived contributions to the personal quality of living (Weinberg 1992, p. 3). This means, experiences and emotions, evidently, are deeply linked concepts. Emotions seem to be key when studying experience, and consumers’ reactions to stores are based on their emotional states (Holbrook 1986; Sherman/Mathur/Smith 1997; Sachdeva/Goel 2015, p. 290). As research evidence shows, effective appeals to customers’ emotions and experiences require the involvement of preferably all of the customers’ sensory levels (Terblanche 2009, p. 8), and impacts will be reinforced if interactions with established mental imagery (see Redler/Jeck-Schlottmann/Kim 2017) occur.

As a subcategory, customer experience can be analyzed as a holistic construct that encompasses every aspect of a firm’s offering and may include emotional, physical, intellectual, or even spiritual components (Bagdare/Jain 2013; Redler 2018, p. 249). Taking a comprehensive view, total customer experience, promises to convey relevant and positive experiences throughout the whole individual chain of consumption (e.g. Verhoef et al. 2009; Mascarenhas/Kesavan/Bernacchi 2006). Prominent outcomes of high degrees of customer experiences are satisfaction and loyalty (Lin 2014, p. 931 et seq.). Businesses, therefore, are in need to orchestrate memorable contacts or events for their customers, building on the assumption that remembrance of experiences becomes the product itself. In this context it is to be noted that experiences are a result of an interaction between a company and

its customers with characteristics of the customer, the company and the environment serving as relevant determinants. Moreover, experiences shape mental images (which means brands), and individual outcomes arise from the specific personal interaction. For example, the U.S. retailer Build-a-Bear encourages participation and creativity during the shopping journey: The shopping experience itself is process oriented and gets personal by enabling the selection of individualized components like name, clothing, heart etc. (Sachdeva/Goel 2015, p. 293).

An apparently related approach can be traced when considering Khan and Rahman’s (2016, p. 436) definition of “retail brand experience” as “the sum total of sensations, feelings, cognitions, and behavioural responses evoked by retail brand-related stimuli during [the] complete buying process, involving an integrated series of interactions with retail store design, service interface, [...] private labels, communications, and environments.” Redler (2018, p. 217, p. 249) points out that retail experiences go beyond designed retail atmospherics, as they (a) build on specific emotional responses in order to shape experiential value and (b) are an important means for positioning the retailer brand.

This brief overview might be a glance of the variety of experience concepts discussed – it, on the other hand, points to the relevance of experiences for current business concepts. However, turning to retailing, applied research on systematic experience design seems quite scarce. Though there are general conceptualizations and findings (e.g. Ballantine/Jack/Parsons 2010; Srinivasan/Srivastava 2010; Grewal/Levy/Kumar 2009; Jahn/Nierobisch/Toporowski/Dannewald 2018; Puccinelli et al. 2009), thorough discussions of a transfer to practical retail management appears to be a research gap. That is why this paper reconfigures

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knowledge on experience management in order to make retail brand experience management (as a part of value creation in retail) easier accessible.

In the following, the experience construct will be specified to the retail context and two main functions of experiences for retailers will be identified. In a next step, a scheme will be introduced that scales down the complex and holistic task of experience management to three main layers. For each layer, typical corresponding tools are explained then. As its main contribution, the paper will help to understand the particular tasks of experience creation in retail and will provide the reader with a new angle on how to approach practical brand value creation through experience design.

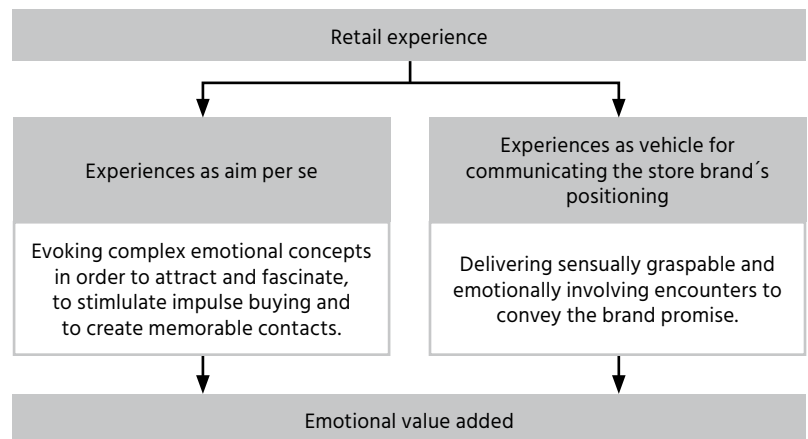
2. Retail Experience Design

Retail experience design, as a subcategory to the broader construct of customer experience design, is conceptualized as the systematic approach to create a retail environment that is able to purposefully shape experiential value for certain target groups. Notably, that definition refers to the (nearer) in-shop environment, customers may encounter.

Drawing on that understanding, Redler (2018, p. 251) differentiates two main functions of a systematic retail experience design (Fig. 1):

- Experiences as a vehicle for communicating a store's positioning: Frequently, experiences are key ingredients of a retailer's positioning idea. If a retailer decides to pursue an emotional or experiential positioning strategy, the use of suitable and congruent experiences is a must in order to shape a corresponding brand image.

Fig. 1: Main Functions of Retail Experience Design



Source: Based on Redler, 2018, S. 251.

- Experiences as an aim per se: In this category, several overall objectives are clustered that retailers may achieve via the creation of experiences. Importantly, the following are to be mentioned: activate and attract customers, keep customers in the store, support product contact, foster impulse buying, or create memorable contacts (to meet hedonistic shopping motives).

Both categories make a relevant contribution to value creation, especially in regard to emotionally augmenting the offering, and should be seen as relevant primary (pre-economic) objectives, ending in secondary (economic) objectives like turnover, margins or profit.

Retail experiences can furthermore be characterized by its scope (Redler 2018, p. 253). While unique experiences mean singular emotional effects, multiple experiential contacts involve a repetition of the same or different unique experiences. Customer-related retail experience effects can be measured using the brand experience

scale by Brakus/Schmitt/Zarantonello (2009) as tested by Ishida and Taylor (2012). The scale covers sensory, affective, intellectual and behavioral facets of retail encounters.

The next section will focus on delivering a structure for the rather large amount of means to influence retail experiences. For reasons of clarity, all further considerations will target the physical store only although experiences in online retailing or in personal selling are vital perspectives, too.

3. Layer Framework to Analyze and Design Relevant Retail Experiences

Drawing on retail literature and building on findings on experience management, merchandise, instore design and brand touchpoint management, a three-layer-framework for experience design in retailing was derived. The layers included are:

- Store brand (retailer as a brand): Within this layer, experience con-

cepts are analyzed as part of emotion-based positioning approaches and/or theatrics. These might be specific to different retail formats.

- Private label (and assortment): Most retailers offer a mix of private labels and national brands. As retailers influence on private label offerings is much higher than that on national brands, private labels are of particular concern.
- Point-of-purchase communications: Here, aspects of experience formation via store design and merchandise, but also issues of architecture, sales interaction, and interactivity are to be explored.

An overall grounding for considering these layers might be Mehrabian and Russell's framework according to which environmental stimuli (as for example store atmospherics) impact on customers' emotional response which, in turn, triggers customer reactions (Mehrabian/Russell 1974). Further,

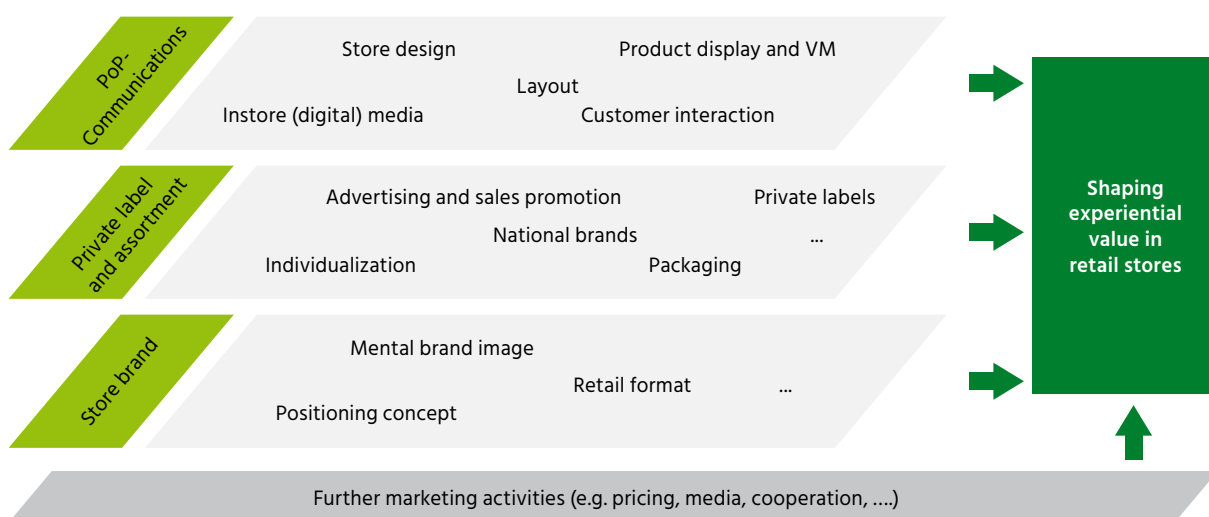
Grewal/Levy/Kumar (2009) have provided a reference structure for experience management in retailing, also summarising firm-controlled factors like location and merchandise of the retail experience.

In particular, the store brand was identified as a main influence since expectations of existing brand image will influence the further perception of store contacts. In turn, these perceptions will adjust brand image (e.g. Keller 1993). In consequence, the brand is one main lever to manipulate what customers personally experience. Furthermore, private label policy was considered significantly relevant as private labels are an increasingly important means for retailers to differentiate the delivered experience from competitors (e.g. Vahie/Paswan 2006; Hurth/Sievers 2016). Finally, a layer covering aspects of point-of-purchase communications was appraised to be of dominant influence. This is due to the evidence that overall presentation, prod-

uct display, interaction structures and surrounding atmosphere heavily impact on the perception and the emotional response of shoppers (e.g. Davies/Tilley 2004; Lea-Greenwood 1998). Therewith point-of-purchase communications extensively shape retail experience. The motivations for spotlighting these layers will be substantiated in the later sections. Overall, the highlighted layers seem compatible with the conceptual model by Verhoef et al. (2009) though factors are groups differently and emphasis may vary.

The framework is visualized in figure 2. It highlights store brand management, private label management and point-of-purchase communications as main levers for retail experiences. However, further aspects might impact on the overall retail experience like pricing, multi-channel solutions or advertising. Authors like Schmitt (2003) have stressed the holistic nature of customer experience creation. In regard to the physical store, the three highlighted

Fig. 2: Layer Model of Retail Experience Design



Source: Own illustration.

layers cluster critical perspectives, nonetheless. Further, it should be noted that the layers have to be regarded as related to each other, and that retail experiences result from the perceived interplay of all means on all layers. This means, analysis and design need to follow a holistic approach, as mentioned.

The layer framework deconstructs the complex task of experience design to main factors. By that it will support prioritization of resources. The grouping into three layers will also help to reduce complexity. Thus, it seems highly relevant for practical management: the layer model might be used for systematic analysis of retail situations, and on the other hand, can help to consistently design relevant experiences.

4. Layer One: Experiences and Store Brand

According to the prevailing school of thought in marketing, brands are conceptualized as mental structures that have been established within the minds of target groups. They include cognitive and emotional components, impact on behavior, and serve to identify and differentiate market offerings (Meffert/Burmann 1998, p. 81). Store brands refer to brand building effects in regard to a system of (retail) outlet(s) (Redler 2018, p. 29). MyToys, Aldi or Ikea might serve as examples for strong store brands.

In current market environments, store brands are frequently in need to opt for an experience positioning. That is a positioning which builds on a specific experience target as the core in order to differentiate itself from its competitors. In other words, an experience positioning focuses on positive sensual perceptions and distinct emotional stimulation as the nucleus of a brand image to be created. However, formulation of a brand positioning is

just the conceptual view of creating the brand. In order to building the brand as a mental construct in the minds of the customers, a retailer needs to engage in creating store experiences that cover the positioning idea (implementation view). The perception and mental processing of these experience activities will lead to establish typical mental structures. It is these typical mental structures that represent the store brand. Example: Engelbert Strauss, a German retailer for workwear, decided for emotional positioning, integrating facets like “enjoy work” and “excitement for craftsmanship” that outflank cognitive, factual positioning aspects like “excellent service” or “high-class products”.

Main Propositions

1. Experience design is a must to create added value for the customer.
2. Outcomes of customer experiences are satisfaction and loyalty.
3. There are two main functions of experiences. First they can be used for communicating the store's positioning (indirect function), second they can keep customers in the store, provoke product contact, support impulse buying etc. as direct functions.
4. Experiences in retail can be analyzed and shaped by considering three layers: the store brand, the assortment (including private labels) and point-of-purchase communications.

As a consequence, the retailer invests in so-called “workwearstores” which deliver a unique, emotion-appealing store experience – experiences that sustain their emotional brand idea, experiences that will be formative for the mental structures of the Engelbert Strauss' brand in the customers' minds.

This concept, in reference to ideas of Davies and Brooks (1989), might be summed up as: “In retailing, the brand store brand needs to represent the shopping experience itself.” Apart from that strategic dimension of brand planning (which therefore must be considered the strategic basis for experience design) the store brand concept has two other important implications for retail experiences:

- Once an experiential store brand (the mental image) is shaped, it will influence further store experiences: The existing store brand image will have an impact on customer expectations, perception and information processing (for details see Redler 2018, p. 23 et seq.). A strong store brand that contains experiential image components can, therefore, serve as a vehicle for self-enforcing processes. Example: Bershka (Spanish fashion retailer) succeeds in developing an image of being the inspiring, affordable and distinguished brand for adventurous young people. The created store brand image leads to preconceived, prejudice-like expectations which shape further perception: evaluation of impressions, shopping contacts, and personal experiences will be biased towards expected notions as personal or inspirational.
- The store brand concept will support the integrated use of the variety of means that influence store experiences and will help to direct their possible manifestations to one and

the same experience. Example: By elaborating on a clear brand proposition, Edeka (German food retailer) lays the foundations for similar (emotional) perceptions across multiple customer touchpoints.

Overall, a strong store brand is the main chunk when designing a comprehensive store experience that is created by all touchpoints. It delivers the setting which the customer's shopping journey is embedded in.

5. Layer Two: Experiences and Private Label Assortment

Usually, a retailer's assortment consists of national brands and private labels. Well-known national brands like Coca-Cola or Nutella evoke manifold associations initiated by their advertising campaigns or their product design, also relating to emotional perceptions. As a retailer has much more influence on those experiences triggered by their private labels than that formed by national brands, private labels are central to the following considerations.

Private labels (PL) are brands of retailers, not producers or designers, who commission the production, market the products and own the right to sell the brand, mostly exclusively, in their retail outlets (Herstein/Gilboa/Gamliel 2013, p. 331). Synonyms include retail brands, own labels, own brands or distributor brands. According to the PLMA (Private Label Manufacturer Association) "private label products encompass all merchandise sold under a retailer's brand. That brand can be the retailer's own name or a name created exclusively by that retailer" (PLMA 2017). Whether or not, the PL is linked to the retailer image and therewith to its experiential value.

Lessons Learned

1. Experiences are a result of an interaction between a company and its customers with characteristics of the customer, the company and the environment.
2. Businesses are in need to orchestrate memorable contacts or events for their customers.
3. Store brands are in need to opt for a positioning that builds on a specific experience as the core idea in order to differentiate itself from its competitors. A good example is the German Edeka group with its claim "Wir lieben Lebensmittel (we love foodstuff)".
4. The value added by private labels can be manifold. Cues like the provenance, labels like fairtrade, the packaging or tasting can cause feelings that are memorable and personal.
5. In point-of-purchase communication, experiences can be created via architecture, space design, product display, media and interior design including light, scent, and sound; personal selling encounters and service handling or personal shopper services; interaction sequences, spatial dramaturgy, the offering of interactive elements or augmented media. As these options are numerous, a suitable configuration of point-of-purchase interventions has to be tested and implemented.

**Though reductive,
the layer model might
be used for systematic
analysis of retail
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help to consistently
design relevant
experiences.**

The importance of private labels is increasing all over the world. In German food retail, about half of the products sold are own brands. Most households buy private labels and the majority believes that private labels are as good as national brands. In the beginning, private labels were not primarily focused on creating an experience. The first private labels were positioned as a cheaper alternative to the national brands, the only experience they could

generate was the emotion of a price benefit. In recent times, however, retailers also offer their own brands in forms of premium and target group-oriented brands. As a consequence, retailers with a high share of PL generate the highest brand experience in the sector. According to the "Brand Experience + Trust Monitor", dm Drogeriemarkt has the highest retail brand experience rank in the German retail sector, and is a leader in regard to PL share. Other retailers with high PL-level in the top ten are Aldi, Rewe, Lidl and Rossmann (Kitzmann 2017).

Like instore marketing, the possibilities of experience creation by private labels are numerous (Fig. 3). Some overlap with point-of-purchase communications activities e.g. events, community building and product linked lotteries (interaction). For example, the German discounter Lidl offered a sales promotion called "Zauber des Orients" (1001 delights) that obvi-

ously referred to the fables of A Thousand and One Nights. The English supermarket Waitrose organized a summer festival where the visitors could experience tastings, pop-up kitchens, cookery classes, meet farm animals etc. Apart from these overlaps, particular mechanisms of experience creation by private labels in include:

- Sustainable private labels, e.g. regional products: this attempt is supported by brochures like “Gesünder Ernähren” (healthier eating) e.g. by Rewe supermarkets. The use of sustainable products can cause feelings of well-being (“If I care for animal welfare or if I buy fairtrade-products I am a good person”).
- Co-branded products: in Germany the discounter Aldi has a license to use Disney characters for its own brands.

Fig. 3: Examples of Experiential Design in Regard to Assortment in the Food Retail Industry



Source: Illustration by the authors.

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- Individualized products turn a good into a service (Pine/Gilmore 2001, p. 109), e.g. a shower gel with a picture of family members.
- Attractive packages/use of emotional pictures and design of products, e.g. the exclusive edition “Mystic Jungle” of Cien (Lidl cosmetics).
- Free samples to taste or use the products, recipes with shopping list or ready-to-cook offers.
- The use of positive cues like “fair-trade” or the German quality trademark “ökotest”.

Another, maybe less important, means to create experiences, is the naming: the terms “selection” or “finest” themselves are linked with positive associations.

That private labels can explore an value added is backed by the term “value added private labels” by the German market research institution GfK which

refers to all own brands superior to the economy lines, these are (Hurth/Sievers 2016, p. 53):

- Standard private label, often copy cats. In this case, the experiences may be “stolen”.
- Premium private label, e.g. Tesco finest and Lidl Deluxe.
- Target group-oriented own brand. The added value often refers to a sustainable context, e.g. “Rewe frei von” (free from), “Rewe Bio“ or “Rewe regional”.

Another option to generate experiences might be the combination with popular testimonials. In 2017 discounter Lidl launched a promotion with Heidi Klum. The possible communication goals are image transfer, high attention rates and getting in contact with younger target groups.

6. Layer Three: Experiences and Point-of-Purchase Communications

Point-of-purchase communications cover activities of social, medially transmitted, symbolic or character-based exchange of information at the direct company-customer interface, heading for initiating and/or supporting buying behavior (Redler 2017, p. 36). They might be considered the most influential part of all retailer communication efforts. Relevant means to design retail experiences via point-of-purchase communications stem from research on store design (e.g. Gröppel-Klein 2012), visual merchandising (e.g. Pegler 2012), personal selling and crossmedia interaction. Important areas of intervention cover the following (see next page):

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Weinberg, P. (1998): Erlebnis-marketing [Experience marketing], München.

- Store design via architecture, space design, product display, (digital) media and interior design including light, scent, and sound (Fig. 4). Examples: The retail outlets of Mensing Holding in Rheine are architecturally designed as a small village with five quite different zones. Luxury goods brand Louis Vuitton has opened a store in Singapore Airport in 2017 that features a full-size model of a 1930's French plane hanging from the ceiling.
- Customer interaction design via purposefully forming personal selling encounters and service handling, personal shopper services or digital interaction solutions. Example: Customer interaction in BOSS stores are subject to a well-planned script with standards for customer contact, rhetoric, appearance and customer service.
- Dramaturgy and staging via the planning of interaction sequences and their emotional effects, the creation of a spatial dramaturgy and the offering of interactive elements or interactive or augmented media as elements of store communications. In the era of digitization new digital-based solutions arise as means to shape experiences, e.g. quick checkout, digitally simulated service interactions or virtually augmented store environments. Example: In his San Francisco airport shop, the American sweets company See's Candies uses a huge interactive display – the heritage wall. If customers touch a product from the shelf, the wall starts explaining on the history and gives background information for this product.

In order to create appropriate retail experiences, the total emotional outcome of the interplay of all chosen interventions need consideration. That is why, starting from desired experiences that are to be evoked within the customer, the planned configuration of point-of-purchase interventions has to be tested and implemented in its interplay.

7. Conclusion

Customer experience is a main pillar for adding value in retail. It can be seen as a holistic construct that encompasses every aspect of a firm's offering and may include emotional, physical, intellectual or even spiritual components. Therefore, experiences in retailing are a result of an interaction between a retailer and its customers. Communicative aspects, as focused in this article, seem particularly influential in regard to retail brand experiences. Generally speaking, experience design in retailing has two important applications: Experiences as a vehicle for communicating a store's positioning on the one hand, and experiences as an aim per se on the other.

In this paper a three-layer-framework for experience design in retailing was derived. The layers included are the store brand (retailer as brand), private labels and point-of-purchase communications. Though reductive, the layer model might be used for systematic analysis of retail situations and can help to consistently design relevant experiences. Spotlighting physical retail settings and drawing on a given definition of retail experience, the paper's ideas, however, are not to apply to a comprehensive framework for total customer experience. Measurement issues were not discussed and implications for online retailing were not examined, neither.

Fig. 4: Store Design to Create Retail Experiences



Source: Illustration by the authors.