

# “The emergence of experience stores”

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## The emergence of experience stores

### Abstract

The retail experience has long been seen as a vital opportunity for retailers to differentiate themselves from their rivals and to secure competitive advantage. This paper outlines the concept of experience stores, provides some illustrative examples of how they are being developed and offers some reflections on their development. At one level experience stores are based around the simple idea of 'try before you buy' and the accent is on providing potential customers with an attractive and relaxed environment where they can handle, try out and learn to use products and services and ask questions without feeling under pressure to purchase. At another level experience stores look to encourage customers to communicate with the merchandise and perhaps more importantly to develop an emotional bond with the brand. The development of experience stores also relates to 'immersive technology' that can revitalize the shopping experience. The growth of experience stores is currently a small, but potentially significant, addition to the complex and dynamic retail marketplace.

**Keywords:** retail experience, experience stores, competitive advantage, innovation, market.

### Introduction

The retail experience, namely all the touch points retailers have with their customers including staff interactions, merchandise, product selection, signage, in-store marketing, branding, smells and atmospherics, has long been seen as a vital opportunity for retailers to differentiate themselves from their rivals and to secure competitive advantage. Within the past decade however, a number of retailers have been developing 'Experience Stores' in the belief that they offer new and potentially exciting retail environments for their customers. This paper outlines the concept of experience stores, provides some illustrative examples of how they are being developed and offers some reflections on their development.

### 1. Experience stores

In many ways the development of experience stores epitomizes Alexander and Feathy's (2003) belief that *'the future of retailing will be derived from the consumer's desire for self-realisation'*. At one level experience stores are based around the simple idea of 'try before you buy' and the accent is on providing potential customers with an attractive and relaxed environment where they can handle, try out and learn to use products and services and ask questions without feeling under pressure to purchase. At another level experience stores look to encourage customers to communicate with the merchandise and perhaps more importantly to develop an emotional bond with the brand.

The development of experience stores also relates, in part, to how, what IBM (2008) describes as *'immersive technology'*, can revitalize the shopping experience. In short IBM argues that *'truly immersive experiences, which connect with shoppers on an emotional level through personalized dialogues and give them greater control over the shopping experience, are the new frontier in*

*retailing'*. This immersive process is seen to be more concerned with actively involving the customer than with the products and services on offer. More specifically, *'immersive retailing solutions create heightened sensory experiences – that use touching, seeing, tasting and smelling – to foster emotional experience that makes customers feel like they're interacting with the brand rather than merely browsing items'*. Thus IBM argues, that retailers that *'connect with customers through experiences that are personally relevant, memorable, interactive and emotional are more likely to increase sales and brand loyalty'*. While the company recognizes that some retailers may find this idea of incorporating customers into their brand to be *'technically challenging and futuristic'* it argues that *'the possibilities for immersive strategies in stores are limited only by imagination'*. In practical terms IBM suggests, for example, that fashion retailers can create micro environments which have the effect of transporting customers to the front row of a virtual fashion show in Milan and that three dimensional Internet Technologies can allow customers to design their own home entertainment systems.

Barbaro (2007) traces experience retailing back to the late nineteenth early twentieth century US carriage-trade department stores such as Marshall Fields's and Wanamaker's, that *'treated shopping as theatre, transforming their vast sales floors into retail theme parks, with demonstrations and educational seminars'*. However a number of factors are seen to be important in driving the more recent development of experience retailing. Several changing consumer behaviors are most commonly cited as the principal set of drivers. There are arguments that traditional shopping has lost its appeal and charm, and that if online shopping continues to gain increasing momentum questions will be posed about the physical space occupied by traditional retail outlets and shopping centres. Here the focus is on utilizing such space to create more of a dynamic social environment with less space

devoted to the display and storage of merchandise. Allan (2008) suggests that as working and family lives become more complex so people face *'the paradox of increasing time pressures and expanding choices'* and that they are looking for *'shopping that's more like entertainment'*. Uplace (2008), which describes itself as a *'lifestyle company'* suggests, that *'customers are looking for new experiences'* and argues that *'the quest for "wow" experiences has replaced functional materialism'*.

At the same time it is also important to recognize the argument that retailers are themselves driving the development of experience retailing. On the one hand, they are constantly looking for new formats and offers in an attempt to encourage customers to connect with their brands and to gain competitive advantage over their rivals. Within the mobile phone market, for example, at a time when the industry's enthusiasm for the so called 'Third Generation' sets was not being transferred to a mass consumer audience a number of retailers saw the development of experience stores as an important way of introducing customers to this increasingly sophisticated mobile communication technology. On the other hand, there are more fundamental arguments about the ways in which the restructuring of retail capital has led to the emergence of new forms of retailing such as experience retailing. Here, for example, the focus might be on how retailers seek to create new *'differentiated spaces of consumption'* and on how *'retailing and consumption create and re-create place specific identities and how cultural attributes and capital gain are intrinsically bound together'* (Crewe and Lowe, 1995).

## 2. Developing the concept

While experience retailing is still very much in its infancy, a number of illustrative examples provide some insights into the variety of ways in which the concept has emerged and is being developed. Electronics' retailers have been in the vanguard in developing experience stores. Apple has been developing their experience stores since 2001 and by the end of 2008 the company had opened some 250 increasingly sophisticated stores. The week the company opened its first stores it issued a *Retail Store Manifesto* which recognized that it had only a 5% share of the personal computer market but which proclaimed that it wanted to convince people that *'McIntosh offers a much simpler, richer and more human centred computing experience'* (Apple, 2001). Moreover, the manifesto argued that the best way to achieve this was *'to let people experience firsthand what it's like to make a movie right on a Mac, or burn a CD with their favourite music, or take pictures with a digital camera and publish it on their personal website'*. The majority of the company's experience stores are in the US but there

are also stores in Canada, the UK, France, Germany, Italy, Switzerland, Japan, China and Australia.

The Apple Store, for example, opened in 2004 on London's Regent Street offers a variety of programmes for customers. The 24,000 square foot store which opens from 09.00-21.00 Monday to Saturday and from 12.00-18.00 hours on Sunday, offers free basic *'Getting Started'* workshops, for example, which includes showing customers how to set up a new Mac, connecting to the Internet, sending e-mails, importing and sharing photos, transferring music and television shows to a Pod. The *'Personal Shopping'*, programme which the company claims as *'A new way to shop'*, is designed to *'give you our undivided attention and allow you to take all the time you need to test drive products you're interested in'* (Apple, 2008). Customers can pre-book appointments and staff are available to give customers individual demonstrations, offer advice and answer questions. The store also offers a variety of events including *'Games Days'*, featuring *'Call of Duty 4'*, *'LEGO Indiana Jones'* and *'ToCA Race Driver 3'* in December 2008. In addition, actors and directors make visits to the store to talk about the making of recent movies and staff also provide business consultations. The experience also extends beyond the store itself in that the company provides summer camps for children and youth workshops. At the former, held in July, children aged 8-12 years get *'hands-on Mac'* experience during three hour workshops while at the latter 8-13 years old can compose a song in *'GarageBand'*, construct a photo album and create Keynote presentations.

A number of other electronics and mobile phone retailers, including Samsung, Sony Ericson, Nokia, Vodafone, Toshiba, Dell, Hewlett Packard and AT&T have also developed experience store formats. Samsung, the Korean electronics company, have opened a number of experience stores where none of the company's products is available for sale. In these stores the emphasis is said to be on *'selling the dream of using the product not selling the product'* and the company claims that *'the Samsung Experience is a living, breathing commercial'* (Brand Experience Lab, 2004). The company's Dubai store, which opened in 2008, for example, looks to offer a range of experiences, each of which ties *'the Samsung brand and technology to the experiences of everyday life'* (Zawya, 2008). Nokia opened the first of its experience stores, named *'Flagship Stores'*, in Moscow's Pushkin square in 2005 and by the end of 2008 the company had Flagship Stores in London, Helsinki, Chicago, New York, Mexico City, Sao Paulo, Shanghai and Hong Kong. Each of these stores is designed to allow customers to experience the full potential of the company's mobile technology in a comfortable

cutting edge environment. Each store is completely interactive and offers *'a high energy space dedicated to educating customers and to pairing them with the perfect mobile device'* (Nokia, 2008). Hewlett Packard, in conjunction with Digital Planet, opened its first experience store in South Africa in 2008 and it is organized *'around experiences and solutions not products'* (Hewlett Packard, 2008).

AT&T opened its first experience store in 2007 in Houston, Texas. This 5,000 square foot store employs almost 50 screens to showcase the company's entire product range including wireless, broadband, video and wireless voice products and services. The *'Personal Style Studio'* located centrally within the store features a range of high end accessories including crystal handset designs, ringtones and so called *'phone tattoos'* namely pictures that customers can download onto a laptop or onto a sticker that can be applied to various wireless phones. Six 32inch LCD displays run digital messages about lifestyle and product benefits, and there are some 25 laptop computers available solely for customers' use. Customers are encouraged to test drive products and services throughout the store and what the company describes as *'Customer Experience Stations'* encourage customers to interact with wire line, wireless and converged services. *'Guided Selling Kiosks'* assist customers and employees with the sales process and the emphasis is on attempting to simplify the customer experience in researching and purchasing innovative communications and entertainment services. The company's philosophy is that customers are able to experience the full suite of AT&T services from the moment they enter the store to the time that they leave. AT&T has been rolling out its experience store format to a growing number of locations within the US and stores are open for up to twelve hours a day for seven days a week.

However experience retailing is not solely confined to the electronics sector of the retail marketplace. Maytag, the kitchen and laundry retailer, which trades from over 350 stores throughout the US, claims to offer *'an unparalleled shopping experience'* (The Maytag Store, 2008). Under the musical banner *'Wash It, Dry It. Go Ahead and Try It. The Maytag Store'* customers are invited to try any appliances before they make a purchase. The stores also offer cooking classes, product demonstrations and a children's activity area. The 'NBC Experience Store' in the Rockefeller Centre in New York offers a wide range of merchandise carrying logos from past and present NBC television programmes, video monitors show clips of the programmes, visitors can also participate in interactive activities and stars and celebrities from NBC programmes are often available to promote these programmes and to sign autographs. In 2008

DHL, the major global express delivery and logistics company installed a *'Shopping Spot'* in the NBC Experience Store, which allows customers to pack, weigh, label and ship packages.

Starbucks, which has some 15,000 outlets in over 40 countries, could be described as an experience retailer rather than a coffee shop. Mitchell (2007) argues that while the company views itself as *'the leading retailer, roaster and brand of speciality coffee in the world'* it also recognises that *'people flock to its stores for the total Starbucks experience'*. Schwartz (2008) suggests that this experience revolves around three of the traditional elements in the marketing mix namely people, place and product. Firstly, the connection between the baristas, who prepare the coffee, and the customer who feels able to customize her/his coffee order, is seen to be central to the experience. Secondly, the company stresses the importance of their stores being warm inviting spaces where customers feel comfortable, valued on a personal level and where they can enjoy the aroma of fresh coffee beans being ground. Thirdly Starbucks claims to be passionate about ethically sourcing the highest quality coffee beans to produce cups of coffee for its customers.

Within the UK Boots opened two *'Heath and Beauty Experience'* stores, the one in central London and the other in Milton Keynes, in 2000. The stores were designed to offer customers a wide range of services and treatments, including physiotherapy, head and neck massage, reflexology, chiropody, manicures, facials and laser hair removal as well as consultations with homeopaths, osteopaths and herbalists and life style advice on weight management, smoking, sleeping and stress management. On a smaller scale, Elemis, a leading spa and skin care brand, launched its spa-therapy retail experience into a number of UK department stores, including Harvey Nicols, John Lewis and Debenhams in 2008. The experience includes the *'SpaPod'*, which offers 30 minute spa therapies; the *'SkinLab'* which offers lifestyle consultations on skin and body care; and the *'SpaBar'* which allows customers to feel, touch and smell the company product range in a non-intimidating and interactive environment.

## Discussion and conclusion

The growth of experience stores is currently a small, but potentially significant, addition to the complex and dynamic retail marketplace and three issues merit reflection and discussion. Firstly, while electronics' companies are at the forefront in developing experience stores and in encouraging customers to form bonds with their brand they may need to continue to innovate in order to provide cutting edge experiences for their increasingly sophisticated customers and to develop store designs

that translate their brand identity from their products and services into the customer experience of a retail environment. At the same time competition between the electronics companies is intense and as flagship experience stores become the norm within the sector so each company will be looking to create a distinctive store experience and format to differentiate it from its competitors. While encouraging the development of a bond with the brand which is in some ways is an intangible, Garrett (2004) has the importance of the physical design of the store and the staff in drawing customers into the brand experience. Hallmark design features of Apple's high profile stores, for example, include a glass staircase, intended to attract potential customers to the second and third floors, which many customers often avoid in traditional stores, and allowing the customer's line of sight to be carried throughout the store. The brushed metallic surfaces on both the exterior and interior of the store and the bolts on the staircase and railings are designed to resemble the company's products. In a similar vein the staff is an integral part of the company's experience stores. They carry business IPods on their belts and cards rather than wearing name badges and the accent is on them living the Apple lifestyle and acting as brand emissaries. However, it is important to recognize that the provision of the various dimensions that combine to create innovative stores come at a cost and companies will be closely monitoring and evaluating if their experience stores give them a sustained competitive advantage and make a continuing contribution to their profit margins. Trade reports suggest that people who visit Samsung experience stores are much more likely to eventually purchase one of the company's products but the company has not released, and may not have the necessary customer and financial data which would allow any independent cost benefit analysis.

Secondly, while companies have developed their experience stores formats in the belief that, *inter alia*, this will encourage potential customers to form a bond with their brands tensions may emerge between the customer experience in such stores and that in the company's existing conventional retail outlets. Consistency, which Palmer (2000) argues is '*at the heart of branding strategy*' is the key issue in that customers expect that *a brand stands for the same set of attributes on one purchase occasion as on all subsequent and previous occasions.*' However, as Driggs and Piotroski (2005) emphasise, '*It's one thing to create an excellent customer experience, but another thing entirely to ensure this experience is delivered consistently over time and across channels*'. All of Nokia's flagship experience

stores, for example, are owned, managed and operated by the company while the vast majority of the company's conventional 35,000 retail outlets are operated on a franchise basis. The company can, in theory, exercise considerable control over the customer experience in its experience stores but consistently replicating that experience wherever the company's products and services are on sale is a more difficult challenge. Where the experience is perceived as falling below expectations generated in the company's experience store this may well damage the brand and erode customers' bonds and connections to it. In an attempt to tackle this problem Nokia claims that their experience stores effectively act as '*retail laboratories*' for their conventional outlets. Here the focus is on learning the most effective ways of retailing the company's range of products and services and on sharing that learning across Nokia's retail distribution network.

Thirdly, while it is important to recognize that the concept of the experience store is being developed in a variety of ways it remains to be seen how widely it can be rolled out across the retail sector? Will the major food retailers look to introduce experience stores or arguably more realistically some limited experience elements into their existing stores? While food shopping, in the pre-supermarket era, traditionally had, an often important, social element, contemporary food shopping is often seen as a tedious weekly chore and it remains to be seen if encouraging customers to cook themselves meals within stores or to attend in-store workshops on the nutritional values of various food products would prove attractive. While a flagship fashion store in a prestigious city centre location may be able to create attractive and innovative social spaces to a high design specification, the economics of replicating this experience throughout the chain or more generally within department stores must be questionable. Betting shops, which have traditionally offered customers the opportunity to place a bet on horse or greyhound racing and football matches which can be watched live on television within the shop, now offer customers the opportunity to gamble on gaming machines but providing them with the opportunity to ride a horse or put a greyhound into its trap is clearly not feasible. More whimsically the authors will leave it to the readers' imagination to imagine, nay fantasize, how an Ann Summer shop might offer its customers the sort of experience they might enjoy with massage oil or sex toys! In short focusing on enhancing the process of shopping over the products may prove difficult across the whole of the retail spectrum. That said experience retailing may prove successful in a number of sizeable niche markets.

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