Hungarian University of Agriculture and Life Sciences

Doctoral School of Economic and Regional Sciences

The Theses of the PhD dissertation

THE EXPERIENTIAL RETAIL PHENOMENON: A QUALITY ANALYSIS AND PERCEPTUAL DISPARITIES AMONG CUSTOMERS IN THE ADOPTION OF HUNGARIAN SMES RETAIL

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TABLE OF CONTENTS

1. INTRODUCTION

Advancements in technology and evolving consumer expectations shape the transformation of small and medium enterprises (SMEs) in retail (Tolstoy et al., 2021). SMEs actively employ innovative strategies to enhance customer engagement and improve the shopping experience, with experiential retail emerging as a noteworthy trend (Lorente-Martinez et al., 2020). This approach goes beyond traditional retail by prioritizing sensory experiences, fostering profound customer relationships, and shifting from a transactional to a holistic customer-centric model (An & Han, 2020). Recognizing the importance of the retail experience is crucial for SMEs navigating the dynamic retail landscape, emphasizing the need to leave a lasting impression for customer loyalty.

Experiential retail, as highlighted by Elisa et al. (2022), aims to create joy and excitement in customers through aesthetically pleasing environments, fostering engagement and emotional resonance. A 2021 survey of marketing leaders revealed that 72% recognize the value of in-person events, emphasizing their role in building genuine connections, engaging senses, distinguishing brands, providing insights, fostering trust, and creating a community (Statista, 2023). Studying experiential retail is crucial for its impact on service outcomes, competitive advantage, innovation, and brand identity (Wu et al., 2019). This is evident in unconventional settings like unmanned convenience stores, where experiential quality influences customer experiences. Pangarkar et al. (2022) highlights the urgency of exploring experiential retail, particularly in "phygital" retail. This research addresses evolving consumer expectations for immersive shopping experiences, examining how phygital elements enhance rapport building, social engagement, trust, and

loyalty. Valuable insights can guide retail practitioners in enhancing customer experiences, fostering brand loyalty, and stimulating word-of-mouth recommendations.

Henkel et al. (2022) stress the significance of experiential retail, linking it to sales, consumer preferences, and market adaptability. Alexander and Blazquez Cano (2020) extend this idea, emphasizing the creation of narratives and transformative experiences. Small and medium-sized retailers leverage interactive tech for a seamless blend of physical and digital realms (Lehrer and Trenz, 2022). In the face of pandemic challenges, retailers must innovate beyond sanitization, collaborating with designers and technologists for a resilient experiential retail future (Machtiger, 2020). Forbes (2023) highlights experiential retail as the future of shopping, emphasizing a shift from traditional malls to personalized outlets and pop-ups. Alexander and Blazquez Cano (2020) note the ongoing transformation with immersive shopping environments, interactive displays, and themed events. The industry aims to balance physical and online stores to meet evolving customer preferences and shape the future (Forbes, 2023).

Experiential retail, hailed as the future by McKinsey & Company (2021) and emphasized by Brian Solis of salesforce.com, prioritizes customer-centric innovation. Inspired by amusement parks and video games, it aims for immersive, dynamic store spaces, like micro-fulfillment concepts, investing in innovation for long-term growth and loyalty. Attracting top talent in design and technology is key to executing these strategies.

Experiential retail, driven by digital innovation, contributes to UN SDGs like job creation (SDG 8) and technological growth (SDG 9), as

highlighted by Varadarajan et al. in 2022. This positions retailers as key players in addressing global issues outlined in the SDGs.

This study focuses on small and medium-sized enterprises (SMEs) in Hungary's retail sector. The vibrant Central European market of Hungary has recently witnessed substantial growth and evolution in its retail landscape, aligning with a noticeable shift in consumer preferences towards experiential retail (Filimonau & Sulyok, 2021).

SMEs play a pivotal role in Hungary's economy, constituting an impressive 99.8% of all businesses in the country, totaling over 602,000 (OECD, 2022). These enterprises, characterized by having fewer than 250 employees, stand out for their significant contribution to national employment, employing a noteworthy 68% of the workforce.

This study explores challenges faced by Hungarian SME retailers in the evolving experiential retail landscape. By analyzing drivers of customer satisfaction and loyalty, it aims to provide insights for refining strategies in the dynamic Central European retail market (Wicaksono et al., 2021). Experiential retail's growing importance highlights a research gap in understanding technical elements affecting customer perceptions. No prior studies have crafted models for prioritizing these elements, analyzing satisfaction across demographics. Retailers need to align priority strategies with customer quality expectations for effective satisfaction enhancement.

This study addresses a research gap in understanding elements influencing customer satisfaction in experiential retail. Utilizing the Kano model, researchers aim to explore and prioritize elements, considering diverse customer demographics in Hungary. Understanding demographic factors is crucial for retailers to grasp disparities in how customers perceive shopping experiences. Research highlights the significant role

demographics play in shaping retail perception, emphasizing the need for retailers to consider these factors. Through mixed-methods, including interviews and surveys, the study aims to reveal crucial elements impacting overall satisfaction and loyalty. The findings will empower small and medium-sized retailers to adapt strategically to meet evolving customer needs in experiential retail.

1.1. Problem statement

The rise in experiential retail has transformed the Hungarian retail landscape, presenting both opportunities and challenges. Small and Medium-sized Enterprises (SMEs) face the task of strategic resource allocation to maximize impact due to limited resources. However, a research gap exists in understanding how Hungarian customers perceive and prioritize their experiential retail experiences, hindering SMEs from effectively adapting strategies. This study aims to address this gap by utilizing the Kano model for quality analysis and prioritization within the Hungarian experiential retail context. Additionally, there is a lack of research using the dissatisfaction index score from the Kano model for prioritization. Bridging these gaps is crucial for enhancing research efficiency and providing SMEs with comprehensive insights to navigate and succeed in the dynamic Hungarian market.

1.2. Significance of the research

This research holds significance by addressing a crucial gap in understanding experiential retail dynamics within small and medium-sized enterprises (SMEs) in Hungary. By employing the well-established Kano model, this research aims to address this gap by offering comprehensive insights into how retail customers in Hungary perceive quality, prioritize their needs, and perceive disparities in the context of experiential retail

strategy. The study not only contributes to theoretical understanding but also empowers SME retailers with practical knowledge to navigate the Hungarian market successfully. Moreover, the research introduces innovative mechanisms such as the "Dissatisfaction Index-based priority" and "Priority Tie Breaker" to optimize resource use, streamline data collection, and enhance research efficiency in prioritization without compromising the quality of results.

1.3. Research Objectives

Based on the problem and the significance of the research, the following research objectives have been formulated:

1. To identify the elements of experiential retail strategy.
2. To determine the prioritization of experiential retail strategy elements for SMEs retail based on the perceived quality of different demographic customers.
3. To Introduce the "Dissatisfaction Index-based priority" mechanism and "Priority Tie Breaker" mechanism for prioritizing experiential retail strategies in SMEs through the Kano model.
4. To investigate demographic-based perceptual disparities among customers regarding the experiential retail strategy elements for SMEs retail.

1.4. Research Questions

Based on the formulated research objectives, the following research questions have been identified:

1. What are the elements of experiential retail strategy?
2. How do different demographic customer groups perceive and prioritize experiential retail strategy elements?

3. How effective are the "Dissatisfaction Index-based priority" mechanism and "Priority Tie Breaker" mechanisms in prioritizing experiential retail strategies for SMEs through the Kano model?
4. Is there a perception gap based on demographics among customers regarding the significance of experiential retail strategy elements for SMEs retail?

1.5. Contextual understanding of the experiential retail strategy

Experiential retail, a transformative shift from transactional models, prioritizes immersive consumer experiences, aligning with Pine and Gilmore's (1998) "Experience Economy" theory. This theory identifies realms like aesthetics, entertainment, escapism, and education, guiding businesses to create emotionally resonant experiences. Schmitt's (1999) Experiential Marketing complements this by emphasizing multisensory brand encounters for loyalty. Bowden's (2009) customer engagement theory outlines stages from calculative commitment to affective commitment, aiding tailored marketing strategies. Van Doorn et al. (2010) introduce Customer Engagement Behaviors (CEB), and Brodie et al. (2011) propose a dynamic Customer Engagement Theory. Krishna (2012) focuses on sensory marketing, leveraging touch, smell, sound, taste, and vision for differentiation. Pansari & Kumar (2017) link trust, commitment, satisfaction, and emotional bonding in customer engagement. Banik (2021) explores phygital retail, emphasizing customer participation's impact on digital retail. These foundational theories underpin a study enhancing understanding and application of experiential retail strategy, guiding researchers in exploring key elements. These theories guide researchers in exploring the elements depicted in Figure 1.

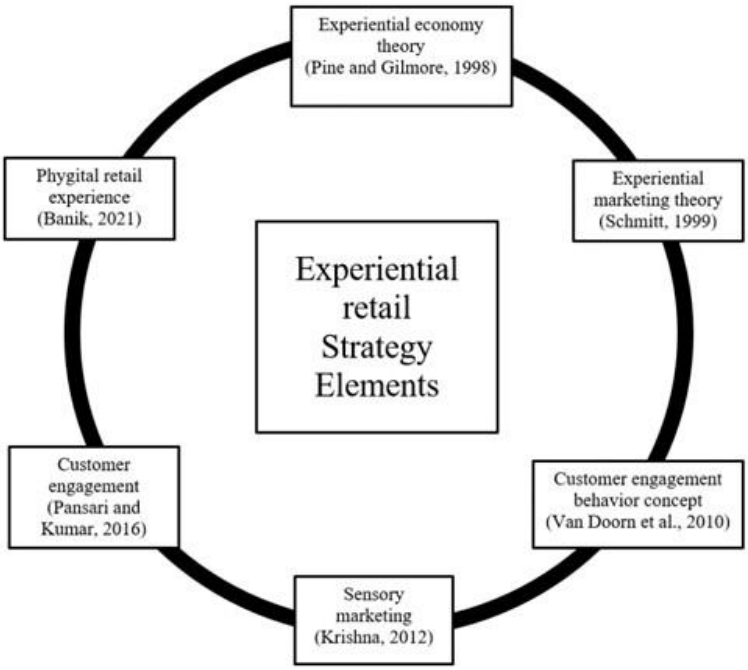

Figure 1. Foundational theories for understanding experiential retail context

Source: author analysis

1.6. Kano model of quality

The Kano model, developed by Professor Noriaki Kano in the 1980s, is a pivotal framework in product development, exploring dimensions of objective and subjective quality. It uncovers fundamental aspects in quality assessment, reshaping how businesses approach customer satisfaction (Kano et al., 1984; Kano, 1995). This model, born from scientific exploration, redefines the landscape by highlighting the intricate interplay between tangible attributes and user satisfaction. It revolutionizes product development strategies, providing invaluable insights for businesses (Fuchs & Golenhofen, 2018; Kiran, 2017). Notably, the Kano model excels in revealing latent customer desires, enabling businesses to innovate and surprise customers with features they didn't consciously realize they wanted (Chen et al., 2021). It proves to be an invaluable tool for comprehensive analysis, evaluation, and

prioritization of customer requirements during product development (Baier & Rese, 2020), offering businesses a deeper understanding of how features impact overall customer satisfaction (He et al., 2022; Wenninger et al., 2022).

In the Kano model's practical application, quality attributes fall into four groups according to Coleman (2017):

1. Must-be Quality (Basic Needs): Fundamental expectations that, if unmet, lead to dissatisfaction. Meeting them doesn't notably enhance satisfaction but is crucial to avoid negative experiences and potential rejection.
2. One-dimensional Quality (Performance Needs): Attributes directly influencing satisfaction. Continuous improvement is vital for maintaining and boosting satisfaction; neglecting them results in dissatisfaction.
3. Attractive Quality (Excitement Needs): Delightful attributes not explicitly requested but significantly increase satisfaction. Companies aiming to stand out focus on these to excite and retain customers
4. Indifferent Quality (Indifferent Needs): Element with neutral impact on satisfaction; inclusion or exclusion depends on factors like cost without a significant effect.
5. Reverse Quality (Undesirable elements): When present, can decrease satisfaction. It's crucial to avoid incorporating elements that unintentionally harm customer satisfaction.

The Kano model depicts five quality categories using "Fulfillment" and "Satisfaction" on the axes, emphasizing the importance of prioritizing customer-desired elements for business success (figure 2). Understanding

the model helps create customer-centric products, fostering satisfaction and loyalty. In retail, it informs feature prioritization, leading to customer-centric offerings, enhanced loyalty, and differentiation in the competitive landscape (Tontini, 2016; Aydin et al., 2023).

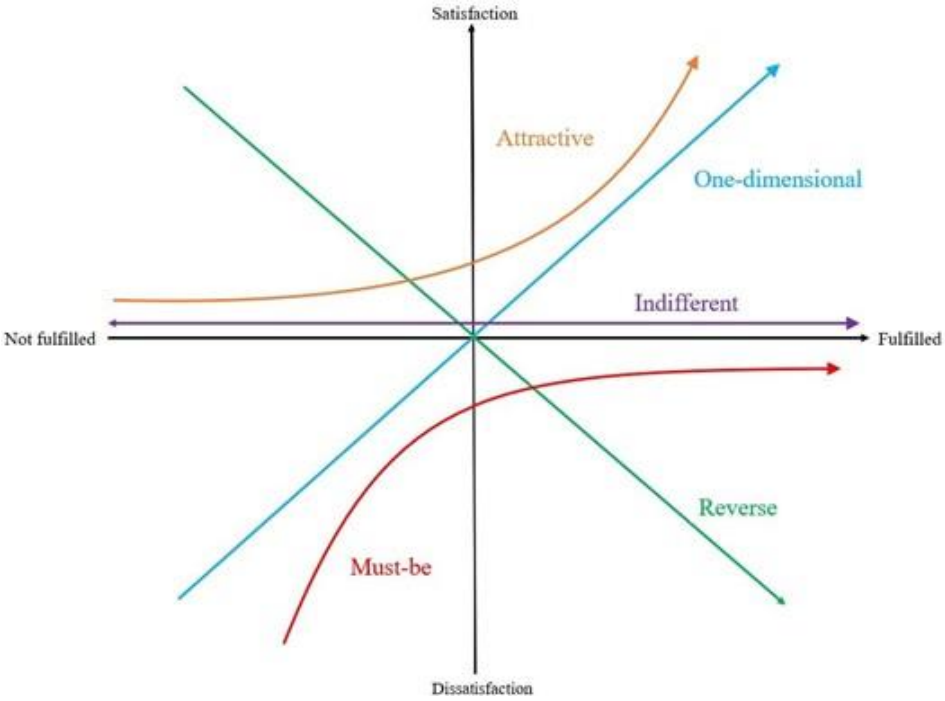

Figure 2. Kano model of customer satisfaction chart
Source: adapted from Siddharth et al., (2021).

Previous studies, such as Zhang et al.'s (2023) exploration of online fresh retailing and Shokouhyar et al.'s (2020) investigation into after-sales services, demonstrate the diverse applications of the Kano model in the retail context. Xiao et al.'s (2022) focus on Mobile Live Streaming Shopping platforms highlights its adaptability, using the model for design optimization and user experience enhancement in a rapidly evolving segment of retail e-commerce.

1.7. Conceptual framework

The research explores experiential retail, using Figure 3 to show that elements are found through exploratory methods, constrained by a fundamental understanding derived from foundational theories. This framework reveals a theoretical gap, contributing new insights while building on existing knowledge in experiential marketing and the economy.

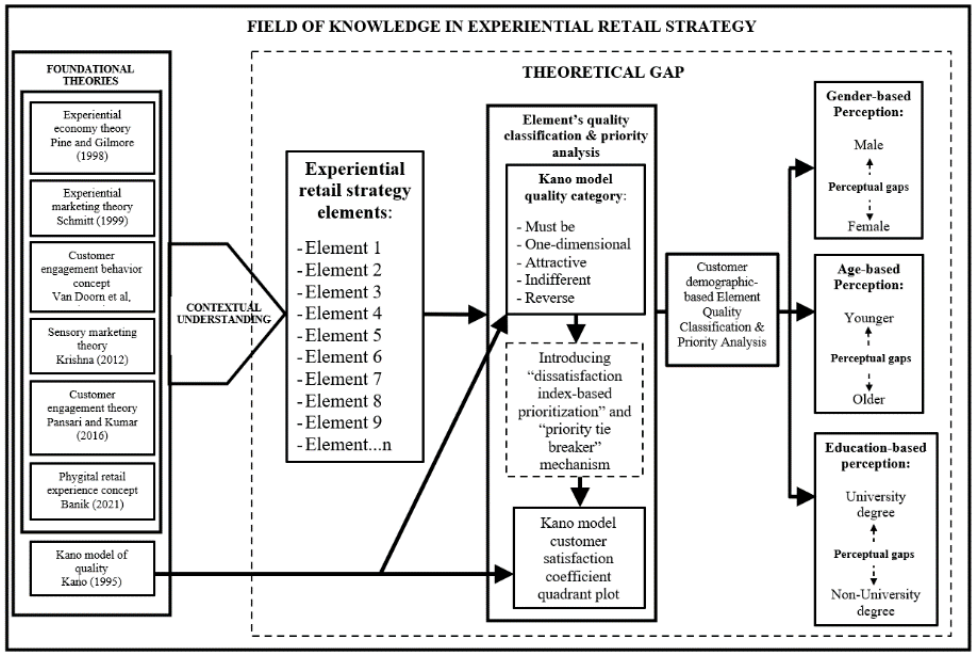

Figure 3. Conceptual framework of the research
Source: Author analysis

1.8. Theoretical/research gap identified

Experiential retail is pivotal for small businesses, transforming the shopping experience to boost loyalty, foot traffic, and overall success. Despite limited research, this study aims to fill the gap by constructing a model that identifies and classifies experiential retail strategy elements based on customer demographics.

1.9. Research hypotheses

This study aims to understand how customers in small and medium-sized retail businesses in Hungary perceive Experiential Retail strategies. It explores the connection between customer demographics and their views on different aspects of experiential retail. The focus is on providing valuable insights rather than proving hypotheses conclusively. The formulated hypotheses are aligned with the study's objectives and address gaps in existing literature:

Hypothesis 1: There are disparities in the quality perceptions of experiential retail strategy elements' priority among customer demographics of SMEs retail in Hungary, which vary by gender.

Hypothesis 2: There are disparities in the quality perceptions of experiential retail strategy elements' priority among customer demographics of SMEs retail in Hungary, which vary by age.

Hypothesis 3: There are disparities in the quality perceptions of experiential retail strategy elements' priority among customer demographics of SMEs retail in Hungary, which vary by education.

Hypothesis 4: The "Dissatisfaction Index" and "Priority Tie Breaker" mechanisms effectively prioritize experiential retail strategies for SMEs through the application of the Kano model.

2. MATERIALS AND METHODS

2.1. Research methodology

For this particular research endeavor, a mixed-method research design that utilizes the Kano model analysis has been selected. The Kano model is

favored for its unique ability to assess attribute priorities in a business context based on customer preferences and satisfaction. It categorizes attributes into five distinct quality categories, as outlined in Section 2, which can then be visually represented in a Kano model costumer satisfaction coefficient quadrant. This visualization aids in the analysis of disparities among participant groups, in this case, customers. Therefore, a mixed methods design that incorporates the Kano model framework is highly appropriate for addressing the specific research problem at hand. It allows for a comprehensive exploration of customer preferences and prioritization within the context of the study.

2.2. Research framework

In this research, a two-phase method is employed. The qualitative phase involves identifying experiential retail strategy elements through exploratory semi-structured interviews. In the quantitative phase, these elements are categorized using the Kano model's five quality categories via customer perceptual surveys. Qualitative findings are converted to quantitative data by calculating percentages based on response frequency. Satisfaction and dissatisfaction coefficients are assessed to derive satisfaction and dissatisfaction index scores. These scores, determined by equations 1 and 2 (Berger et al., 1993), drive priority via dissatisfaction index-based and tie breaker prioritization mechanisms. Classification and prioritization consider major customer demographic variables (age, gender, education) to explore potential perception differences. The research framework is meticulously designed to address the specific problem and is grounded in relevant academic literature (figure 4).

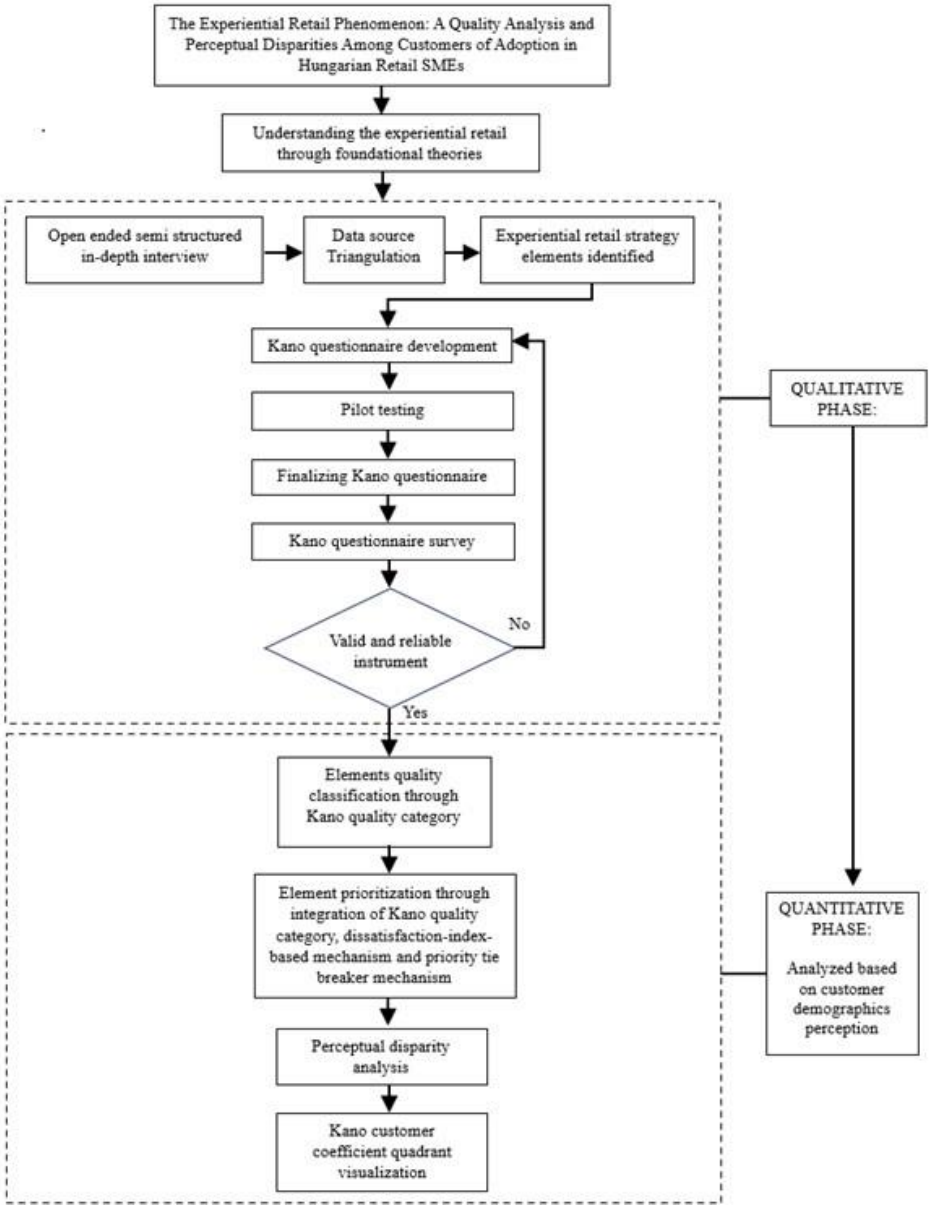

Figure 4. Research framework
(source: Author analysis)

2.3. Research design

The research utilizes a mixed methods approach, combining quantitative and qualitative methods to address complex inquiries. This approach allows for a blend of inductive and deductive reasoning but requires clear

presentation due to added complexity (Bell & Bryman, 2019). Specifically, it follows an exploratory sequential mixed-method design in three phases: qualitative data collection and analysis, variable creation and instrument design, and quantitative data collection and analysis (Edmonds & Kennedy, 2017). Rooted in the philosophy of starting with qualitative exploration, it embraces a post-positivist perspective in the quantitative phase, integrating diverse worldviews for a unified interpretation (Creswell & Clark, 2018). The research employs Grønmo's (2020) strategy, combining "quantification of qualitative data," using the same dataset for both qualitative and later quantitative analysis, employing statistical methods for conversion.

2.3.1. Sampling method

The research employs purposive sampling, focusing on small and medium-sized retail customers in Hungary. The qualitative phase aims for data saturation through ten interviews, aligning with literature suggesting saturation between 9 to 17 interviews (Hennink & Kaiser, 2022). In the survey phase, 392 responses were collected, adhering to Roscoe's guidelines for uncertain populations (1) 30 to 500 samples, (2) 30 samples per subgroup, and (3) ten times variables in multivariate research. The chosen sample size is deemed appropriate for the study's objectives (Sekaran and Bougie, 2016).

2.3.2. Questionnaire development

A questionnaire, derived from in-depth interviews, was crafted to address research objectives.

It comprises two sections: the first covers initial screening and demographics, while the second employs closed-ended questions based on the Kano model (refer to table 1 for an example).

Table 1. Kano model questionnaire development matrix

	Question	Answer
Functional question	What if the SMEs retail store had interactive displays where you could explore product features and options?	1. I like it that way
		2. It must be that way
		3. I am neutral
		4. I can live with it
		5. I dislike it
Dysfunctional question	What if the SMEs retail store didn't have interactive displays and you couldn't explore product features and options?	1. I like it that way
		2. It must be that way
		3. I am neutral
		4. I can live with it
		5. I dislike it

Source: Kano (1995).

This Kano model questionnaire contains both functional (positive) and dysfunctional (negative) queries for each aspect of experiential retail identified in the previous exploratory phase. For instance, participants were asked about their preferences concerning SME retail stores, specifically whether they preferred stores with or without interactive displays that enable customers to explore product features and options. Respondents selected their responses on an ordinal scale using the Kano model options, which include "I like it that way," "It must be that way," "I am neutral," "I can live with that," and "I dislike it".

2.4. Data collection method

This section emphasizes the crucial role of effective data collection in the study, detailing methodologies such as in-depth interviews and surveys. The qualitative phase involved open-ended interviews with Hungarian retail customers, exploring experiential elements. Subsequently, another data collection phase unfolded through surveys utilizing the Kano questionnaire format, as depicted in Table 1. This questionnaire was developed based on the comprehensive list of experiential retail strategy elements derived from the preceding qualitative phase. Within the questionnaire, a screening question was incorporated to ascertain

participants' eligibility for completing the survey: "During your time in Hungary, have you ever shopped at micro, small or medium sized businesses that selling product to end customers for personal consumption including clothing boutiques, grocery stores, bakeries, locally-owned supermarkets, locally-owned franchise convenience stores, pharmacies, local bookshops, small food courts, food stalls, or local markets with fewer than 250 employees?" Ethical guidelines were strictly followed, ensuring participant consent, anonymity, and data confidentiality.

2.5. Data analysis method

This subsection outlines the qualitative phase of the research, detailing analysis steps: (1) Member checking, ensures data accuracy during interviews, addressing issues promptly. (2) Descriptive coding, or "topic coding," entails summarizing qualitative data using single words or short phrases, typically nouns, to capture the core topic and substance of the content. (3) Cross-Reference with Supporting studies places findings in the broader context, offering validation. The experiential retail strategy's qualitative data generates a list for the Kano questionnaire. Post-survey, the Kano Model Evaluation Matrix categorizes customer perceptions into Must-Be (M), One-Dimensional (O), Attractive (A), Indifferent (I), Reverse (R), and Questionable category (Q), Refer to table 2 for a visual representation.

Table 2. Kano model evaluation matrix

		Dysfunctional question				
		I like it that way	It must be that way	I am neutral	I can live with it	I dislike it
Functional question	I like it that way	Q	A	A	A	O
	It must be that way	R	I	I	I	M
	I am neutral	R	I	I	I	M
	I can live with it	R	I	I	I	M
	I dislike it	R	R	R	R	Q

In the next step, researchers analyze data by calculating category frequencies from 392 survey responses, expressing them as percentages. The attribute category with the highest percentage is chosen as the primary indicator for quality classification in the experiential retail strategy, as shown in the following equation 1:

$$Q_i = \text{argmax}_{c \in \{M, O, A, I\}} \left(\frac{\text{freq}_{i,c}}{\sum_{j=1}^{n} \text{freq}_{j,c}} \right) \quad (1)$$

Where Q_i represents the quality classification for element i, argmax stands for "argument of the maximum" represent the quality category (c) that maximizes the normalized frequency of that category for the element i, c denotes the quality category (M for "must-be", O for "one-dimensional", A for "attractive", I for Indifferent), $\text{freq}_{i,c}$ is the frequency of category c for element i and n is the total number of elements. The equation selects the category (c) with the highest normalized frequency as the quality indicator for element i.

Elements are prioritized as follows: "must-be" > one-dimensional > Attractive and Indifferent, based on urgency for customer satisfaction (Jiang et al., 2023). The customer satisfaction and dissatisfaction index score are calculated using quality attribute categories' frequency percentages and the customer satisfaction coefficient from Berger et al., 1993 (equation 2 and equation 3).

$$SI = \frac{A+O}{A+O+M+I} \quad (2)$$

$$DI = (-1)\left(\frac{O+M}{A+O+M+I}\right) \quad (3)$$

Where: M represents the must-be quality category value of the elements, O represents the one-dimensional quality category value of the elements, A represents the attractive quality category value of the elements, I represents the Indifferent quality category value of the elements, DI represents dissatisfaction index value of the elements and SI represents dissatisfaction index value of the elements.

The closer the Customer Satisfaction Index is to 1, the stronger the satisfaction increase, while a dissatisfaction index closer to -1 indicates a stronger dissatisfaction increase. A score near 0 suggests a weaker impact. The Dissatisfaction Index determines element priority based on dissatisfaction degree. The element with the highest dissatisfaction index (closest to -1) gets prioritized using the "dissatisfaction index-based prioritization" mechanism. as shown in the following equation 4:

$$Priority\ (e) = \text{argmax}_{e \in E}\ \{DI_e\} \qquad (4)$$

Where $Priority\ (e)$ represents priority score assigned to element e in the experiential retail strategy, argmax stands for “argument of the maximum” represent the quality category (e) that maximizes the normalized frequency of that category for the element e, E represent set of experiential retail strategy elements, DI_e represent dissatisfaction Index of specific experiential retail elements strategy.

If dissatisfaction index scores are equal, priority considers higher satisfaction index using the "priority tie breaker" mechanism, as explained by the following equation 5:

$$if\ DI_{e_1} = DI_{e_2}, then\ prioritize\ e_1\ if\ SI_{e_1} > SI_{e_2} \qquad (5)$$

Where DI_{e_1} Represent dissatisfaction Index value of specific experiential retail strategy elements, and SI_{e_1} Represent satisfaction Index value of specific experiential retail strategy elements.

Figure 5 visually represents technical elements in a quadrant chart, aligning with four quality attributes. Customer satisfaction coefficients (0 to 1) offer insights into element importance. Integrating these informs prioritized quality attributes for a strategic framework catering to customer preferences.

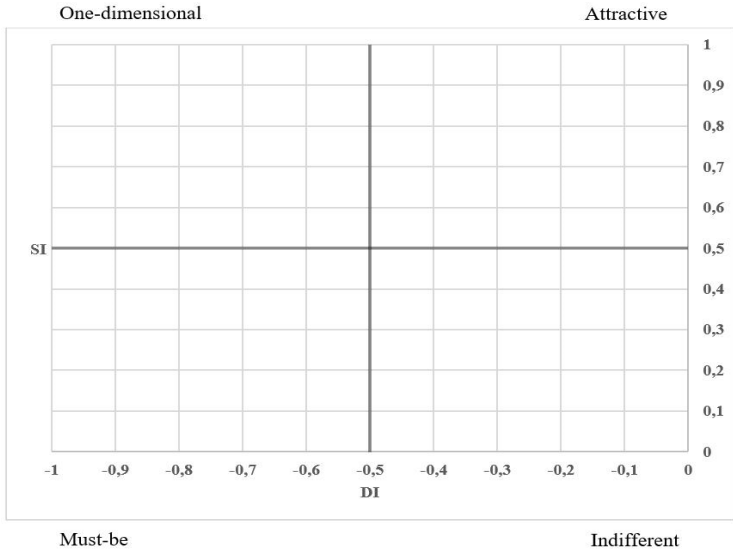

Figure 5. Kano model customer satisfaction coefficient quadrant plot
Source: kano (1995)

This methodology combines qualitative and quantitative methods, aligning with Grønmo's (2020) suggestion. It primarily uses qualitative data for collection, quantifying it during analysis. This structured approach ensures validity, reliability, and meaningful insights from interview data integrated with existing knowledge.

2.6. Validity and reliability

This research employs triangulation for robustness in qualitative data collection, involving various sources and methods. Data source triangulation ensures diverse participant representation. Method triangulation utilizes multiple qualitative procedures. Statistical tests, including Cronbach's alpha, indicate high reliability (0.814 to 0.952) across constructs. Convergent validity tests show factor loadings (>0.5) and composite reliabilities (0.78 to 0.86) surpassing cutoffs, confirming robust validity. Discriminant validity ensures distinctions between constructs. Average variance extracted (0.57 to 0.68) affirms strong convergent validity in our model.

3. RESULT AND DISCUSSION

3.1. Profile respondent

This study aims to analyse retail strategies impacting customer experience in SMEs, considering demographic factors. The goal is to rank these elements based on customer perceptions using an interview dataset with eleven data points. Participants include seven males and four females, primarily aged 31-40, with a majority holding a university degree (Table 3).

Table 3. Open-ended in-depth interview respondent demographics

Demographic variables		**Frequency**	**Percentage**
Gender	Male	7	63.64
	Female	4	36.36
Age	19-30	3	27.27
	31-40	6	54.55
	41 or older	2	18.18
Education	University Degree	9	81.82
	High school or less	2	18.18

The dataset comprises 392 participants with 58.16% males and 41.84% females. Age groups are "younger" (21-42) and "older" (42+), with 64.54% falling in the younger category. Table 4 illustrates that over 75% have higher education.

Table 4. Survey respondent demographics

Demographic variables		**Frequency**	**Percentage**
Gender	Male	228	58.16
	Female	164	41.84
Age	21-42 (young)	253	64.54
	>42 (Older)	139	35.46
Education	University Degree	297	75.77
	High school or less	95	24.23

3.2. Qualitative phase result

In the qualitative phase, 15 key technical elements of experiential retail strategies were identified which are Interactive display (ID), Pop-up store (PS) In-store event (IE), Gamification (GAM), Digital signage (DS), Art installation (ART), Immersive theme (IM), Social media integration (SMI), Personalization (PRS), Seamless Omnichannel retailing (SOR), Product testing (Demonstration) (PT), Storytelling experience (STO), Sensory experience (SE), Interactive social space (ISS), Loyalty program (LP), detailed in table 5 with descriptions and supporting studies, laying the groundwork for further exploration in subsequent research phases.

Table 5. Elements of experiential retail strategies identified

Elements	Descriptions	Supporting studies
ID	Engaging screens for hands-on exploration and interaction with digital content in-store.	(Nöjd et al., 2020)
PS	Temporary, exclusive retail spaces that showcase specific products or brands, creating a sense of urgency and exclusivity.	(Ye et al., 2023)
IE	Special occasions such as product launches or workshops held in-store to attract and excite customers.	(Sands et al., 2015)
GAM	Incorporating game elements like challenges and rewards to make the shopping experience interactive and entertaining.	(Hsu, 2023)
DS	Dynamic screens conveying information and captivating visuals to enhance the store's appeal.	(Garaus & Wagner's, 2019)
ART	Artistic elements in-store enhance shopping, creating a unique atmosphere, engaging customers, and encouraging brand interaction.	(Naletelich & Paswan, 2018)
IM	Transporting customers to captivating and themed environments, creating a unique shopping experience.	(Foster & McLelland, 2015)
SMI	Linking the retail experience with social media platforms for sharing, interaction, and exclusive promotions.	(Muninger et al., 2019)
PRS	Customizing the shopping experience based on individual customer preferences using data and technology.	(Lambillotte et al., 2022)
SOR	A seamless, consistent shopping experience across online and offline channels.	(Hsia et al., 2020)
PT	Opportunities for customers to try and experience products physically or virtually (using technology such VR and AR) before making a purchase.	(Park et al., 2021)
STO	Engaging narratives, visuals, and immersive technologies that connect customers emotionally with the business.	(Chapman & Dilmperi, 2022)
SE	Stimulating environments that engage customers' senses through lighting, music, scent, and texture.	(Li et al., 2023)
ISS	Areas fostering customer interaction and community engagement within the store.	(Thomas et al., 2020).
LP	Rewards system where customers earn points or benefits for their continued patronage, which can be redeemed for discounts, free products, or other incentives.	Chen et al., 2021)

3.3. Quantifying the qualitative result

In this phase, researcher quantify qualitative results by calculating frequencies of closed-ended survey responses within Kano quality

categories for each element of the retail strategy. Data is derived from 392 participant surveys, and results are analyzed based on gender, age, and education using previously proposed equations.

3.3.1. Gender-based quality classification and prioritization

In this section, the researcher analyzes results of perceptions based on customer gender, exploring responses from 228 male and 164 female respondents regarding experiential retail elements.

Table 6. Kano quality ratings and ranks for male customers

Elements	A	O	M	I	R	Q	**Class**	**SI**	**DI**	**Rank**
ID	20.18	61.84	12.28	5.70	0.00	0.00	O	0.82	-0.74	5
PS	59.21	18.42	14.04	8.33	0.00	0.00	A	0.78	-0.32	9
IE	55.70	26.76	4.82	12.72	0.00	0.00	A	0.82	-0.32	8
GAM	56.58	10.96	3.51	28.95	0.00	0.00	A	0.66	-0.14	13
DS	16.67	51.76	24.56	5.26	0.00	1.75	O	0.68	-0.76	4
ART	64.04	16.23	7.89	10.96	0.88	0.00	A	0.80	-0.24	11
IM	20.18	43.42	34.65	1.75	0.00	0.00	O	0.64	-0.78	3
SMI	10.53	21.05	61.84	6.58	0.00	0.00	M	0.32	-0.83	2
PRS	23.25	41.67	18.42	11.84	4.82	0.00	O	0.68	-0.63	6
SOR	10.53	12.72	71.49	5.26	0.00	0.00	M	0.23	-0.84	1
PT	46.05	26.75	4.39	22.81	0.00	0.00	A	0.73	-0.31	10
STO	57.89	9.65	25.44	7.02	0.00	0.00	A	0.68	-0.35	7
SE	52.19	11.84	8.34	27.63	0.00	0.00	A	0.64	-0.20	12
ISS	5.26	21.05	9.65	64.04	0.00	0.00	I	0.26	-0.30	14
LP	28.07	14.47	6.14	51.32	0.00	0.00	I	0.43	-0.21	15

Note: A, O, M, I, R, Q ratings are indicated as percentages. Source: author's analysis

Table 6 indicates that seamless omnichannel retailing is the top priority for male customers, falling within the must-be quality category (71.49) with a satisfaction coefficient (SI= 0.23, DI= -0.84). Following closely is social media integration (M= 61.84, SI= 0.32, DI= -0.83) as the second priority, and immersive theme (O= 43.42, SI= 0.64, DI= -0.78) as the third priority. Gamification (A= 56.58, SI= 0.66, DI= -0.14) ranks 13th, interactive social space (I= 64.04, SI= 0.26, DI= -0.30) ranks 14th, and the loyalty program (I= 51.32, SI= 0.43, DI= -0.21) ranks 15th, representing the bottom three priority elements for male customers.

Table 7. Kano quality ratings and ranks for female customers

Elements	A	O	M	I	R	Q	**Class**	**SI**	**DI**	**Rank**
ID	56.10	25.00	14.63	4.27	0.00	0.00	A	0.81	-0.40	7
PS	68.29	6.71	9.76	15.24	0.00	0.00	A	0.75	-0.16	15
IE	54.27	27.44	6.71	10.36	0.00	1.22	A	0.83	-0.35	9
GAM	59.15	14.02	7.32	19.51	0.00	0.00	A	0.73	-0.21	14
DS	57.32	7.92	29.88	4.88	0.00	0.00	A	0.65	-0.38	8
ART	73.78	11.59	12.80	1.83	0.00	0.00	A	0.85	-0.24	12
IM	55.49	29.27	3.66	11.58	0.00	0.00	A	0.85	-0.34	10
SMI	6.71	52.44	37.80	3.05	0.00	0.00	O	0.59	-0.90	3
PRS	62.19	7.32	21.34	5.49	3.66	0.00	A	0.72	-0.30	11
SOR	16.46	53.66	23.78	6.10	0.00	0.00	O	0.70	-0.77	4
PT	3.66	65.85	26.22	4.27	0.00	0.00	O	0.70	-0.92	2
STO	64.63	18.90	3.66	12.81	0.00	0.00	A	0.84	-0.23	13
SE	31.10	51.22	5.49	12.19	0.00	0.00	O	0.82	-0.57	6
ISS	26.83	55.49	7.32	10.36	0.00	0.00	O	0.82	-0.63	5
LP	23.17	12.80	59.76	4.27	0.00	0.00	M	0.36	-0.73	1

Note: A, O, M, I, R, Q ratings are indicated as percentages. Source: author's analysis

Table 7 reveals that, for female customers, the top priority element is the loyalty program, falling within the must-be quality category (M= 59.76), with a satisfaction coefficient (SI= 0.36, DI= -0.73), ranking first. However, this finding contradicts the research by Vilches-Montero et al. (2018), which suggested that men would be more attracted to loyalty programs, while female customers would respond positively to program

innovativeness. The second priority is product testing (demonstration) (O= 65.85, SI= 0.70, DI= -0.92), placing it at the 2nd rank, followed by social media integration (O= 52.44, SI= 0.59, DI= -0.90) as the third priority (3rd rank). Female customers categorize sensory experience as one-dimensional (O= 51.22, SI= 0.82, DI= -0.57). Female customers categorized sensory experience as One-dimensional, (O= 51.22, SI= 0.82, DI= -0.57), This finding is in line with the research finding by (Kim et al., 2023), which suggests that attributes related to sensory elements significantly affect female customer satisfaction with retail products. For the bottom three elements, storytelling experience (A= 64.63, SI= 0.84, DI= -0.23) ranks 13th, gamification (A= 59.15, SI= 0.73, DI= -0.21) ranks 14th, and pop-up stores rank as the 15th.

Figure 6 shows gender-based customer satisfaction patterns using the Kano satisfaction coefficient quadrant plot.

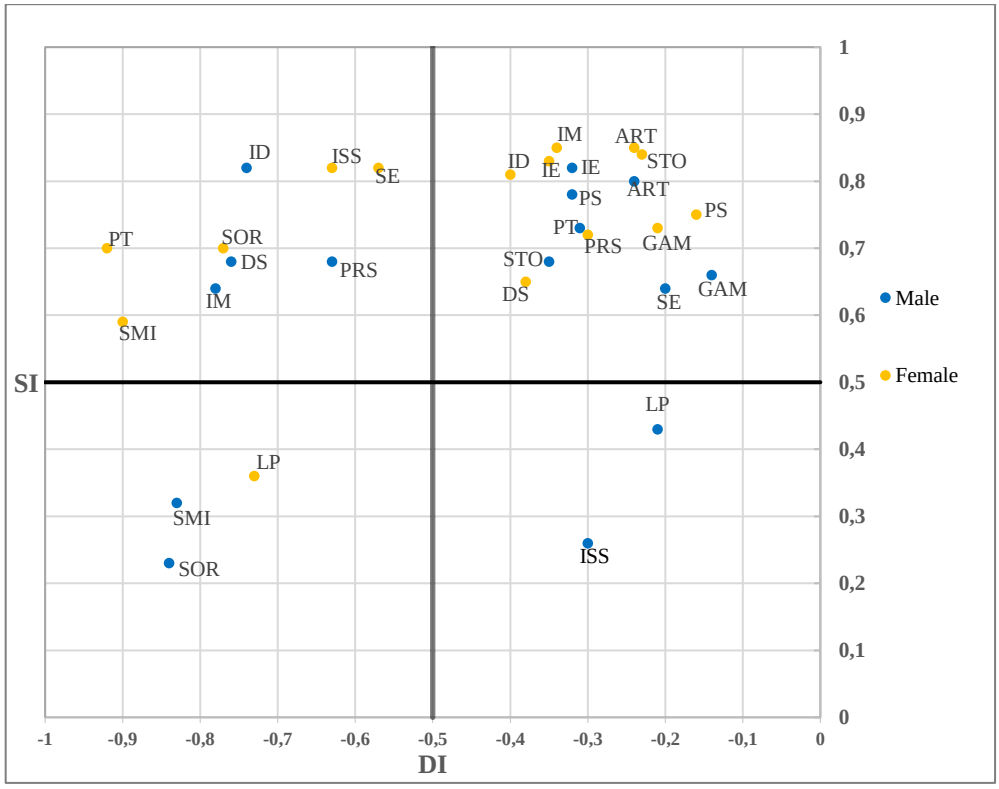

Figure 6. Gender-based Kano Model customer satisfaction coefficient quadrant plot

3.3.2. Age-based quality classification and prioritization

In this section, the researcher analyzes results of perceptions based on customer gender, exploring responses from 253 male and 139 female respondents regarding experiential retail elements.

Table 8 indicates that social media integration is the primary concern for younger customers, positioned in the must-be quality category (68.77) with a satisfaction coefficient (SI= 0.28, DI= -0.93) securing the 1st rank. Following this, seamless omnichannel retailing (M= 72.73, SI= 0.25, DI= -0.91) takes the 2nd rank, while immersive theme (O= 48.22, SI= 0.68, DI= -0.76) become the third priority (3rd rank). For the bottom three elements, gamification (A= 69.17, SI= 0.86, DI= -0.22) secures the 13th

rank, in-store event (A= 61.26, SI= 0.77, DI= -0.22) is the 14th rank, and finally, the loyalty program (I= 42.69, SI= 0.46, DI= -0.28) is identified as the least priority and least expected element for male customers, holding the 15th rank.

Table 8. Kano quality ratings and ranks for younger customer

Elements	A	O	M	I	R	Q	**Class**	**SI**	**DI**	**Rank**
ID	21.34	55.73	16.60	6.32	0.00	0.00	O	0.77	-0.72	4
PS	60.48	11.46	13.83	14.23	0.00	0.00	A	0.72	-0.25	12
IE	61.26	15.42	6.72	16.60	0.00	0.00	A	0.77	-0.22	14
GAM	69.17	16.60	5.14	9.09	0.00	0.00	A	0.86	-0.22	13
DS	28.85	43.87	22.93	4.35	0.00	0.00	O	0.73	-0.67	5
ART	68.38	16.21	12.25	3.16	0.00	0.00	A	0.85	-0.28	11
IM	19.37	48.22	28.06	4.35	0.00	0.00	O	0.68	-0.76	3
SMI	4.35	24.11	68.77	2.77	0.00	0.00	M	0.28	-0.93	1
PRS	28.85	35.57	28.06	5.53	1.98	0.00	O	0.66	-0.64	6
SOR	6.72	18.18	72.73	2.37	0.00	0.00	M	0.25	-0.91	2
PT	36.36	28.46	15.02	20.16	0.00	0.00	A	0.65	-0.43	8
STO	60.08	16.20	20.95	2.77	0.00	0.00	A	0.76	-0.37	9
SE	37.55	27.67	9.49	25.30	0.00	0.00	A	0.65	-0.37	10
ISS	15.81	50.59	10.28	23.32	0.00	0.00	O	0.66	-0.61	7
LP	28.85	17.39	11.07	42.69	0.00	0.00	I	0.46	-0.28	15

Note: A, O, M, I, R, Q ratings are indicated as percentages. Source: author's analysis

Table 9 reveals that the primary concern for older customers is the Loyalty program, positioned in the must-be quality category (60.43), securing the 1st rank with a satisfaction coefficient (SI= 0.28, DI= -0.68). Following this, product testing (demonstration) (O= 69.78, SI= 0.81, DI= -0.83) takes the 2nd rank, while social media integration (O= 52.52, SI= 0.70, DI= -0.73) becomes the third priority (3rd rank). For the bottom three elements, the 13th rank goes to the pop-up store (O= 67.63, SI= 0.85, DI= -0.27), and the interactive social space (I=74.82, SI= 0.19, DI= -0.14) secures the 14th rank. Finally, gamification (I= 53.96, SI= 0.41, DI= -0.09) is identified as the least priority and least expected element for male customers, holding the 15th rank.

Table 9. Kano quality ratings and ranks for older customer

Elements	A	O	M	I	R	Q	**Class**	**SI**	**DI**	**Rank**
ID	60.43	29.50	7.19	2.88	0.00	0.00	A	0.90	-0.37	7
PS	67.63	17.27	9.35	5.75	0.00	0.00	A	0.85	-0.27	13
IE	43.88	48.20	3.60	2.88	0.00	1.44	O	0.93	-0.53	5
GAM	36.69	4.32	5.03	53.96	0.00	0.00	I	0.41	-0.09	15
DS	42.45	14.39	29.49	10.79	0.00	2.88	A	0.59	-0.45	8
ART	67.63	10.79	5.75	14.39	1.44	0.00	A	0.80	-0.17	11
IM	63.31	17.99	10.07	8.63	0.00	0.00	A	0.81	-0.28	9
SMI	17.27	52.52	20.86	9.35	0.00	0.00	O	0.70	-0.73	3
PRS	58.99	12.23	4.32	15.83	8.63	0.00	A	0.78	-0.18	10
SOR	24.46	51.08	12.95	11.51	0.00	0.00	O	0.76	-0.64	4
PT	13.67	69.78	10.79	5.76	0.00	0.00	O	0.81	-0.83	2
STO	61.87	8.63	7.91	21.58	0.00	0.00	A	0.71	-0.17	12
SE	53.96	29.50	2.88	13.67	0.00	0.00	A	0.83	-0.32	6
ISS	11.51	7.91	5.76	74.82	0.00	0.00	I	0.19	-0.14	14
LP	20.86	7.19	60.43	11.51	0.00	0.00	M	0.28	-0.68	1

Note: A, O, M, I, R, Q ratings are indicated as percentages. Source: author's analysis

Figure 7 shows Age-based customer satisfaction patterns using the Kano satisfaction coefficient quadrant plot

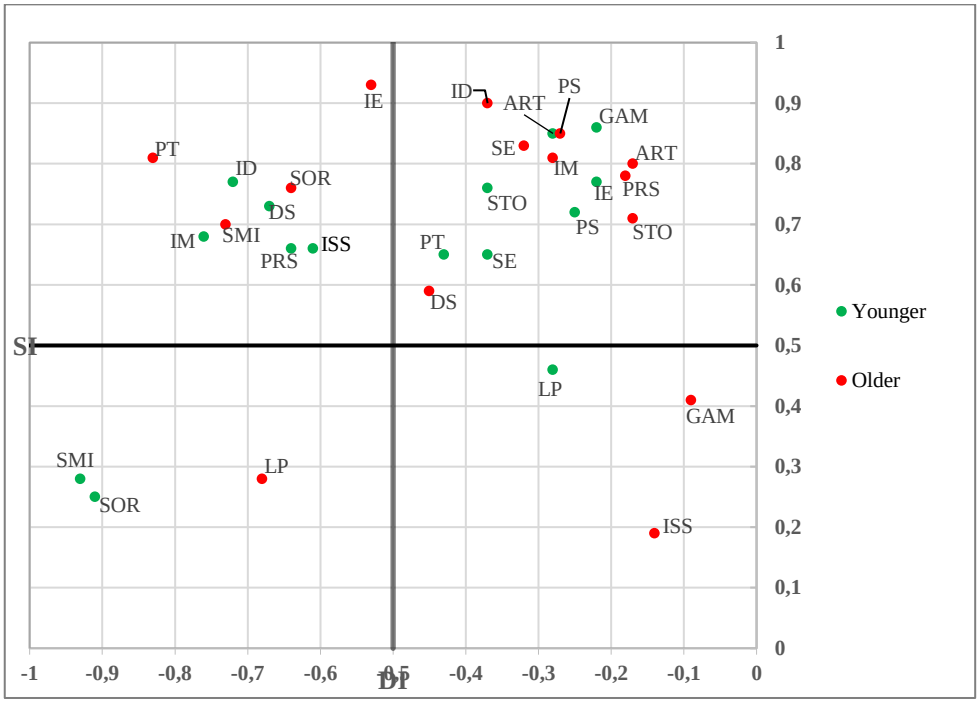

Figure 7. Age-based kano model customer satisfaction coefficient quadrant plot

3.3.3. Education-based quality classification and prioritization

In this section, the researcher analyzes results of perceptions based on customer gender, exploring responses from 253 male and 139 female respondents regarding experiential retail elements.

Table 10. Kano quality ratings and ranks for customers with university degree

Elements	A	O	M	I	R	Q	**Class**	**SI**	**DI**	**Rank**
ID	29.97	55.89	10.44	3.70	0.00	0.00	O	0.86	-0.66	3
PS	71.38	13.13	8.08	7.41	0.00	0.00	A	0.85	-0.21	12
IE	62.96	21.21	2.36	13.47	0.00	0.00	A	0.84	-0.24	10
GAM	60.94	10.77	4.71	23.57	0.00	0.00	A	0.72	-0.15	13
DS	31.31	39.73	24.92	4.04	0.00	0.00	O	0.71	-0.64	4
ART	73.40	13.80	7.07	5.72	0.00	0.00	A	0.87	-0.21	11
IM	37.04	46.13	10.77	6.06	0.00	0.00	O	0.83	-0.57	5
SMI	7.74	27.27	61.28	3.70	0.00	0.00	M	0.35	-0.89	1
PRS	47.47	26.94	11.45	9.43	4.71	0.00	A	0.78	-0.40	7
SOR	12.12	25.59	60.27	2.02	0.00	0.00	M	0.38	-0.86	2
PT	34.34	41.08	13.13	11.45	0.00	0.00	O	0.75	-0.54	6
STO	62.96	15.82	17.17	4.04	0.00	0.00	A	0.79	-0.33	9
SE	48.48	30.98	7.41	13.13	0.00	0.00	A	0.79	-0.38	8
ISS	13.80	28.96	9.76	47.47	0.00	0.00	I	0.43	-0.39	15
LP	17.51	14.81	28.28	39.39	0.00	0.00	I	0.32	-0.43	14

Note: A, O, M, I, R, Q ratings are indicated as percentages. Source: author's analysis

Table 10 indicates that customer with university degree prioritize social media integration as their primary concern, positioned in the must-be quality category (61.28) and securing the 1st rank, accompanied by a satisfaction coefficient (SI= 0.35, DI= -0.89). Following this, seamless omnichannel retailing (M= 60.27, SI= 0.38, DI= -0.86) takes the 2nd rank, while interactive display (O= 55.89, SI= 0.86, DI= -0.66) becomes the third priority (3rd rank).

For the bottom three elements the 13th rank goes to Gamification (O= 60.94, SI= 0.72, DI= -0.15), and the loyalty program (I=39.39, SI= 0.32, DI= -0.43) secures the 14th rank. Finally, an interactive social space (I= 47.47, SI= 0.43, DI= -0.39) is identified as the least priority and least

expected element for customers with university degree, holding the 15th rank.

Table 11. Kano quality ratings and ranks without university degree

Elements	A	O	M	I	R	Q	**Class**	**SI**	**DI**	**Rank**
ID	51.58	16.84	22.11	9.47	0.00	0.00	A	0.68	-0.39	11
PS	36.84	14.74	25.26	23.16	0.00	0.00	A	0.52	-0.40	10
IE	30.53	45.26	15.79	6.32	0.00	2.10	O	0.77	-0.62	6
GAM	47.37	16.84	6.32	29.47	0.00	0.00	A	0.64	-0.23	13
DS	41.05	13.68	32.63	8.42	0.00	4.21	A	0.57	-0.48	8
ART	51.58	15.79	18.95	11.58	2.10	0.00	A	0.69	-0.35	12
IM	28.42	10.53	55.79	5.26	0.00	0.00	M	0.39	-0.66	2
SMI	12.63	55.79	22.11	9.47	0.00	0.00	O	0.32	-0.83	3
PRS	14.74	28.42	45.26	8.42	3.16	0.00	M	0.44	-0.76	1
SOR	15.79	46.32	21.05	16.84	0.00	0.00	O	0.62	-0.67	4
PT	9.47	49.47	14.74	26.32	0.00	0.00	O	0.59	-0.64	5
STO	53.68	6.32	13.68	26.32	0.00	0.00	A	0.60	-0.20	14
SE	27.37	20.00	6.32	46.32	0.00	0.00	I	0.47	-0.26	15
ISS	15.79	55.79	5.26	23.16	0.00	0.00	O	0.72	-0.61	7
LP	52.63	10.53	29.47	7.37	0.00	0.00	A	0.63	-0.40	9

Note: A, O, M, I, R, Q ratings are indicated as percentages. Source: author's analysis

Table 11 indicates that customer without university degree prioritize personalization as their primary concern, positioned in the must-be quality category (45.26) and securing the 1st rank, accompanied by a satisfaction coefficient (SI= 0.44, DI= -0.76). Following this, immersive themes (M= 55.79, SI= 0.39, DI= -0.66) takes the 2nd rank, while social media integration (O= 55.79, SI= 0.32, DI= -0.83) becomes the third priority (3rd rank). For the bottom three elements the 13th rank goes to Gamification (O= 47.37, SI= 0.64, DI= -0.23), and the loyalty program (A=53.68, SI= 0.60, DI= -0.20) secures the 14th rank. Finally, a sensory experience (I= 46.32, SI= 0.47, DI= -0.26) is identified as the least priority and least expected element for customers with university degree, holding the 15th rank.

Figure 8 shows Education-based customer satisfaction patterns using the Kano satisfaction coefficient quadrant plot

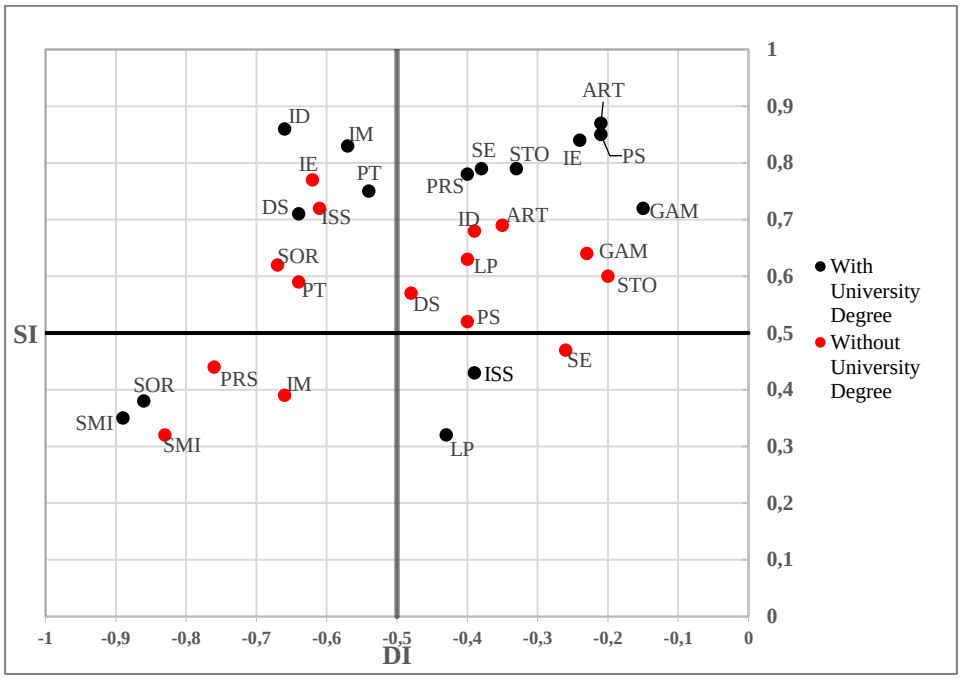

Figure 8. Education-based Kano model customer satisfaction coefficient quadrant plot

4. CONCLUSION AND RECOMMENDATION

This research aims to explore and prioritize experiential retail strategies within SME retail in Hungary, addressing a gap in existing studies. Drawing on six foundational theories, it identifies 15 elements through interviews and employs Kano analysis to categorize and prioritize them. Gender-based disparities are evident in customer rankings of experiential retail elements. Males prioritize interactive displays higher than females, who place them in the attractive category. Pop-up stores are considered attractive by both genders, but females rank them lower. Notably, males prioritize in-store events, while females rank them equally with

storytelling and sensory experiences. Gamification sees a slight gender difference, with females ranking it lower than males. Digital signage significantly enhances satisfaction for females but is one-dimensional for males. Sensory experience is attractive to males but one-dimensional for females, impacting satisfaction. Interactive social space and loyalty programs have varying importance for genders, with females prioritizing them more.

Age-related differences highlight varied preferences. Younger customers value interactive displays higher than older customers. Gamification is more attractive to younger customers. Immersive themes and product testing have different priority rankings between age groups. Interactive social space is one-dimensional for younger customers but indifferent for older ones. Loyalty programs are considered indifferent by younger customers and a must-be for older ones.

Educational backgrounds also shape perceptions. Customers with a university degree prioritize interactive displays higher and consider personalization attractive, while those without prioritize personalization as a must-be. Social media integration is a must-be for university-educated customers but one-dimensional for others. Sensory experience is attractive for the educated but indifferent for others. There are differing views on interactive social space and loyalty programs.

In conclusion, demographic factors significantly influence customer perceptions of experiential retail elements. The proposed prioritization mechanisms, "Dissatisfaction Index" and "Priority Tie Breaker," prove effective in utilizing the Kano model for SMEs. The study successfully addresses the formulated research questions and hypotheses. (see table 12 and table 13).

Table 12. Answering the research questions

No	Research questions	Result
RQ1	What are the elements of experiential retail strategy?	**Answered**
RQ2	How do different demographic customer groups perceive and prioritize experiential retail strategy elements?	**Answered**
RQ3	How effective are the "Dissatisfaction Index" and "Priority Tie Breaker" mechanisms in prioritizing experiential retail strategies for SMEs using the Kano model?	**Answered**
RQ4	Is there a perception gap based on demographics among customers regarding the significance of experiential retail strategy elements for SMEs retail?	**Answered**

Table 13. Answering the hypotheses

No	Hypotheses	Result
H1	There are disparities in the quality perceptions of experiential retail strategy elements' priority among customer demographics of SMEs retail in Hungary, which vary by gender	**Congruence**
H2	There are disparities in the quality perceptions of experiential retail strategy elements' priority among customer demographics of SMEs retail in Hungary, which vary by age.	**Congruence**
H3	There are disparities in the quality perceptions of experiential retail strategy elements' priority among customer demographics of SMEs retail in Hungary, which vary by education.	**Congruence**
H4	The "Dissatisfaction Index" and "Priority Tie Breaker" mechanisms effectively prioritize experiential retail strategies for SMEs through the application of the Kano model	**Congruence**

4.1. Recommendation

After conducting a thorough examination of the research, the following recommendations have been identified:

4.1.1. Government support

- Implement policies supporting SMEs in Hungary to adopt experiential retail, offering financial incentives and training programs.
- Collaborate with educational institutions for tailored courses on experiential retail.

- Assist SMEs in adopting technologies through subsidies or consultation services
- Maintain a flexible regulatory framework for innovation in experiential retail.
- Develop consumer protection guidelines for consistent experiences.

4.1.2. SMEs retailer

Based on the comprehensive research findings, researcher recommend the following:

- Integrate key experiential elements to enhance customer satisfaction.
- Customize strategies for different customer groups.
- Embrace user-friendly technology and omnichannel retailing.
- Invest in employee training for effective implementation.
- Maintain quality and functionality of must-be and one-dimensional elements.

4.1.3. Researchers

Based on the comprehensive research findings, researcher recommend the following:

- Publish findings in academic journals and engage with stakeholders to advocate for the implementation of experiential retail strategies.
- Explore additional dimensions or emerging trends in experiential retail and innovative mechanism in prioritization to enhance the depth of the research.
- Foster collaboration with industry practitioners, policymakers, and educators to ensure practical application of research insights.

4.2. Limitations and Future Research

The study's limitations include its focus on SME retail in Hungary, rendering findings context-specific, and the dynamic nature of experiential

retail, which may lead to potential obsolescence. Future research opportunities involve comparing experiential retail strategies across SMEs and larger enterprises, expanding the "Dissatisfaction Index" and "Priority Tie Breaker" mechanisms to diverse industries, and employing regression models to analyze the relationship between individual elements and customer satisfaction.

5. NEW SCIENTIFIC RESULTS

From thorough research, the researcher has identified five new scientific results that contribute valuable insights to the field.

- Identification of 15 elements of experiential retail strategies. The elements include interactive displays, pop-up stores, in-store event, gamification, digital signage, art installation, immersive theme, social media integration, personalization, seamless omnichannel retailing, product testing demonstration, sensory experience, interactive social space, storytelling experience and loyalty programs showcasing diverse ways retailers can captivate and delight customers in both physical and digital retail
- Classification of experiential retail strategies. elements into five quality categories (must-be, one-dimensional, attractive, indifferent, and reverse) using the Kano analysis model.
- Introducing and demonstrating of the effectiveness of the innovative "dissatisfaction index-based prioritization" mechanism to determine the rank by the urgency of each element
- Introducing and demonstrating of the effectiveness of the innovative "priority tie breaker" mechanism for cases of identical dissatisfaction

index scores among elements, incorporating the satisfaction index score for determining priority rank.

- Major demographic-based perceptual disparity analysis (gender, age and education) in the ranking and categorization of experiential retail elements through Kano model analysis.

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DISSERTATION-RELATED PUBLICATIONS BY AUTHOR

Publications in scientific journals

1. **Wicaksono, T.,** Illés, C. B., & Dunay, A. (2023). Enhancing collaborative apparel consumption model: Quality-driven insights from customers and industry professionals. *Journal of Open Innovation: Technology, Market, and Complexity*, *9*(2), 100077. https://doi.org/10.1016/j.joitmc.2023.100077. (SCOPUS Q1)

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