HUNGARIAN UNIVERSITY OF AGRICULTURE AND LIFE SCIENCES

Doctoral School of Economic and Regional Sciences

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

LIST OF TABLES

LIST OF FIGURES

ABBREVIATIONS

ART*: Art installation*

CE*: Customer engagement*

CEB*: Customer engagement behavior*

CEM: *Customer engagement Marketing*

CET*: Customer engagement theory*

CX*: customer experience*

DS*: Digital signage*

DI*: Dissatisfaction index*

E-tail*: electronic retail*

GAM*: Gamification*

ID: *Interactive display*

IE*: In-store event*

IM*: Immersive theme*

ISS*: Interactive social space*

LP*: Loyalty program*

OECD*: The Organization for Economic Cooperation and Development*

Phygital: *Physical digital*

PRS*: Personalization*

PS*: Pop-up store*

PT*: Product testing (Demonstration)*

QCF: *Quality category frequencies*

SDGs*: Sustainable development goals*

SE*: Sensory experience*

SI*: Satisfaction index*

SMEs: *Small and medium sized enterprises*

SMI*: Social media integration*

SOR*: Seamless omnichannel retailing*

STO*: Storytelling experience*

VR*: Virtual reality*

1. INTRODUCTION

The transformation of retail small and medium enterprises (SMEs) retail has been influenced by advancements in information technology and changing consumer expectations (Tolstoy et al., 2021). Innovative strategies are actively employed by SME retail to enhance customer engagement and improve the overall retail shopping experience. An emerging trend worthy of attention is experiential retail, capable of bringing fundamental changes to the operational paradigm of SMEs (Lorente-Martinez et al., 2020). This strategy involves creating a shopping environment with characteristics extending beyond traditional retail practices (An & Han, 2020). The establishment of profound relationships with customers, prioritizing sensory experiences over mere product sales, is now a necessity for SMEs. This signifies a paradigm shift from a transactional model to a holistic one centered on customer experience, where leaving a lasting impression is crucial for fostering customer loyalty. Recognizing the significance of the retail experience, possessing a deep understanding of navigating today's dynamic retail business landscape is crucial for retailers.

The primary goal of experiential retail is to evoke joy and excitement in customers by crafting aesthetically pleasing and emotionally captivating environments (Elisa et al., 2022). Immersing customers in carefully curated settings enhances engagement, emotional resonance, and ultimately builds consumer loyalty. The significance of experiential retail is underscored by a 2021 survey of global marketing leaders, with 72 percent acknowledging the value of in-person events. These events foster genuine human connections, engage multiple senses, distinguish brands, provide valuable insights, build trust, and create a sense of community among customers, setting businesses apart in a competitive market (Statista, 2023).

Previous research emphasizes the need to study experiential retail due to its implications on service outcomes, competitive advantage, innovation, and brand identity (Wu et al., 2019). This is evident in unconventional settings, such as unmanned convenience stores, where experiential quality influences various aspects of customer experiences. Understanding these aspects provides insights to enhance retail experiences and cultivate enduring customer relationships. Additionally, Pangarkar et al. (2022) emphasizes the urgency of investigating experiential retail, especially in "phygital" retail, where physical and digital elements converge. This research addresses evolving consumer expectations for immersive shopping experiences and explores how phygital elements enhance rapport building, social engagement, trust, and loyalty. Insights from this research are invaluable to retail practitioners seeking

revenue enhancement, focusing on crafting seamless customer experiences that foster brand loyalty and stimulate word-of-mouth recommendations.

Henkel et al. (2022) convincingly argue for the importance of experiential retail, emphasizing its influence on sales and alignment with ever-changing consumer preferences. Their exploration of the fleeting nature of experiential retail components provides insights into consumer behavior, giving businesses a competitive edge, immediate sales potential, and adaptability to market trends, ultimately cultivating customer engagement and loyalty. Experiential retail, as explained by Alexander and Blazquez Cano (2020), goes beyond mere product sales to create narratives and transformative experiences. Small and medium-sized retailers, integrating interactive technologies like augmented reality and smart devices, blur the boundaries between physical and digital realms, providing customers with a seamless shopping experience (Lehrer and Trenz, 2022). The future of experiential retail holds great potential for retailers facing challenges from the pandemic and economic downturn. As consumers remain cautious about in-person interactions, retailers must adopt innovative solutions beyond basic sanitization. Envisioning and implementing resilient, innovative solutions that prioritize safety while offering meaningful interactions is crucial. Collaborating with designers, artists, and technologists becomes essential for building a resilient future for experiential retail (Machtiger, 2020).

According to Forbes (2023), experiential retail is hailed as the future of shopping due to its role in modernization and adaptation, moving away from traditional mall concepts to localized, personalized outlets, pop-ups, and neighborhood stores. The research by Alexander and Blazquez Cano (2020) emphasizes the ongoing transformation in the retail sector, where stores increasingly embrace an "experiential" approach, creating immersive shopping environments beyond product sales. These stores incorporate interactive displays, workshops, and themed events to captivate shoppers, allocating more space for omnichannel activities to align with the trends of remote work. In the near future, the retail industry is expected to explore different store formats, focusing on developments by 2023. This experimentation is driven by the need for retailers to balance physical and online stores, responding to changing customer preferences and evolving consumer needs, playing a pivotal role in shaping the retail sector's future (Forbes, 2023). The trend towards experiential retail, identified by McKinsey & Company (2021) as the future of shopping, is underscored by Brian Solis, a global innovation evangelist at salesforce.com. Solis emphasizes the necessity of prioritizing a customer-centric approach to innovation, urging retailers to reimagine the shopping experience based on evolving customer preferences and technological advancements. Experiential retail excels in

creating immersive shopping environments inspired by industries like amusement parks and video games, aiming to deliver a "wow factor" and establish emotional connections with customers. This approach requires dynamic store spaces, departing from conventional static designs, as seen in concepts like micro-fulfillment. Importantly, it frames innovation as an investment rather than a mere cost center, aligning with the ethos of experiential retail. Investments in creating captivating shopping experiences can drive long-term growth and customer loyalty. To execute these retail strategies effectively, attracting top talent in design and technology is crucial, emphasizing a commitment to imagination, innovation, and shared brand values in shaping the future of shopping.

Looking at a broader perspective, experiential retail strategies, driven by digital innovations and immersive experiences, have a multifaceted impact on achieving the United Nations Sustainable Development Goals (SDGs), as highlighted by Varadarajan et al. in 2022. For instance, SDG 8, focusing on Decent Work and Economic Growth, benefits from these strategies, fostering job creation and skills development, aligning with SDG 8's objectives of promoting economic growth and creating opportunities for decent work (Venkatesan & Luongo, 2019). Moreover, SDG 9 places a significant focus on Industry, Innovation, and Infrastructure, finding value in immersive retail approaches that leverage digital technologies and ingenuity to craft engaging shopping encounters. Retailers, by integrating digital product advancements, actively contribute to the growth of technology and infrastructure that can positively impact diverse sectors, thereby propelling the objectives of SDG 9 (Velazquez, 2021). As retailers persist in embracing and refining these tactics, they assume a crucial position in tackling the worldwide issues delineated in the Sustainable Development Goals (refer to figure 1).

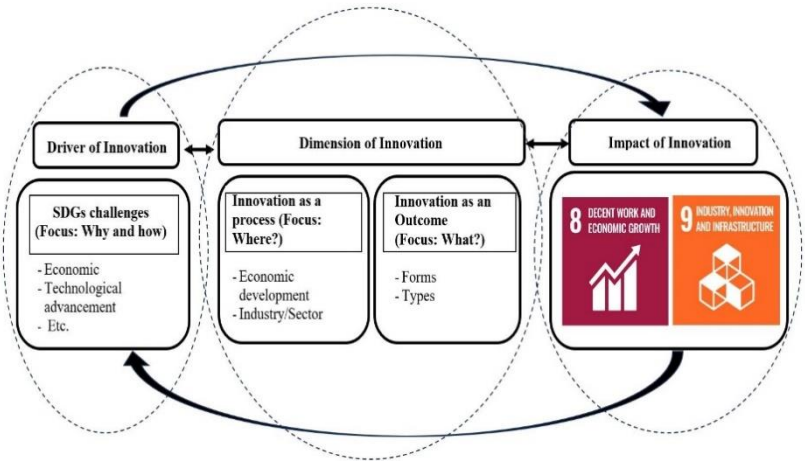

Figure 1. Business innovation contribution to sustainable development goals

Source: adopted from Azmat et al. (2023)

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, as illustrated in figure 2.

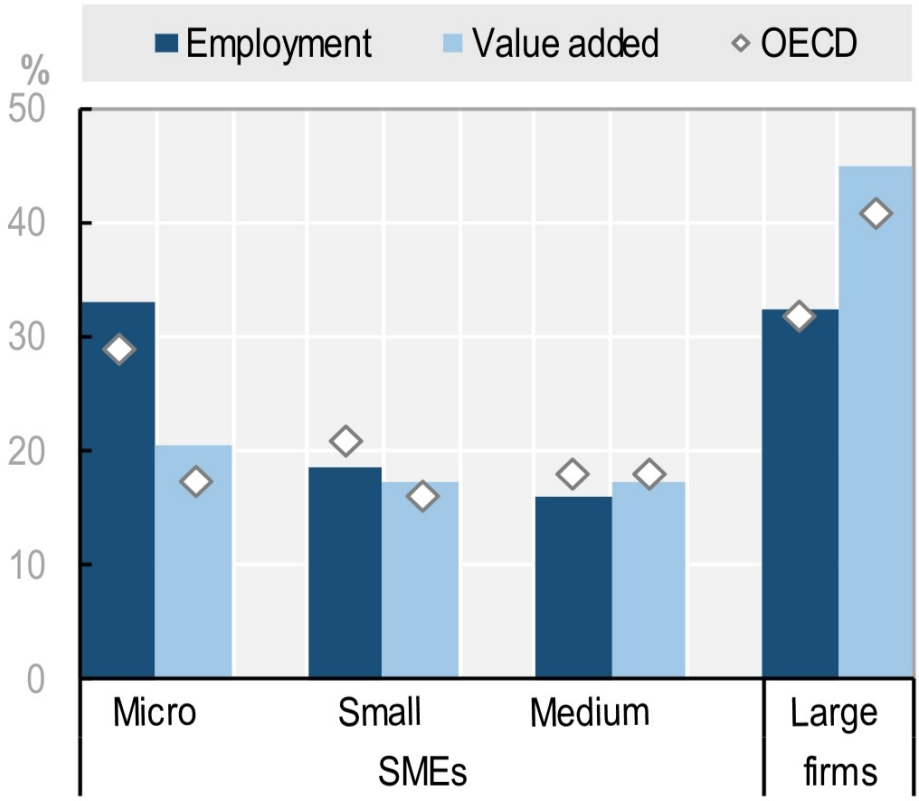

Figure 2. SMEs sector contribution in Hungary

Source: OECD (2021)

The dynamic landscape of experiential retail trends brings forth both opportunities and challenges for small and medium-sized enterprises (SMEs) in Hungary. To compete in this evolving market, it is imperative for Hungarian SME retailers to deeply understand the elements influencing customer satisfaction and loyalty and prioritize it.

Effective prioritization is crucial for Small and Medium-sized Enterprises (SMEs) due to their limited resources compared to larger industries. With constrained finances and manpower, SMEs must strategically allocate resources for maximum impact (Wicaksono et al., 2021). A prioritization mechanism enables SMEs to focus on key elements aligned with core business objectives, enhancing efficiency, and ensuring optimal use of available resources. This approach also fosters adaptability in dynamic markets, allowing SMEs to quickly respond to changes and capitalize on opportunities, thereby promoting their survival and growth in resource-constrained environments (Asadi et al., 2023; Gupta et al., 2023).

The dynamic Hungarian small and medium-sized enterprises (SMEs) retail market, characterized by diverse consumer preferences, complex cultural dynamics, and a rapidly changing economic landscape, presents an intriguing subject for research. This study aims to investigate strategies that can enhance the overall user or customer experience in SME retail by delving into the underlying elements that shape customer preferences and the decision-making process.

In the context of Hungary, the research objective is to identify the elements of experiential retail, categorize their quality, and determine their priority based on SME retail customers. This information can then be adopted as a strategy by SME retailers to enhance customer satisfaction and loyalty. The study seeks to uncover the complexities inherent in experiential retail, with the goal of providing SME retailers with insights to refine their strategies, operations, and overall performance in this dynamic landscape.

A research gap exists, as no prior studies have developed models specifically aimed at identifying the technical elements of an experiential retail strategy, classifying their quality, prioritizing each element based on customer satisfaction perceptions, and scrutinizing variations in customer perceptions across demographics. Retailers, when formulating an experiential retail strategy, need to not only identify priority strategies but also ensure their alignment with customer quality expectations to effectively enhance satisfaction.

This research gap highlights the lack of exploration into the determinants influencing assessments of specific elements of customer needs, expectations, and preferences for experiential retail, ultimately impacting customer satisfaction. Bridging this gap is crucial for gaining profound insights into the experiential elements shaping retail customer behavior, desires, and satisfaction.

To address this research gap, this study adopts the Kano model, a well-established quality conceptual framework recognized for its effectiveness in comprehending customer satisfaction and preferences. Previous research has certain gaps, as there is a lack of studies utilizing the dissatisfaction index score as the primary parameter for determining priorities through the Kano model. Most researchers typically employ various survey scales to prioritize elements instead of utilizing the Kano scales directly (Chen et al., 2021a; Shen et al., 2021; Kermanshachi et al., 2022). Bridging this gap is crucial for innovating mechanisms that optimize resource use, streamline data collection, enhance research efficiency, reduce respondent fatigue, increase participation rates, and ensure a more cohesive and holistic understanding of the subject under investigation, fostering a comprehensive and agile approach to decision-making by simplifying the survey process without sacrificing the quality of results.

Through a systematic approach, researchers aim to explore and analyze quality classifications, prioritize elements, and evaluate variations in perceptions within the realm of experiential retail. This investigation, accounting for diverse customer demographic factors in Hungary, is poised to contribute significantly to existing knowledge, fostering a deeper understanding of the experiential retail landscape.

By effectively implementing the Kano model, this study aims to uncover the elements that significantly contribute to the overall satisfaction and loyalty of customers within the experiential retail realm. Researchers employ a meticulously designed mixed-methods approach, including open-ended in-depth interviews, astute observational methods, and comprehensive close-ended surveys. These techniques will help gather valuable insights from a diverse and representative sample of retail customers in Hungary.

The profound revelations and comprehensive analysis obtained through this study will empower small and medium-sized retailers in Hungary with invaluable knowledge. This knowledge will enable them to adapt their strategic approaches and refine their offerings to align optimally with the evolving needs and rising expectations of their esteemed customer base in the dynamic landscape of experiential retail.

1.1. Problem statement

The rise in experiential retail has notably reshaped the landscape for Hungarian retailers, bringing forth opportunities and challenges in a dynamic market. For Small and Medium-sized Enterprises (SMEs), effective prioritization becomes paramount due to their limited resources

compared to larger industries. Given their constrained finances and workforce, SMEs need to strategically allocate resources to maximize impact. Implementing a prioritization mechanism allows SMEs to concentrate on key elements aligned with core business objectives, enhancing efficiency, and ensuring optimal resource utilization. This approach fosters adaptability in dynamic markets, enabling SMEs to promptly respond to changes and seize opportunities, thereby supporting their survival and growth in resource-constrained environments.

However, there is a significant research gap concerning the various elements that influence how Hungarian customers perceive and prioritize their shopping experiences within experiential retail. This research gap becomes noticeable as no prior studies have developed models designed to identify the technical elements of experiential retail strategy, classify their quality, and prioritize them based on customer-perceived satisfaction. Moreover, here has been a lack of investigation into perceptual differences across demographics among small and medium-sized enterprise (SME) retail customers in relation to experiential retail. This gap hinders the ability of SME retailers to adapt their strategies effectively to the dynamics of the Hungarian market. The core issue lies in the lack of comprehensive insights into how SMEs retail customers in Hungary, specifically in terms of defining quality, prioritize their needs, and the perceptual differences in experiential retail strategy.

The current understanding falls short, limiting the capacity of SME retailers in Hungary to optimize strategies, streamline operations, and enhance overall performance. To address this issue, this study aims to utilize the Kano model, a well-established and empirically validated framework, for a quality analysis and prioritization within the Hungarian experiential retail landscape.

There is another gap in existing research, as no studies have employed the dissatisfaction index score derived from quantifying the Kano model quality scale as the primary parameter for prioritizing elements within the Kano model. Typically, researchers employ the Kano model scale only for categorizing quality and subsequently use alternative survey scales to evaluate element rankings, rather than utilizing the Kano model scales directly.

Bridging this gap is crucial for innovating mechanisms that optimize resource use, streamline data collection, enhance research efficiency, reduce respondent fatigue, increase participation rates, and ensure a more cohesive and holistic understanding of the subject under investigation, fostering a comprehensive and agile approach to decision-making by simplifying the survey process without sacrificing the quality of results.

Through this research, the aim is to bridge the knowledge gap, providing SME retailers in Hungary with insights to navigate the market successfully, refine strategies, and improve overall performance by classifying and prioritizing experiential elements through the Kano model with an introduced innovative efficient mechanism. This research endeavors to offer a comprehensive perspective on the Hungarian experiential retail sector, uncovering the elements shaping customer experiences and contributing to the success and growth of SME retailers in this unique market not just effectively but also efficiently.

1.2. Significance of the research

The significance of this research lies in its focused exploration of the experiential retail landscape in Hungary, addressing a critical gap in identifying the various elements influencing customer perceptions classify the quality and priorities it within small and medium-sized enterprises (SMEs). The rise of experiential retail has brought both opportunities and challenges to Hungarian retailers, yet existing studies often overlook the specific needs of SME retail customers in this dynamic market.

The identified research gap emphasizes the absence of designed models for SMEs in Hungary that systematically identify technical elements of experiential retail strategy, classifying the quality and prioritize them based on customer satisfaction coefficients, and analyze disparities in perceptions across demographics. This gap impedes the ability of SME retailers to adapt their strategies effectively to the unique dynamics of the Hungarian market.

By adopting the well-established Kano model, this research aims to fill this gap and provide comprehensive insights into how retail customers in Hungary perceived quality, prioritize their needs, and perceive disparities within the context of experiential retail strategy. The study's significance extends beyond theoretical contributions, as it endeavors to empower SME retailers with practical knowledge to navigate the market successfully.

Furthermore, the research innovatively addresses another gap in prior studies by proposing Dissatisfaction Index-based priority” mechanism and "Priority Tie Breaker” mechanism to optimize resource use, streamline data collection, and enhance research efficiency without compromising the quality of results. This approach not only contributes to the academic understanding of experiential retail but also offers practical tools for SME retailers to refine their strategies and improve overall performance.

Through a mixed-methods approach, including in-depth interviews and surveys designed for the Hungarian context, this research seeks to uncover elements that significantly contribute to customer satisfaction and loyalty in experiential retail. The goal is to provide SME retailers in Hungary with actionable insights, enabling them to adapt and thrive in the unique landscape of experiential retail, efficiently and effectively enhancing their offerings to meet the evolving needs and expectations of their customer base.

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?

2. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

2.1. Experiential retail elements: Foundational theories, concepts and model

Experiential retail, a concept that has garnered significant academic and practical attention in recent years, signifies a profound shift in the retail landscape. It departs from the traditional retail model, which mainly focused on transactions, and introduces a new paradigm that places a paramount emphasis on creating immersive and unforgettable experiences for consumers. Although no specific theory directly addresses emerging experiential retail elements, the foundation for this transformation can be traced back to the pioneering work of Pine and Gilmore (1998) on the "Experience Economy" theory. They laid the foundation for this shift by asserting that economies progress through distinct stages. Economic value is no longer limited to the exchange of goods or services; it increasingly hinges on the quality of experiences provided to customers. Retailers have transitioned from the industrial economy, which centered on tangible goods, to a new era where they aim to offer immersive, emotionally resonant, and unforgettable shopping experiences. According to this experience economy theory, the consumer experience comprises four key realms: aesthetics, entertainment, escapism, and education.

Esthetics pertain to the sensory and visual elements of an experience. This realm involves the design, style, and sensory allure of a product or service. Businesses prioritize creating visually appealing and sensorial engaging experiences that captivate consumers. This includes elements like product presentation, store aesthetics, and the use of colors, textures, and sounds to enhance the overall appeal. The entertainment realm focuses on engaging and enchanting consumers. It aims to create enjoyable, immersive, and emotionally satisfying experiences. Businesses often employ storytelling, interactive features, and experiences that generate delight and excitement in consumers. This realm underscores the importance of ensuring experiences are enjoyable and etch a positive, memorable impression. Escapism provides consumers with a temporary break from their everyday lives, allowing them to disconnect from reality. It offers the opportunity to step into a different world or mindset. This can be realized through themed environments, virtual reality experiences, or any form of diversion that transports individuals to another dimension. In the context of the Experience Economy, education doesn't solely imply traditional classroom learning. It centers on the chance for consumers to acquire knowledge, insights, and personal growth through their experiences. Businesses provide informative and enriching experiences that enhance consumers'

understanding and skills. Educational experiences can encompass workshops, hands-on learning, guided tours, or informative content (see figure 3).

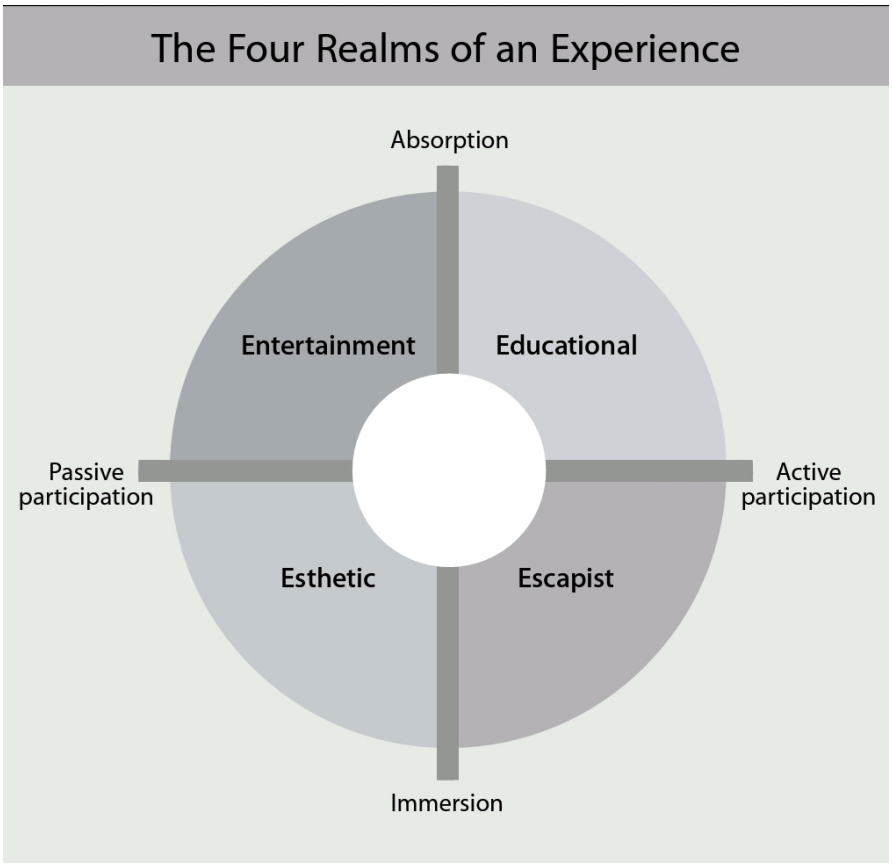

Figure 3. Four realms of an experience

Source: Pine and Gilmore (1998)

The theory of the "Experience Economy" posits that strategically integrating these four realms into their offerings empowers businesses to create more profound and valuable experiences for consumers. These experiences, in turn, foster heightened customer engagement, loyalty, and a willingness to invest in the exceptional and unforgettable encounters delivered by the business.

Pine and Gilmore's experiential economy theory outlines the progression of economic value from the commoditization of raw materials to the creation of goods, followed by the delivery of services, and ultimately culminating in the staging of memorable experiences. This progression represents a fundamental shift in how businesses create value for their customers. Pine and Gilmore's theory underscores the significance of differentiation. In today's highly competitive market, businesses can no longer solely rely on the production of products or delivery of services. They must pivot towards the creation of distinctive and emotionally engaging experiences that forge deep connections with customers. This approach is instrumental in fostering customer loyalty and gaining a competitive edge. A core tenet of the theory is the notion of collaborative ecosystems. In this context, businesses, customers, and

technology are envisioned as active collaborators, working together to consistently generate and partake in memorable experiences. Co-creation of experiences, where customers actively contribute to the design of their unique encounters, is an integral aspect of this collaborative approach. This theory underscores the transition in product and service industries towards creating ecosystems where various participants collaborate to consistently generate and engage in experiences. The experience economy is characterized by two primary elements: physical engagement, ranging from passive observation to active participation, and cognitive engagement, which can vary from minimal absorption to complete immersion.

One year later, Schmitt (1999) introduced the Experiential Marketing theory, which represents a paradigm shift in the field of marketing. This innovative concept redefines traditional marketing by emphasizing the creation of memorable and engaging experiences for customers rather than merely focusing on product features or functional benefits. Schmitt's idea of experiential marketing is rooted in the belief that people do not buy products or services solely based on their functional attributes, but instead, they seek emotional and sensory connections with brands and products. It emphasizes the importance of crafting immersive and memorable consumer experiences.

This theory emphasizes four key characteristic highlighted: (1) **Focus on Customer Experiences:** Experiential marketing shifts the focus from mere product features to the creation of customer experiences. It emphasizes that these experiences provide sensory, emotional, cognitive, behavioral, and relational values, which replace traditional functional values. (2) **Consumption as a Holistic Experience:** Experiential marketers view consumption as a holistic experience rather than individual product purchases. They consider the entire consumption situation and how products, packaging, and advertising can enhance the overall consumption experience. This approach broadens the concept of product categories and looks at consumption in a broader socio-cultural context. (3) **Customers as Rational and Emotional Animals:** Experiential marketing recognizes that customers are driven both by rational and emotional factors. It acknowledges that consumption experiences often revolve around the pursuit of fantasies, feelings, and fun. It also integrates insights from psychology, cognitive science, sociology, and evolutionary biology to understand customer behavior. (4) **Eclectic Methods and Tools:** Experiential marketing doesn't adhere to a single methodological ideology. Instead, it embraces diverse and multi-faceted methods and tools. These can range from analytical and quantitative techniques to intuitive and qualitative approaches. They may be verbal, visual, or customized for specific situations, depending on the objectives. These characteristics emphasize the importance of creating immersive and

memorable experiences for customers, engaging their emotions, and utilizing a wide range of tools and methodologies to achieve these goals (figure 4).

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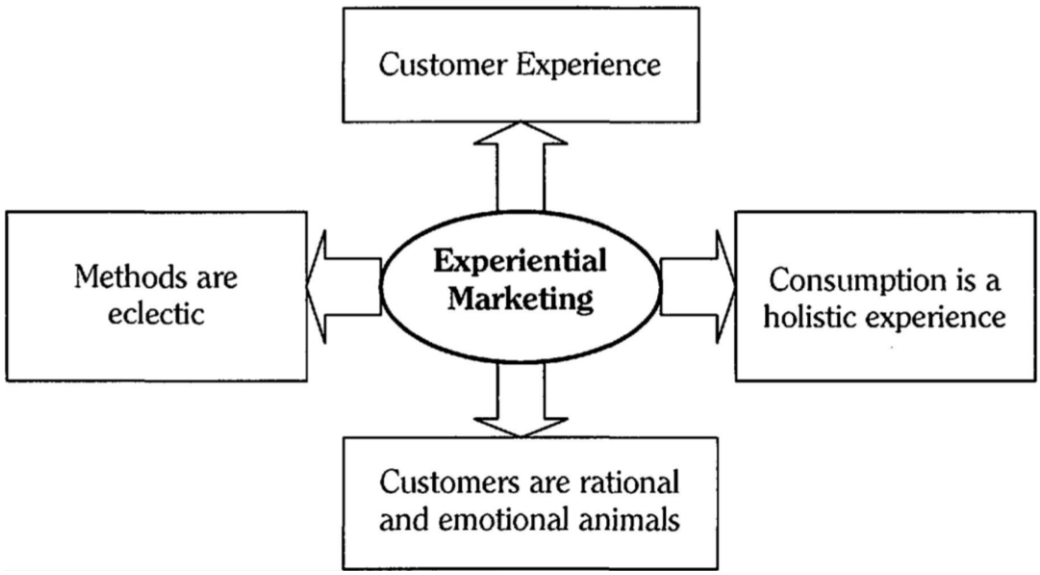


Figure 4. Characteristic of experiential marketing

Source: Schmitt (1999)

Experiential marketing theory revolves around the idea of engaging all five senses - sight, sound, touch, taste, and smell - to create multisensory brand encounters that deeply resonate with customers, evoking powerful emotions.

In this approach, customer participation and co-creation are encouraged, allowing individuals to actively shape their own experiences, thereby fostering not only loyalty but also advocacy, as satisfied customers become brand promoters. Schmitt's theory promotes a holistic experiential strategy, ensuring a consistent and comprehensive brand experience across all touchpoints, and highlights the need for differentiation in a competitive market by creating a memorable and distinctive brand. Ultimately, this theory recognizes that successful businesses differentiate themselves by focusing on the emotional and sensory aspects of the overall experiential strategy, effectively nurturing customer loyalty and long-term relationships.

A decade later, Bowden (2009) proposed the theory of customer engagement, which emphasizes the vital importance of recognizing customer engagement as a dynamic progression. It presents a comprehensive model for comprehending the various stages of customer engagement. This framework encompasses several pivotal stages, each contributing significantly to the complex process of engaging and retaining customers namely: (1) **Calculative Commitment**: Serving as the initial stage, customers engage with a brand in a somewhat transactional manner, often motivated by economic or functional reasons like

pricing, product features, or convenience. Relationships are initially shallow, lacking emotional attachment to the brand. (2) **Trust Establishment**: Building trust becomes a pivotal step in the customer engagement process. Customers need to believe in the brand's reliability and credibility, which necessitates consistent, transparent interactions, and the fulfillment or surpassing of customer expectations. (3) **Active Involvement**: Customers become more actively engaged with the brand at this stage, participating in brand-related activities, engaging on social media, and providing feedback. This deeper involvement bolsters the relationship. (4) **Affective Commitment**: At this point, customers begin forming emotional connections with the brand, developing a sense of attachment or loyalty beyond mere transactions. Positive experiences, exceptional customer service, and alignment with the brand's values play a crucial role in fostering this connection. Conceptual framework of the customer engagement process can be seen at figure 5.

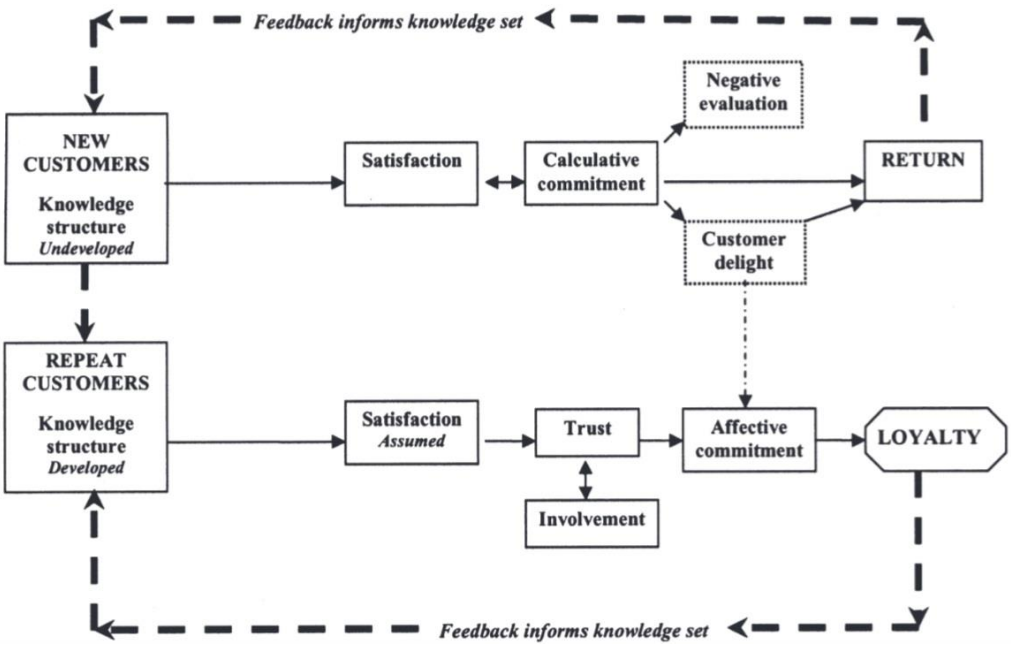


Figure 5. Conceptual framework of customer engagement process

Source: Bowden (2009)

This conceptualization of engagement as a psychological process offers a valuable model for management, elucidating how customer loyalty is nurtured, especially among new customers to a service brand, while also outlining the mechanisms for sustaining loyalty in repeat buyers. Hence, the managerial challenge is to discern the distinctions between these customer segments, enabling the formulation of customized marketing strategies to move them up the "loyalty ladder".

Van Doorn et al. (2010) introduced the concept of Customer Engagement Behaviors (CEB), which encompasses the various actions customers take in their interactions with a brand or company that go beyond mere purchases. These actions cover a wide spectrum, underscoring the importance of the overall customer experience. The CEB concept introduces five crucial dimensions for understanding these behaviors: (1) **Valence**, refers to the positivity or negativity of customer engagement. From a firm's perspective, customer engagement can be classified as positive or negative. Positive engagement includes actions like word-of-mouth activity, blogging, and online reviews that have positive consequences for the firm, both financially and non-financially. However, some actions, like recommending the brand to friends, may be predominantly positive but have the potential to turn negative if there's a poor fit between the new customer and the brand. (2) **Form or Modality:** This dimension explores the different ways in which customer engagement can be expressed. It includes the resources customers utilize, such as time or money. It also distinguishes between in-role behaviors (complaints within organization-defined parameters), extra-role behaviors (discretionary activities), and elective behaviors (actions to achieve consumption goals). (3) **Scope:** The scope of customer engagement involves both temporal and geographic aspects. Temporally, engagement can be momentary or ongoing. The geographic scope depends on the modality and form used. For example, posting suggestions on a popular website has a wider geographic impact than verbal communication in a local store. (4) **Nature of Impact:** This dimension assesses the impact of customer engagement on firms and their constituents in terms of immediacy, intensity, breadth, and longevity. Immediacy refers to how quickly engagement affects the intended target audience. Intensity measures the level of change within the audience, while breadth reflects the number of people affected. Longevity depends on factors like the ability to preserve the engagement activity, with digital channels often having longer-lasting impacts. (5) **Customer Goals:** Understanding the customer's purpose in engaging is vital. It focuses on three key questions: to whom the engagement is directed, the extent to which engagement is planned, and the alignment of the customer's goals with the firm's goals. Behavior directed at the firm may differ from behavior directed at the market. Planned engagement, like developing an application, differs from unplanned engagement, such as impulsive product recommendations. When customer and firm goals align, CEB tends to have a positive overall impact; misalignment can lead to negative consequences. These dimensions provide a comprehensive framework for analyzing and understanding customer engagement behavior, allowing firms to better assess, manage, and respond to customer engagement in various contexts (see figure 6).

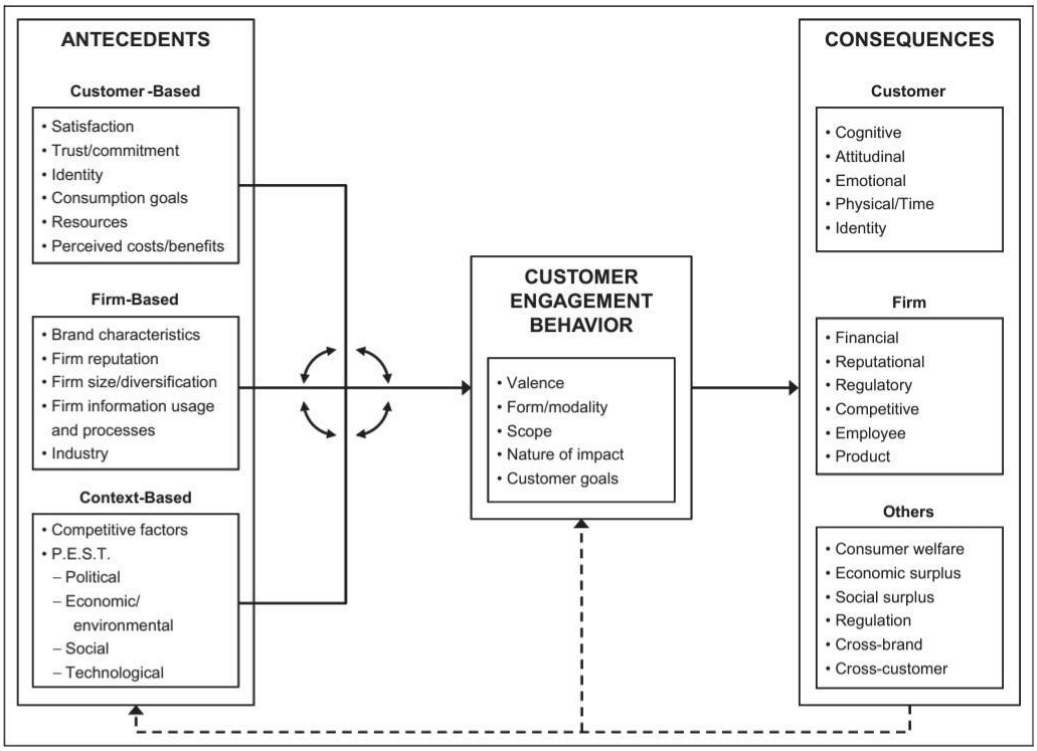


Figure 6. Framework for understanding customer engagement behavior

Source: Van Doorn (2010)

Effective management of CEBs should consider competitive dynamics, employee responsiveness, and their integration with other customer experience marketing strategies.

Building upon the foundation of the Experience Economy and the Customer Engagement Behavior (CEB) concept, Brodie et al. (2011) introduced the Customer Engagement Theory, emphasizing that customer engagement results from interactive and co-creative experiences in specific service relationships. This theory comprises three dimensions: (1) Cognitive Engagement, where customers actively think, acquire knowledge, and make informed decisions during their experiences; (2) Emotional Engagement, which focuses on cultivating positive emotional responses and fostering strong brand connections; and (3) Behavioral Engagement, encompassing customer actions like purchases and advocacy, directly impacting business outcomes. The theory is supported by five fundamental propositions: Customer Engagement reflects a psychological state arising from service relationships, unfolds within a dynamic and iterative process of interactions, holds a central role in a complex network of service elements, is multidimensional and context-specific, and varies based on specific situational conditions. In essence, Brodie's theory highlights the dynamic and context-dependent nature of customer engagement, offering valuable insights for businesses seeking to enhance customer relationships and overall success.

Krishna (2012) introduced Sensory Marketing theory, which made a notable contribution to the field of marketing by emphasizing the role of sensory experiences in consumer behavior and decision-making. This theory posits that consumers engage with products and brands through their senses, and these sensory interactions play a crucial role in shaping perceptions and preferences. This framework identifies five primary senses through which consumers interact with products and services: (1) Haptics, the sense of touch, plays a crucial role in sensory marketing. The physical texture and feel of a product can greatly influence a consumer's perception of quality and value. For example, a soft, velvety texture may convey luxury and comfort, while a rough texture might evoke a sense of ruggedness. By understanding how haptic sensations affect consumers, marketers can design products that elicit specific emotional responses. (2) Olfaction the sense of smell, is a powerful tool in marketing. Scents can trigger strong emotional associations and memories. Brands often use distinct fragrances to create a unique identity and enhance the overall customer experience. The smell of a familiar perfume in a retail store or the aroma of freshly baked goods in a café can evoke positive emotions and encourage customers to linger longer and make purchases. (3) Audition, the sense of sound, also plays a vital role in sensory marketing. The sound environment of a store, restaurant, or even a website can influence a consumer's mood and perception. Background music, jingles, and even the sound of products being used can impact the overall brand experience. Carefully chosen auditory elements can create a memorable and engaging atmosphere. (4) Taste, while most associated with the food and beverage industry, extends to various products and services. The flavors and tastes associated with a brand can create a distinct identity and influence purchase decisions. A well-crafted product with a unique taste can foster brand loyalty and word-of-mouth marketing. This aspect of sensory marketing is particularly relevant for the food, beverage, and hospitality sectors. (5) Vision, the sense of sight, is arguably the most explored aspect of sensory marketing. Visual elements such as branding, packaging, color schemes, and product displays all contribute to a consumer's perception of a product or service. The aesthetics of a product can significantly impact its desirability and perceived value. Each of these senses can influence consumer perceptions and behavior (see figure 7). For example, the visual aesthetics of a product's packaging can impact a consumer's decision to purchase it, and the sound associated with a brand can trigger emotional responses and brand recognition. Sensory marketing encompasses various strategies that leverage these senses to enhance the overall consumer experience. This may include designing visually appealing product displays, using pleasant background music

in retail settings, creating unique tactile experiences with product textures, and incorporating scents and tastes into marketing initiatives.

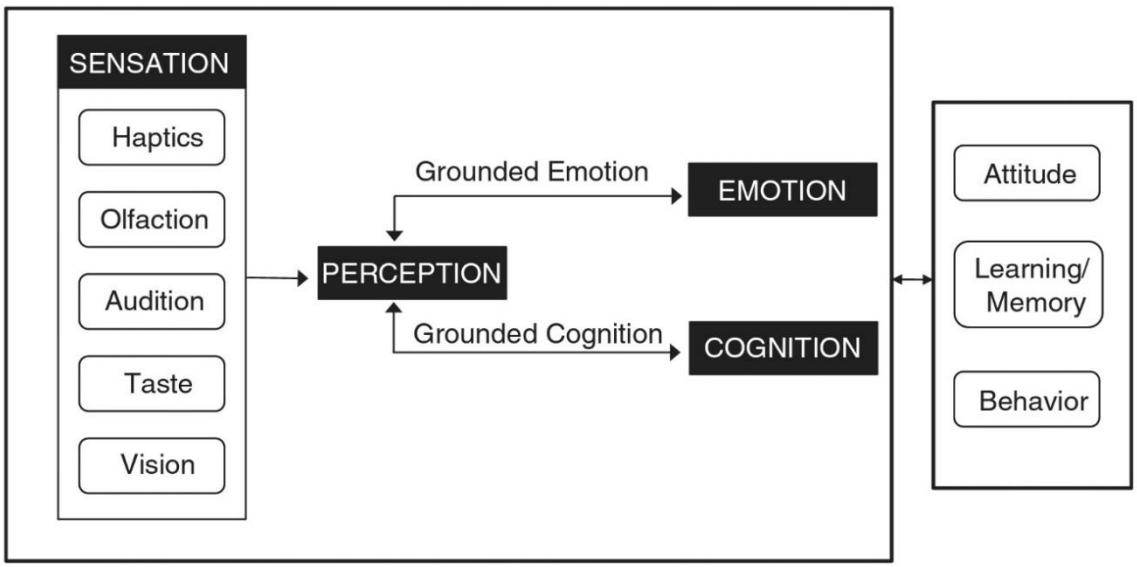


Figure 7. Framework for understanding Sensory marketing
Source: Krishna (2012)

This theory underscores the importance of creating a holistic sensory experience to enhance differentiation strategy and build emotional connections with consumers. By appealing to multiple senses, companies can create a more immersive and memorable shopping experience.

Pansari & Kumar (2017) proposed a new concept of customer engagement. They suggested that engagement occurs when a relationship between customers and a firm is built on trust, commitment, satisfaction, and emotional bonding. This perspective emphasizes both direct and indirect contributions of customer engagement (CE) and explores the antecedents (satisfaction and emotion) and consequences (tangible and intangible outcomes) of CE. The study indicates that the relationship between satisfaction and direct contribution is strengthened in the service industry, B2B firms, products with lower involvement, and products with low brand value but higher convenience. Similarly, the relationship between emotions and the indirect contribution of the customer is enhanced in the service industry, B2C firms, products with higher involvement, and products with high brand value and high convenience. The study also discusses a framework for customer engagement, proposing customer engagement variables such as the nature of the firm, type of industry, brand value, and level of involvement, which moderate the link between satisfaction, emotions, and the contributions of CE (see figure 8).

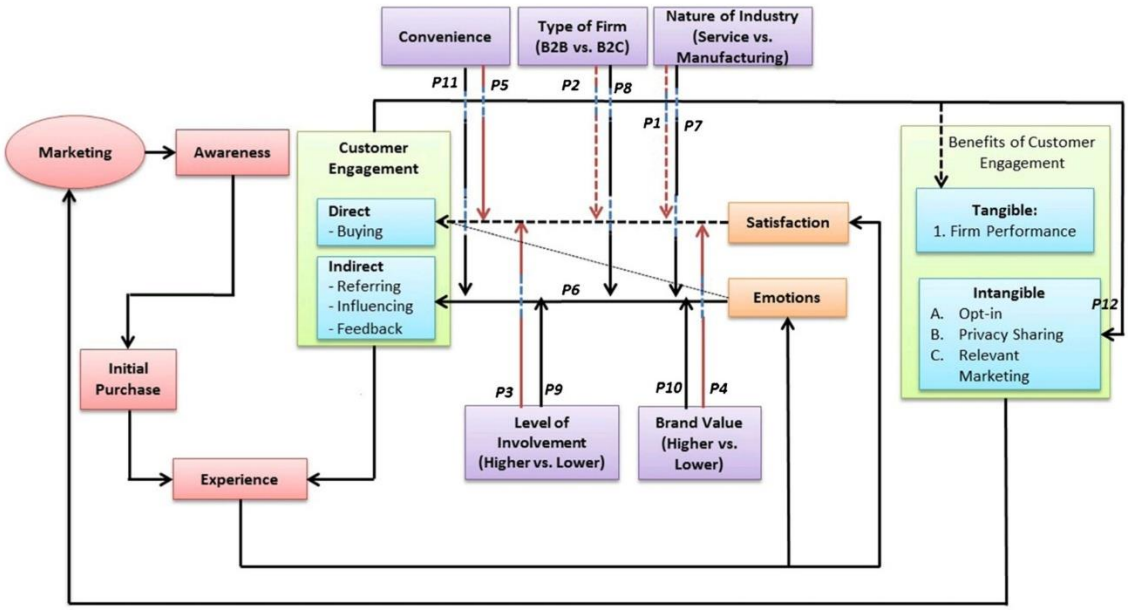


Figure 8. Customer engagement framework
Source: Pansari & Kumar (2017)

Banik (2021) proposed the evolving concept of phygital retail experiences. The study explores the seamless integration of physical and digital elements within in-store interactions, shaping distinct connections with customers. This research addresses a significant gap in comprehending the impact of customer participation on intentions to patronize in the digital retail realm. The study specifically focuses on and analyzes five aspects of engagement: risk importance, risk probability, interest, sign, and pleasure, directly assessing their influence on customer involvement (see Figure 9).

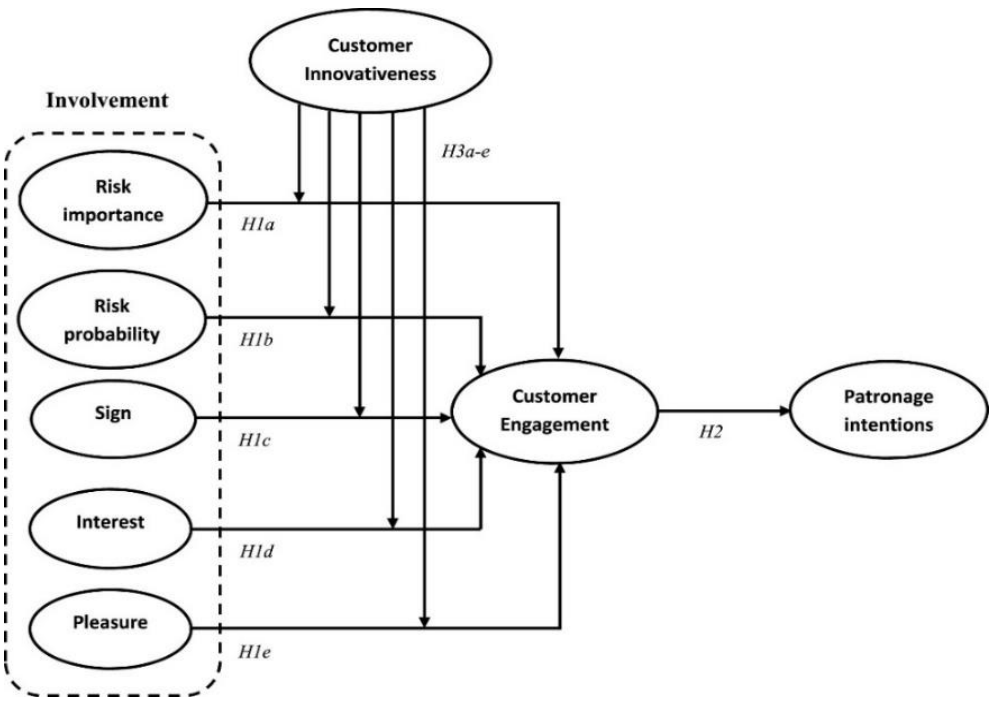


Figure 9. Involvement in phygital retail experience
Source: Banik (2021)

Risk importance is characterized as the perceived significance of a negative outcome when choosing a product poorly. Risk probability is the perceived likelihood of making an erroneous product choice. Interest pertains to an individual's personal interest, meaning, and significance in the product. Sign encapsulates the symbolic value of a product, reflecting an individual's identity. Pleasure involves the hedonic value associated with a product, capable of delivering enjoyment.

Notably, it underscores the intermediary role played by customer engagement, revealing its substantial influence on patrons' intentions within the phygital retail sector, thus underscoring the importance of creating captivating retail experiences. Furthermore, the research investigates the moderating influence of customer innovativeness, illustrating that high innovativeness amplifies the effects of involvement on engagement, while low innovativeness diminishes or negates these effects.

The foundational theories mentioned earlier serve as the foundational concept for researcher in this study. All the foundational theories are employed to enhance comprehension of the field of experiential retail strategy. This is achieved by scrutinizing established theories, which serve as the basis to guide researchers in exploring the elements of experiential retail strategy, as depicted in Figure 10.

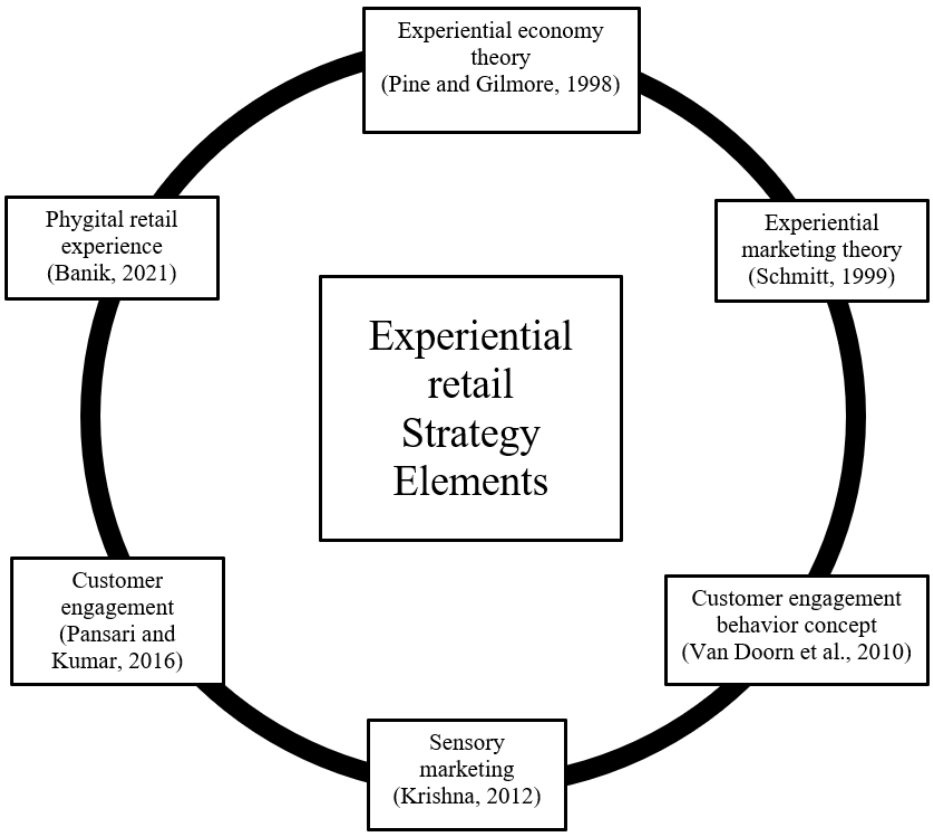


Figure 10. Foundational theories for understanding experiential retail context
Source: author analysis

Researchers have effectively applied Pine and Gilmore's (1998) experience economy theory to enhance our understanding of retail. Mondal and Chakrabarti (2021) emphasize the need for distinctive brand experiences in the competitive e-tail industry, extending this concept from physical to online retail. They identify 20 key factors influencing eRBX, with "Value for money" and "marketing communication" playing crucial roles. The study introduces two new concepts, "Physical Evidence (PE)" and "Enjoyment (E)," within an "etailscape" framework, offering practical guidance for sustainable eRBX and marketing investments.

Zha et al. (2023) delivers a comprehensive review and analysis of customer experience (CX) literature from 1984 to 2021, utilizing a modularity approach. The study unveils a diverse and evolving CX landscape, influenced by three major marketing systems and their associated logics. The paper introduces a modular CX framework aligning a firm's multi-logic response with a modular view of consumption. It outlines future research opportunities and practical applications for managers, offering valuable insights into the dynamic nature of CX literature and its potential impact on business strategies.

Lowe et al. (2018) research explores the rising trend of temporary retail activations in marketing, providing insights into their success factors. Through in-depth interviews with key stakeholders, the study identifies four critical success factors: relational touchpoints, strategic alignment, surprise and delight, and serendipity. The research underscores the importance of viewing these activations as relationship-driven events, shedding light on innovative marketing strategies for engaging both existing and potential customers.

Brown et al. (2018) investigates the intersection of consumer myth and epic narratives within the marketplace, emphasizing the heroic struggles of customers in the retail environment. The study highlights that while epic and myth share commonalities, they are distinct, with epic conventions illuminating consumers' journeys, particularly through immersive retail spaces like Hollister. The study, based on Hollister enthusiasts and detractors, provides valuable insights into the dynamics of immersive retail experiences, enhancing our understanding of consumer mythopoeia.

In the "experience economy" context, Lim and Kim (2018) research introduces a valuable tool called the Experience Design Board. This tool provides a structured approach for visualizing and designing experience-centric services (ExS). It focuses on key factors such as servicescape, employees, customers, and technology support systems, mapping them against customer experience phases. By doing so, it offers a systematic way to analyze and design

ExS, potentially serving as a foundation for service design in the experience economy and addressing the need for more research in this field.

Lunardo & Mouangue (2019) contribute significantly to the retail context by applying the experience economy theory to luxury brands. The research addresses the evolving consumer demand for memorable experiences and the role of store aesthetics in achieving this. Notably, it challenges the assumption that luxury retail environments exclusively evoke positive emotions, introducing the intriguing concept of potential embarrassment. The research's focus on the effectiveness of pop-up stores as an unconventional format for luxury brands is both innovative and practical, grounded in the stimulus-organism-response model. Two experiments provide robust evidence, emphasizing how pop-up stores can reduce anticipated embarrassment, with a nuanced consideration of the moderating factor of "need for uniqueness." In summary, this study significantly advances the theoretical understanding of luxury pop-up retail stores and underscores their potential advantages for luxury brands, offering practical insights for brand management in the dynamic experience-driven retail landscape.

Slaton et al. (2020) research makes a substantial contribution to the retail and brand experience field by effectively applying the experience economy theory to examine the role of brand experience in fostering Consumer Based Brand Equity (CBBE) and purchase intention in the context of a unique retail format, Nordstrom Local. The study's clear purpose, robust methodology involving a survey and structural equation modeling with a substantial sample of 406 responses, and the support of nine out of ten proposed hypotheses provide a strong empirical foundation for its findings. Notably, this research is the first to empirically explore the impact of small, inventory-free retail formats on consumer responses, thus filling a critical gap in existing knowledge. The implications of the study's findings, suggesting that brand experience in this format can effectively build CBBE and positively influence purchase intentions, offer valuable insights for industry professionals adapting to changing consumer preferences.

Apardian et al. (2022) research examines the application of experience economy theory within the craft brewery industry, particularly focusing on brewpubs. It underscores how the industry has transitioned into an experience-driven sector where consumers seek not only the product but also the sensory and social experience, aligning with the principles of the experience economy theory. The study examines the impact of neighborhood characteristics on brewpub performance, distinguishing between urban and non-urban areas. It reveals that brewpub

production volumes are negatively associated with neighborhood property values, while the presence of clustered drinking establishments nearby positively influences performance. This highlights the significance of affordability and the coexistence of similar establishments within the neighborhood for brewpub success. Additionally, the research uncovers that walkability has a significant effect on brewpub performance in non-urban areas, suggesting that enhancing pedestrian-friendly environments can boost production in such settings.

Kim et al. (2019) research seamlessly integrates experience economy principles with grocerants' unique blend of grocery stores and restaurants, providing distinctive customer experiences. The study's examination of these experiences and their links to brand prestige, customer-perceived value, and loyalty is commendable. Using a mall-intercept survey in Korean grocerants lends credibility to the findings, which highlight the positive impact of entertainment and escapist experiences on brand prestige, further influencing functional, hedonic, social, and financial values that contribute to customer loyalty. This pioneering research, the first of its kind to investigate grocerant patron behavior, stands out for its originality, enriching the body of knowledge in the retail context.

Numerous scholars have adopted Schmitt's (1999) experiential marketing paradigm to enhance comprehension of its application in the retail sector. For example, Cachero-Martínez and Vázquez-Casielles (2021) conducted a study exploring the vital role of retail differentiation through shopping experiences. Their research investigates the influence of e-shopping experiences on attitudinal and behavioral loyalty, emphasizing the mediating role of emotional experiences. With a sample of 496 consumers, their findings demonstrate that diverse experiences significantly impact attitudinal loyalty, especially in situations of low website trustworthiness and consumer uncertainty. These experiences also indirectly affect behavioral loyalty through emotional experiences, shedding light on the evolving dynamics of retail in the digital age.

Yoon and Park (2018) expanded the conventional perspective on store loyalty by integrating social factors like social networks and cultural orientation. Their study investigates how shopping experiences influence store loyalty, particularly through store revisit intention and positive word-of-mouth. It also explores the influence of social network traits on positive word-of-mouth. This study offers valuable insights into the multifaceted nature of store loyalty.

Khan et al. (2020) addressed the impact of customer experience (CX) on brand commitment and loyalty, specifically focusing on the role of customer age as a moderator. Results from their research with 423 branded retail customers indicate a positive effect of CX on

affective/calculative commitment and subsequent influence on brand loyalty. Importantly, customer age moderates the relationship between CX and affective commitment, providing valuable insights for businesses aiming to enhance customer loyalty based on customer experience.

Dwivedi et al.'s (2018) research explored the influence of brand experience on profitability by examining its impact on consumers' willingness-to-pay (WTP) a price premium, mediated through brand credibility and perceived uniqueness. Data from 405 new automobile buyers reveals that brand experience directly and indirectly affects WTP, underscoring its significance. This research contributes to experiential marketing, brand management, and pricing strategy, offering practical insights for application.

Park et al.'s (2023) research explore the C2M business model in e-commerce and retail, particularly in the context of the COVID-19 pandemic. The study identified sensory, affective, and intellectual aspects of brand experience that positively impact brand authenticity, leading to favorable outcomes like increased behavioral intention and word-of-mouth. Social presence was found to moderate the sensory aspect of brand experience. These findings emphasize the potential of the C2M model for sustainable retail operations, providing valuable insights for researchers and practitioners in the field.

Shobeiri et al. (2013) examined how experiential values like aesthetics, playfulness, customer return on investment (CROI), and service excellence impact the personalities of e-retailer websites. Empirical evidence supports the proposed model, highlighting meaningful connections between these values and website personality dimensions. Notably, service excellence stands out as a crucial factor affecting all personality dimensions, emphasizing its role in shaping consumer perceptions of online retailers.

Österle et al. (2018) offered a comprehensive exploration of applying experiential marketing theory to B2B branding, enhancing our understanding of this less-explored facet in the retail landscape. Through 37 expert interviews involving operating companies, business visitors, and exhibition designers, the study uncovers vital insights. Notably, it reveals that B2B brand worlds, while sharing experiential techniques with their B2C counterparts, have distinct characteristics. In the B2B context, these brand worlds focus on delivering live product experiences, clarifying complex products, and fostering product awareness. Unlike the B2C sector, B2B visitors prioritize functional benefits for their own business activities. The study emphasizes the role of the "experiencescape" and interactions between visitors, brand employees, and the physical environment in shaping the B2B brand world experience. These

brand worlds act as three-dimensional "business cards" for relationship building and business growth.

Foster & McLelland (2015) introduced a novel approach to applying experiential marketing theory in the retail sector, advocating a departure from conventional fragmented methods of shaping retail atmospheres. It proposes a brand-driven "theme" approach, offering retailers the opportunity to create more engaging shopping environments in line with modern consumers' expectations for immersive experiences. The outcomes include increased shopping enjoyment, positive brand attitudes, and brand loyalty. The research employs T-tests to compare this approach in both the apparel and foodservice retail industries, adding quantitative rigor.

Feenstra et al. (2015) examined in-store edutainment experiences for children, revealing their role in socialization and reverse socialization, highlighting their influence on children's attitudes and family purchasing decisions. The concept of a "fun power vision" is intriguing, emphasizing the mutually beneficial nature of these experiences. The research explores how these experiences create value for children and foster long-term child-retailer relationships. It concludes that such experiences empower children to acquire consumer knowledge and attitudes autonomously, transforming child influence on adult purchasing. This research provides insights for retailers looking to enhance family foot traffic and increase in-store spending.

Japutra et al. (2021) effectively applied experiential marketing theory to investigate the relationship between customer experiences with retailer applications and loyalty towards retailers in the retail industry, making a significant contribution to existing knowledge. Using data from 717 participants in Indonesia, the study examines sensory, affective, and cognitive elements of customer experiences, emphasizing the critical role of affective experience in enhancing "value in use." It also shows that "value in use" mediates the connection between customer experience and satisfaction and loyalty towards retailer applications. Notably, the study reveals that loyalty to the retailer application is linked to loyalty to the retailer, offering practical insights for businesses looking to strengthen customer relationships through digital platforms in the evolving retail landscape.

Moreover, various academics have successfully integrated Van Doorn's (2010) concept of customer engagement behavior (CEB) and Brodie's Customer Engagement Theory (2011) into the retail domain. For instance, Alatalo et al.'s (2018) conceptual research explores the intersection of playfulness and well-being in the retail sector, specifically focusing on service encounters. By proposing a novel conceptual framework, they shed light on integrating

playfulness into the retail work environment, emphasizing its potential impact on employees' well-being. The framework not only identifies interactive relationships intrinsic to the retail setting but also explores the application of playfulness within these dynamics to enhance overall well-being at work. This research contributes a valuable foundation for future studies with practical implications, offering insights into fostering a more engaging and positive work atmosphere in the retail industry.

Prentice & Loureiro (2018) investigate customer engagement with luxury fashion brands, employing a customer-centric approach. Drawing on social motives and positive psychology theories, the study establishes a connection between desire, social value, and consumers' engagement with luxury fashion brands, ultimately influencing their subjective well-being. The research, conducted in a prominent Lisbon venue for luxury fashion, substantiates the significant correlation between social motives and customer engagement, highlighting its impact on individual well-being. Notably, specific customer engagement behaviors are identified as partial mediators in the complex relationship between social motives and well-being. The paper concludes with a thoughtful discussion of these findings and their implications for both academic literature and practical applications in the field.

Molinillo et al. (2021) conducted research that significantly enhances the understanding of customer loyalty within the realm of social commerce platforms. Key findings indicate that the quality of information and service plays crucial roles in shaping perceived value, while factors such as rewards, recognition, and customization show no significant impact. Notably, perceived value emerges as a vital factor influencing customer loyalty in the context of these websites. The detailed analysis also underscores the impact of gender and usage frequency on the relationships within the model.

Cuesta-Valiño et al. (2023) investigate the evolving landscape of retail in the digital era, emphasizing the growing significance of multiple shopping channels and the subsequent transformation in customer behavior. Focusing on supermarkets, the study aims to unravel the complexities of omnichannel commercialization processes and proposes a management model geared towards bolstering loyalty through digitalization strategies anchored in consumer experience. Utilizing a cross-sectional descriptive study approach, the researchers gathered insights from 2,014 participants in Spain through a survey. The application of the Partial Least Square (PLS) method enabled the rigorous testing of hypotheses embedded in the proposed omnichannel management model. The findings highlight the pivotal role of both emotional and rational consumer experiences in shaping satisfaction and engagement within the retail realm.

The implication is clear: businesses must recognize that their endeavors to enhance consumer loyalty are intricately linked to the effectiveness of their actions in cultivating positive emotional and rational interactions. In essence, this research provides valuable insights into the contemporary challenges faced by supermarkets navigating the omnichannel landscape. By underscoring the importance of consumer experience and digitalization strategies, the study contributes a blueprint for retailers aiming to not only adapt but thrive in an era where customer loyalty is deeply intertwined with the quality of their omnichannel engagement.

Raza et al. (2023) explored the rise of "cewebrities" in the fashion industry, specifically focusing on luxury apparel brands. Their investigation examines the impact of fashion cewebrities on opinion leaders and customer engagement, with a special emphasis on the moderating role of social networking in the relationship between opinion leadership and customer engagement. The study affirmed their influence and underscored the mediating role of opinion leaders in enhancing customer engagement. The research suggests that integrating them into product development and promotional strategies can elevate brand equity and profitability for fashion brands.

Japutra et al. (2022) investigated customer engagement with m-commerce apps, utilizing the Stimulus-Organism-Response framework. They identified four crucial dimensions of customer engagement, testing the model with 717 users. The findings demonstrated that relative advantage and perceived challenge positively affected customer enjoyment and control, ultimately leading to increased customer engagement. Additionally, perceived enjoyment acted as a mediator between relative advantage, perceived challenge, and various customer engagement dimensions. This study provided a fresh perspective on user engagement in m-commerce apps, addressing a dimension previously overlooked in favor of adoption-focused studies.

Roy et al. (2018) examined the impact of service quality, service fairness, and service convenience on customer engagement behaviors (CEBs) in the context of retail banking and mobile services. Using partial least square path modeling on survey data, the study revealed that service convenience and perceived service fairness positively influenced CEBs, while service convenience negatively moderated the relationship between service fairness and CEBs. This research contributed valuable insights for both academics and practitioners, shedding light on the role of service convenience, service fairness, and service quality in stimulating customer engagement behaviors.

Roy et al.'s (2023) research investigates the dynamic landscape of digitalized interactive platforms (DIPs), focusing on an online shoe retailing startup. Using a sophisticated hybrid SEM-ANN approach, the study explores the interplay between human psychological needs (autonomy, relatedness, and competence), customer engagement (cognitive, affective, and behavioral), and subjective well-being. The integration of service-dominant logic and self-determination theory provides a robust theoretical framework, elucidating complex relationships within this context. The hypothesis that the satisfaction of psychological needs directly influences subjective well-being, mediated by customer engagement, is compelling and well-supported. Notably, the study uncovers that autonomy and competence significantly impact all dimensions of customer engagement, emphasizing their pivotal role in shaping user interactions on digitalized platforms. Furthermore, the distinction between cognitive, affective, and behavioral engagement is elucidated, revealing that subjective well-being is primarily influenced by affective and behavioral engagement rather than cognitive engagement. Beyond theoretical insights, the findings offer valuable managerial considerations for businesses in the digital realm, prompting a reevaluation of strategies by highlighting the crucial role of cultivating autonomy and competence for enhancing customer engagement and contributing to overall subjective well-being.

Furthermore, several scholars have effectively applied Krishna's (2012) sensory marketing in the retail context. For example, Doucé & Adams (2020) addressed the delicate balance between leveraging atmospheric cues for emotional response and the risk of sensory overload in a store environment. Through a multi-method approach involving two lab experiments and one field experiment, they assessed the effects of introducing high arousal cues in a store environment processed through higher or lower senses on affective reactions, approach behavior, and consumer evaluations. The study identified sensory overload when a third high arousal cue, particularly processed through higher senses, increased perceived arousal but decreased perceived pleasantness. This overload led to reduced approach behavior and evaluations, with mediation analyses revealing the role of pleasure and approach behavior.

Biswas (2019) highlights the crucial role of sensory elements in shaping consumer judgments and purchase behavior, both in offline and online retail settings. Ambient factors such as scent, lighting, and music impact offline shopping experiences, while color, display patterns, and layouts play a significant role in online retail. The eight papers in the special issue explore theoretical and practical aspects of how these sensory elements can influence retail practices. Noteworthy is their managerial relevance, given their ability to non-consciously influence behavior and the ease with which they can be modified. The content encourages further

exploration of underexplored areas and emerging technologies in the realm of sensory influence on retail.

Petit et al.'s (2019) study explored the expanding realm of sensory experiences in the online environment, discussing the evolution of sensory interfaces and the potential for engaging multiple senses beyond just visual and auditory inputs. With advancements in human-computer interaction, the online environment is expected to become more immersive and connected to offline experiences, including emotional senses like touch and possibly even smell. This review serves as a valuable resource to understand the possibilities of sensory marketing in the digital context and encourages future research and development in this field.

Reynolds-McIlnay & Morrin's (2019) research explores the influence of retail transaction auditory confirmation (RTAC) through sounds emitted by diverse technological interfaces, including self-checkout kiosks, credit card readers, mobile apps, and websites. The study posits that RTAC boosts trust in these interfaces by verifying the successful execution of checkout stages, thereby cultivating satisfaction and elevating purchase intention. Furthermore, the research underscores the adverse impact of visual and auditory distractions in retail environments on trust. Notably, the study reveals that simultaneous audio-visual confirmation effectively mitigates these negative effects.

Mulcahy & Riedel (2020) challenged the conventional belief that haptic touch is solely associated with physical retail, introducing the idea that it can enhance mobile retail advertisements. The research presented a comprehensive model that integrates key factors and compares its application in haptic touch and non-haptic touch scenarios, revealing that haptic touch improves the advertisement experience and purchase intentions. Simultaneously, the findings underscored the importance of the promoted brand in non-haptic touch conditions. This study expanded sensory marketing theory and established the potential of haptic touch in digital and mobile retail, paving the way for future exploration and encouraging marketers to integrate sensory elements into digital advertising strategies, potentially transforming brand-consumer interactions in the digital age.

Helmefalk & Hultén (2017) acknowledged the significance of auditory and olfactory stimuli in enhancing the shopping experience. The study demonstrated that such cues positively influenced emotions and key purchase-related factors, such as time spent in the store and purchase decisions. This insight is valuable for retailers, emphasizing the need to create more immersive and appealing store atmospheres by incorporating various sensory elements.

Cowan et al. (2021) explored the strategic use of 360-virtual reality (VR) compared to other media formats by retailers, investigating its impact on consumer attitudes and purchase intentions. The study indicates that 360-VR generally elicits more favorable evaluations than low-presence media, although its effectiveness varies in-store. Interestingly, high consumer product knowledge diminishes the positive impact of 360-VR on brand responses, while low knowledge enhances it. The introduction of haptic instructions mitigates the negative effect of high product knowledge, with mental imagery playing a crucial role in shaping these dynamics. This research sheds light on the nuanced interplay between media types, consumer knowledge, and sensory information in influencing consumer perceptions and responses.

Hagtvedt & Chandukala's (2023) conceptual research explores the motivations that lead consumers to choose physical stores over digital options in our digital-centric era. The study investigates the combination of convenience and interest that brick-and-mortar stores provide, proposing a 2 × 2 typology to categorize store features. It discusses how these features contribute to immersive in-store experiences, emphasizing the role of ambient stimuli in eliciting sensory and aesthetic pleasure. By offering insights into the dynamics of offline shopping, the research suggests potential avenues for future exploration in the realm of immersive retailing.

Moreover, Pansari and Kumar's (2017) customer engagement theory (CET) has found resonance in the retail sector, as evidenced by various scholars. Agrawal and Mittal's (2022) research, for instance, scrutinized 18,452 comments from 97 popular technical product review videos on YouTube posted between January 2018 and June 2021. Employing Poisson and negative binomial regression, the study investigated the impact of emotions expressed in customer engagement content on purchase intentions. The results affirm the relevance of MRT, CET, and SOR theories in both retailing and e-tailing. Introducing a four-factor model, the research provides fresh insights into predicting purchase intentions, incorporating quantitative and qualitative consumer responses through sentiment analysis. The implications of this study are valuable for refining marketing strategies in retailing and e-tailing.

Additionally, Ho et al.'s (2022) research underscores the pivotal role of spatial presence in driving consumer engagement with mobile apps from retailers. It accentuates the significance of interactivity and vividness in creating a realistic shopping experience, thereby boosting customer engagement. The study reveals that spatial presence formation is influenced by an individual's need for cognition and domain-specific interest, with a more pronounced impact on customer engagement for those with high domain-specific interest. This research sheds light

on how mobile app features influence customer engagement and the moderating role of individual traits.

Waqas et al.'s (2022) study explores the connection between branded content experience and consumer engagement on social media, building upon Pansari and Kumar's (2017) customer engagement theory. It identifies co-creative experiences as a key driver of engagement, emphasizing the role of embedding branded content within popular culture. In the realm of social media, where brands seek to connect with consumers, this research fills a gap in understanding consumer experiences and offers insights for practitioners aiming to enhance customer engagement.

Qi et al. (2023) contributes valuable insights through their study grounded in social exchange theory and service logic, examining the complex interplay between employee engagement (EE) and customer engagement (CE). Analyzing 423 employee-customer dyads, the research identifies customer perceived value and employee-customer rapport as essential dual mediators, offering nuanced insights into the pathways through which EE nurtures CE. These findings enrich our understanding of engagement mechanisms, with implications for theoretical advancement and practical application in customer service.

Alvarez-Milán et al.'s (2018) investigation, rooted in social exchange theory (SET), explores the role of customer engagement (CE) as an asset initiated by companies. Drawing from interviews with 41 managers across 34 companies, the study presents a comprehensive strategic customer engagement marketing (CEM) decision-making framework. This framework encompasses five key facets, distinguishing between behavioral and psychological engagement, identifying parties involved, recognizing online and offline contexts, and differentiating controlled absorption from customer-controlled or transformed appropriation. The study recommends an integrative approach to CEM, emphasizing decision options' interconnected nature across these facets. Aligned with SET's focus on cost-benefit ratios and opportunity costs, the research provides insights into potential moderators for the CEM framework, contributing significantly to understanding and optimizing firms' strategies for customer engagement.

Jessen et al. (2020) underscore the increasing importance of Augmented Reality (AR) in shaping early-stage customer experiences during purchase journeys. The study introduces a fresh perspective on how AR fosters customer creativity, highlighting its connection to heightened engagement. The proposed sequential process outlines how AR contributes to customer satisfaction by promoting creative engagement. Empirical support from a customer-

facing AR application experiment validates this mediation process, emphasizing the concrete influence of AR on their customer engagement, creativity, and expected satisfaction. Additionally, the identification of a boundary condition based on regulatory mode theory offers a nuanced understanding, revealing a unique behavioral effect tied to customers' assessment orientation. In summary, the research yields valuable insights into the transformative impact of AR on elevating their customer experiences and influencing the dynamics of creative engagement.

Rudkowski et al. (2020) conducted a qualitative field study on marketplace-based pop-ups (MBPUs), investigating an overlooked aspect of the retail sector. The distinction between marketplace-based and brand-based pop-ups, observed in five MBPUs, provides valuable insights into their roles in the customer journey. The study explores touchpoint ownership and influence, enhancing our understanding of MBPU customer dynamics. Through an extension of an existing framework, the research visually represents purchase stages, touchpoint categories, and journey types, contributing to a holistic view of MBPUs as a multi-stage process. The three identified themes - 'here today gone tomorrow,' 'high-touch low-tech,' and 'ownership and influence' - contribute to a nuanced understanding of MBPUs, emphasizing their complex nature across pre-purchase, purchase, and post-purchase phases. This study highlights that pop-ups are more than singular encounters, evolving into complex customer journey processes across diverse touchpoints.

2.2. Quality analysis of customer experience in retail context

Quality analysis is a critical aspect of the retail industry, involving the evaluation of product and service quality offered by retailers. This field has gained significant attention due to its direct impact on customer satisfaction and loyalty, which are vital for success in today's competitive retail market. Recognizing that customer experience profoundly influences consumers' purchasing decisions and brand loyalty, retail management now places a strong emphasis on understanding and enhancing customer experience quality. Satisfied customers tend to become loyal supporters and brand advocates. Consequently, retailers are increasingly investing in methods to measure and analyze customer satisfaction as a key indicator of experience quality. Numerous studies have highlighted the pivotal role of quality analysis in revealing the strong link between customer experience and its impact on customer satisfaction in the retail context. For example, Liu-Thompkins et al. (2022) examining data from nearly 320 studies spanning five decades, it highlights essential findings. Notably, emotional

experiences, especially in online retail, have become increasingly critical in shaping retailer loyalty, while social drivers are also growing in importance, extending their influence beyond hedonic contexts. Conversely, traditional cognitive drivers like price and product assortment have diminished in impact, indicating a shift in what secures customer loyalty.

Uzir et al. (2021) underscores the significance of adapting strategies to prioritize emotional and social experiences for customer retention, offering valuable insights for both retailers and researchers. The study conducted in Dhaka, Bangladesh, examining the impact of service quality, perceived value, and trust on customer satisfaction within home delivery services, is a notable contribution to quality analysis. Focused on the growing digital sector in a less developed country, it emphasizes key factors in online shopping satisfaction. Using a structured questionnaire and data from 259 respondents, analyzed with partial least square structural equation modeling (PLS-SEM) using SmartPLS, the research supports the significance of service quality, perceived value, and trust in influencing customer satisfaction. Notably, trust acts as a mediator in the relationships between service quality and customer satisfaction, and perceived value and satisfaction. Extending the SERVQUAL model and incorporating perceived value with trust while adhering to expectation disconfirmation theory, this research offers valuable theoretical insights. Additionally, it provides practical guidance for managers to enhance the reliability and trustworthiness of service delivery personnel, which is vital in a competitive digital market where customer satisfaction differentiates businesses.

Méndez et al. (2008) extensively examines manufacturer and store brands across consumer product categories from 1989 to 2004, particularly focusing on food and drink, personal hygiene, and home cleaning markets. A key discovery is the upward trend in store brand quality, as assessed through descriptive and multivariate methods. Importantly, there are no substantial differences in objective quality between manufacturer and store brands, implying consumers can expect similar quality. However, store brands tend to lag behind national manufacturer brands in technologically complex product categories. Price differentials favor store brands, especially when category prices are lower, emphasizing their appeal to budget-conscious consumers. Surprisingly, higher price differentials don't necessarily increase store brand market share. These insights are invaluable for effective brand portfolio management for manufacturers and retailers.

Ying et al. (2021) study addresses the gap in big data analytics within the retail sector, particularly in Singapore. It emphasizes the need to explore its impact on customer satisfaction and organizational performance, using a quantitative research method with 500 participants.

While it identifies social media analytics as a key focus, deeper analysis of specific strategies and outcomes is necessary. Longitudinal studies are recommended to track evolving trends, and incorporating qualitative data could offer deeper insights. Comparing findings with other regions would enhance the study's global relevance.

Kumar & Ayodeji (2021) explores essential factors impacting online store success, especially in relation to customer satisfaction and retention. It reviews existing literature, theories, and models, proposing customer activation and retention models. Five key success factors are identified: service quality, system quality, information quality, trust, and net benefit. The study applies the Means End Chain theory (MEC) and Prospect theory to understand repeat purchase intentions, emphasizing the importance of utilitarian and hedonistic values. A structural equation model based on Indian online shopper data supports the findings, highlighting the significance of enhancing these values to boost customer satisfaction and loyalty.

Kamoonpuri & Sengar (2023) extensively examines factors influencing online store success, customer satisfaction, and loyalty in e-commerce. It reviews existing literature, models, and theories, identifying five essential success factors: service, system, information quality, trust, and net benefit. The study explores repeat purchase intentions, suggesting that both utilitarian and hedonistic values are crucial for customer loyalty. It employs a Structural Equation Model with data from Indian online shoppers to highlight the significance of e-retail success factors in enhancing customer satisfaction and encouraging repeat purchases. This research is a valuable resource for online retailers seeking to thrive in a competitive market by addressing a wide range of customer needs and values.

Tupikovskaja-Omovie & Tyler (2021) research explores the dynamic shifts in digital consumer behavior, particularly in fashion retail due to smartphone adoption. Using a combined approach of Google Analytics and mobile eye tracking, the study uncovers disparities between the two methods. Google Analytics captures only about half of user activities, while eye tracking offers a more comprehensive view. The research suggests that eye tracking can enhance marketing decisions by identifying data gaps and emphasizes the need for innovative tools alongside traditional digital analytics in fashion retail to improve product and service quality.

Goić et al. (2021) research addresses the challenge of creating satisfying shopping experiences in modern retail and its impact on long-term profitability. It introduces a standardized questionnaire and conducts a five-year study across various grocery store formats. Notably, larger store formats are associated with higher customer satisfaction levels, emphasizing the importance of store size and layout. Specific elements of service execution vary across store

formats, underscoring the need for tailored strategies. The concept of loss aversion in shopping experiences highlights the importance of addressing poor performance. The store-level analysis reveals the direct impact of service performance changes within the same store.

Aslam & Davis (2024) explores consumer expectations and experiences with augmented reality (AR) apps in the fashion retail sector. It uses a triangulation qualitative approach and develops a framework for understanding AR's role in this context. Key findings indicate that consumers value AR apps for their immersive shopping experience and advanced features, including 3D visualization. The study identifies features affecting consumer goals, like virtual product try-ons and ease of navigation. It provides insights for app developers to enhance user experiences and create a positive perception of AR apps among consumers, contributing to the rapidly growing AR market.

2.3. Kano model of quality and its application in retail context

In the pursuit of understanding the Experiential Retail Phenomenon, it becomes imperative to explore the complexity of customer perception and quality assessment. This critical exploration is underpinned by the renowned Kano model of quality, a robust framework renowned for its ability to unravel the dynamics of customer satisfaction and its applications in various contexts. The Kano model, a groundbreaking theory in the realm of product development and the pursuit of customer satisfaction, originated in the 1980s through the innovative thinking of Professor Noriaki Kano. Professor Kano was a notable student of Kaoru Ishikawa, the illustrious pioneer known for introducing the Ishikawa diagram (Coleman, 2017). This transformative model emerged from a rigorous scientific study that explored the multifaceted dimensions of quality and their profound implications. Through meticulous research, it revealed a significant insight - the presence of fundamental aspects in evaluating quality (Kano et al., 1984; Kano, 1995). These elements can be categorized as objective quality, characterized by precise adherence to specifications and tangible attributes, and subjective quality, which is intimately connected to the satisfaction of end-users and their comprehensive perception of the product. The true significance of this discovery lies in the complex interplay between these two dimensions of quality. This revelation has not only redefined the landscape of product development but has also revolutionized how businesses approach the challenge of ensuring customer satisfaction, offering priceless insights that continue to shape their strategies for both product creation and enhancement (Fuchs & Golenhofen, 2018; Kiran, 2017).

One of the most remarkable aspects of the Kano model is its ability to uncover latent customer desires. It goes beyond the obvious and taps into what customers may not even consciously realize they want. This is a game-changer for businesses seeking a competitive edge, as it allows them to innovate and surprise customers with features as customer didn't really know what they needed (Chen et al., 2021b). The Kano model offers a comprehensive analysis, evaluation, and prioritization of customer requirements and preferences during the product development stages (goods or services) (Baier & Rese, 2020). It proves to be an invaluable tool for businesses, as it enables a comprehensive understanding of the various ways in which product or service features can impact and shape overall customer satisfaction (He et al., 2023; Wenninger et al., 2022).

In the practical application of the Kano model, quality attributes get sorted into four groups, as outlined by Coleman in 2017:

1. **Must-be Quality (Basic Needs):**
   These are the fundamental things customers naturally expect, forming the baseline for a product or service to be considered acceptable. Failing to meet these basics leads to dissatisfaction, while meeting them doesn't notably enhance satisfaction. Ensuring these needs are met is crucial to avoiding negative experiences and potential rejection.

2. **One-dimensional Quality (Performance Needs):**
   These attributes directly influence customer satisfaction. The better a product or service performs in these aspects, the more satisfied customers become. Continuous improvement of these features is vital for maintaining and boosting satisfaction. Neglecting them results in dissatisfaction, exceeding them increases satisfaction.

3. **Attractive Quality (Excitement Needs):**
   These include attributes that customers may not explicitly request but can significantly delight them. Fulfilling these factors substantially increases customer satisfaction, and their absence doesn't necessarily lead to dissatisfaction. Companies aiming to stand out often focus on these features to excite and retain customers.

4. **Indifferent Quality (Indifferent Needs):**
   These are attributes that don't notably impact customer satisfaction. Customers hold relatively neutral opinions about these features. Including or excluding them can be based on factors like cost or resource constraints without a significant effect on satisfaction.

5. **Reverse Quality (Undesirable element):**

   These involve undesirable elements that, when present, can decrease customer satisfaction. These features may be unexpected or unwanted by a specific group of customers, potentially leading to dissatisfaction. It's crucial to understand and avoid incorporating elements that could unintentionally harm customer satisfaction.

The conditions pertaining to the five quality categories mentioned above will be represented graphically through the Kano model of customer satisfaction chart (see figure 11). The x-axis will be designated as "Fulfillment," while the y-axis will be labeled as "Satisfaction." This model serves to underscore the imperative for business organizations to prioritize the fulfillment of customer-desired elements. It underscores that the ultimate measure of a business's success lies in the extent of customer satisfaction.

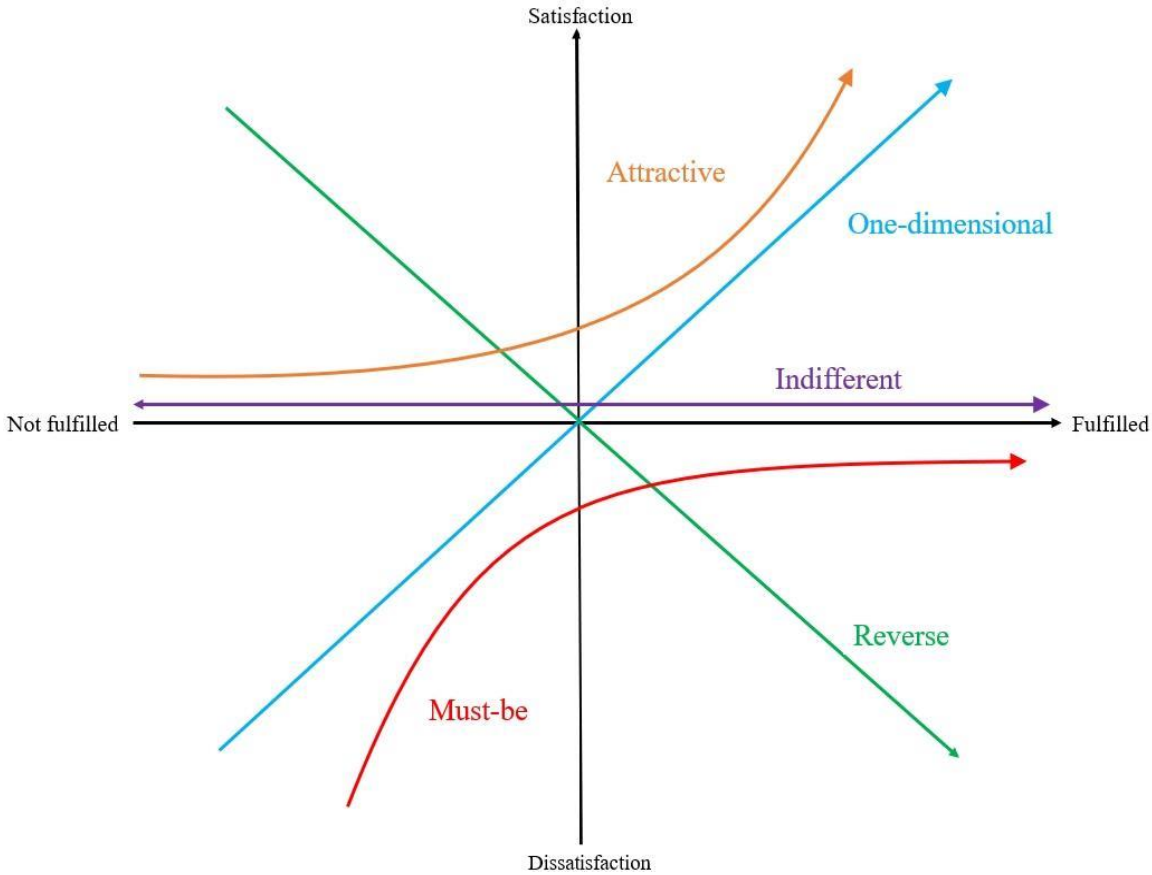


Figure 11. Kano model of customer satisfaction chart
Source: adapted from Siddharth et al., (2021)

Understanding the Kano model empowers businesses to create customer-centric products and services. By identifying and addressing the various quality categories, companies can tailor

their offerings to match customer expectations. This not only leads to higher customer satisfaction but also fosters customer loyalty.

The Kano model's application in the retail context is particularly significant. It allows retailers to gain a deeper understanding of customer needs and desires, helping them tailor their products and services to meet or even exceed these expectations. By categorizing quality features into different dimensions, the model aids retailers in making informed decisions about which features to prioritize in their offerings. This not only leads to more customer-centric products but also contributes to increased customer loyalty and positive word-of-mouth recommendations (Tontini, 2016).

Furthermore, the Kano model can be applied to assess the competitive landscape within the retail industry. Retailers can benchmark their product features against competitors and identify areas where they can gain a competitive edge by focusing on delivering elements that delight customers and set them apart from the competition (Aydin et al., 2023).

Several previous studies have explored the application of the Kano model in the context of retail. Zhang et al.'s (2023) research specifically focuses on online fresh retailing during the pandemic and employs Kano analysis to discern seven customer requirements, with flavor and freshness emerging as the most critical factors. Shokouhyar et al.'s (2020) study emphasizes systematic service improvement and introduces an optimization model rooted in total quality management. This study investigates the influence of after-sales services on customer satisfaction in the retail sector, employing the Kano model to analyze a dataset comprising customers of automobile after-sales services.

Xiao et al. (2022) concentrated on enhancing the design of Mobile Live Streaming Shopping (MLSS) platforms, a swiftly evolving segment of retail e-commerce. They employed Kano model analysis grounded in axiomatic design theory, presenting a three-layer model with thirteen design features. Additionally, they explored consumer variances and prioritization strategies with the goal of augmenting the user experience of MLSS platforms through design optimization.

Liu et al. (2023) employed Kano model analysis to gauge customer satisfaction, classifying mobile phone quality characteristics into five distinct categories. Their research highlighted the significance of quality attributes in attracting customers and influencing retail sales rankings, with an emphasis on the Excitement and Performance attributes.

Chen et al. (2021a) utilized the Kano model to assess passenger satisfaction during international sporting events, with a specific focus on transportation services. Their study encompassed an analysis of various transportation modes, including buses and cars, as well as passenger groups (collective and individual) to pinpoint areas requiring improvement.

Chen (2012) introduced a novel regression analysis approach for categorizing quality attributes based on Kano's model. This approach streamlines data collection compared to Kano's questionnaire and was put to the test within a food and beverage retail chain, yielding promising results. The study concluded that this approach is both practical and effective in classifying quality attributes, surpassing other regression methodologies.

Zielke (2008) investigated price satisfaction within retail stores, particularly focusing on asymmetric effects using Kano's model of customer satisfaction. The research identified that factors such as price level, value for money, and special offers can both satisfy and dissatisfy customers, while factors like price fairness and perceptibility tend to trigger dissatisfaction. Price advertising and high-priced products, on the other hand, exhibit relatively neutral effects, with noteworthy variations observed among distinct customer segments.

Baier & Rese (2020) proposed strategies for brick-and-mortar retailers with online shops to enhance customer satisfaction. They advocated for a Kano-based approach to evaluate options such as new store technologies and online shop enhancements. Their study, conducted on a European sporting goods retailer, revealed that in-store returns, in-store services, reserve & collect, click & collect, customization, product testing, and magical mirrors significantly enhance satisfaction among existing customers. Interestingly, even tech-savvy potential customers shared these preferences, while technologies like geofencing or beacons had a comparatively lesser impact.

2.4. Perceptual disparities among customers demographics in retail context

It is vital for retailers to grasp the disparities in how customers perceive shopping experiences in a retail setting. This section examines existing research on demographic elements that contribute to these disparities. Demographics significantly influence how customers interpret their retail experiences, playing a critical role in understanding perceptual variations. Numerous studies have underscored the significance of various demographic factors in comprehending the realm of retail perception. For instance, Kosiba et al. (2020) explored the world of airport retail, investigating factors such as product relevance, market dynamics, and

service quality concerning patronage intentions. Their research also considered demographic variables such as gender, age, education, and origin, yielding valuable insights into how these aspects impact perceptions.

Hou's (2021) research explored how demographic factors such as age, gender, and education, as well as motivational aspects, influence both the intensity of mobile retail shopping and the overall shopping experience (refer to Figure 12)

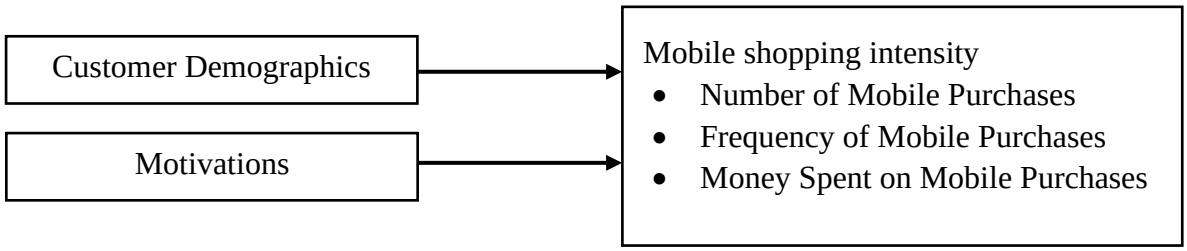


Figure 12. Demographic influence retail shopping intensity
Source: adapted from Hou et al. (2021).

The research uncovered intriguing findings, suggesting that customers' education and income have a notable impact on how involved they are in retail activities. Higher levels of education and income correlated with more frequent retail purchases, increased purchase frequency, and a higher overall spending amount on mobile transactions. Moreover, there were noticeable gender variations, with males spending more on mobile shopping than females. Additionally, the age factor highlighted that younger individuals tend to engage more in mobile purchases compared to their older counterparts. These results emphasize the perceptual and behavioral differences across various demographic groups in the realm of mobile retail shopping.

In a different context, Dominici et al. (2021) used a logit model to explore what drives people to buy food online. They looked at various social-demographic factors such as gender, age, household size, education, marital status, and income. Moving on, Kuruvilla & Joshi (2010) analyzed a wide range of demographic data, including gender, age, marital status, education, family income, family size, children, number of earners, and occupation, to understand the behavior of shoppers in Indian malls. Their focus was on heavy spenders, aiming to create models predicting their presence in catchment areas across eight Indian cities. Bogomolova et al. (2016) contributed insights into grocery shopping efficiency and satisfaction, distinguishing between "fixed" and "per item" times for grocery trips. They considered demographic variables like age, gender, and employment status, drawing data from 1,176 shoppers in Australian supermarkets.

Bruwer et al. (2012) explored wine consumer behavior in the Niagara Peninsula Wine Region in Ontario, Canada, connecting socio-demographics (e.g., gender, age, educational level) and wine preferences with retail choices. They collected 659 surveys through systematic random sampling. Untaru & Han (2021) investigated the impact of protective measures adopted by retail enterprises during the COVID-19 pandemic on customer attitudes and safety perceptions during shopping. They investigated demographic variables, including gender, age, and education.

Expanding on earlier studies, this analysis investigates three major demographic aspects: gender, age, and education. Previous research, notably by Liyanaarachchi (2021), underscores the pivotal roles these factors play in various retail investigations, providing valuable insights across a wide range of phenomena. It's crucial to recognize the substantial impact of age, gender, and education on shaping individuals' behaviors, preferences, and perspectives, as highlighted by Gázquez-Abad et al. (2021). These demographic elements furnish insights that often hold applicability to broader populations, given their foundational relevance to most people, as observed by Ho et al. (2022).

2.5. Conceptual framework

The conceptual framework in research serves as a crucial theoretical foundation that underpins a study. Its role is fundamental in any research project, as it provides structure and guidance for investigating a particular issue or phenomenon. Think of it as a roadmap that helps researchers navigate the complexities of their chosen topic, ensuring that their study is well-organized and logically structured.

Conceptual framework typically draws upon established theories, models, and concepts that are relevant to the research topic. By incorporating this existing knowledge, it situates the study within the broader academic context. This not only offers a backdrop against which the significance and impact of the research can be assessed but also ensures that the study is firmly rooted in established wisdom. In essence, the conceptual framework serves as an intellectual infrastructure, allowing researchers to bridge the gap between the known and the unknown, between existing theories and uncharted territory. It is the cornerstone that helps researchers chart their course in the vast sea of knowledge, ensuring that their exploration is rooted in both established wisdom and their own innovative pursuits.

In this specific research context, it's crucial to understand that the nature of the study is exploratory. The conceptual framework presented in Figure 13 serves to not only highlight that elements of an experiential retail strategy are discerned through exploratory methods but also to emphasize that these elements are restricted by a fundamental understanding of the experiential retail context. This understanding is derived from relevant foundational theories.

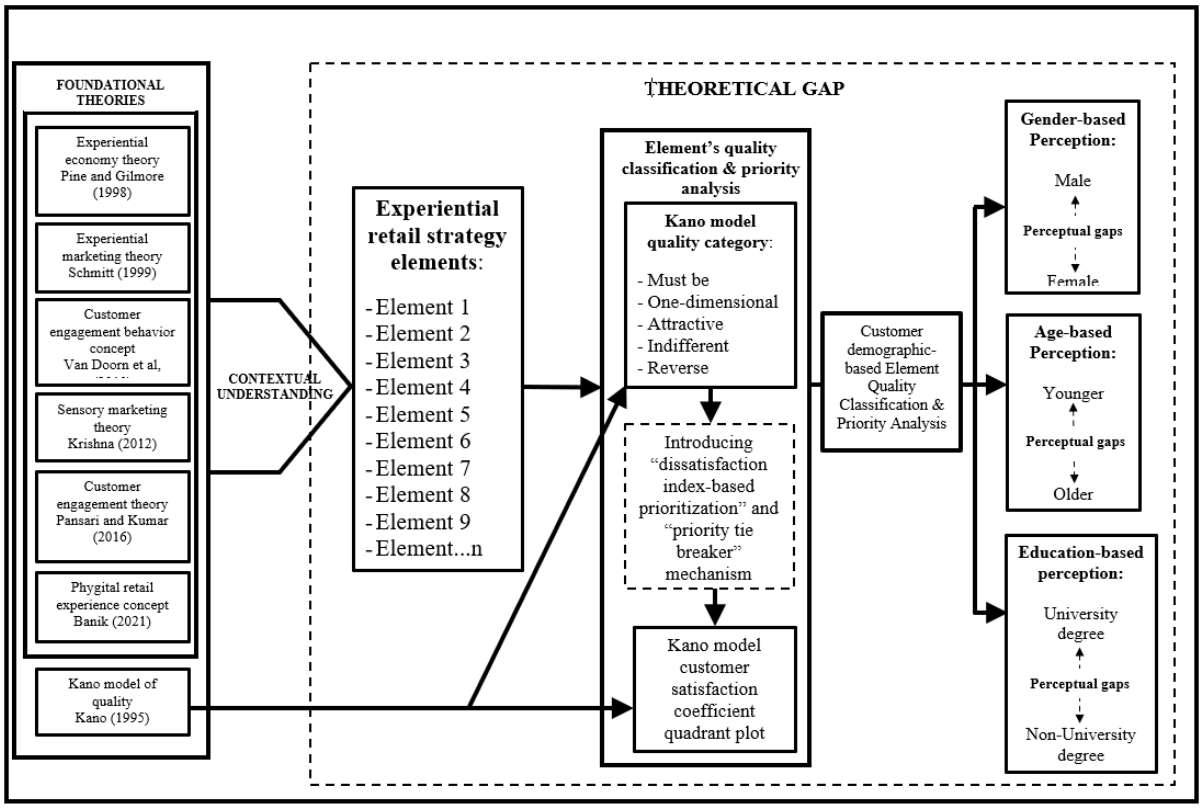


Figure 13. Conceptual framework of the research
Source: Author analysis

This conceptual framework further sheds light on the existence of a theoretical gap within a specific domain of experiential retail. In simpler terms, the research is both discovering new insights about experiential retail strategy phenomenon and building upon existing knowledge in the field of experiential marketing and the economy.

2.6. Theoretical/research gap identified

As previously emphasized, experiential retail plays a crucial role in the retail landscape, with benefits for small and medium-sized enterprises (SMEs). It transcends the traditional shopping paradigm, turning it into a memorable and engaging experience. This evolution not only cultivates customer loyalty but also drives foot traffic, enabling retailers to forge deeper connections with consumers, ultimately bolstering both sales and reputation. However, it's

worth noting that the current body of research on experiential retail and the shopping experience remains somewhat limited.

In the previous section, I examined relevant literature, laying the foundation for the concept of experiential retail and its core elements, including the theory of the experience economy, experiential marketing, customer engagement, and sensory marketing. Furthermore, I explored literature related to demographic segmentation and the Kano model of quality.

Nevertheless, thus far, there is no research that has constructed a model to understand how to identify experiential retail strategy elements and classifying it into several quality categories based on different perceptual customer demographics. This study aims to fill this gap by presenting a comprehensive model for this purpose.

2.7. Research hypotheses

In this research study, the primary goal is to gain valuable insights into customer perceptions regarding the prioritization of Experiential Retail strategies for small and medium-sized retail businesses in Hungary. The aim is to shed light on the relationship between customer demographics and their perceptions of various elements within the experiential retail strategy. The objective is not to establish absolute proof of the hypotheses but rather to provide meaningful insights.

I formulated the following hypotheses based on the premise that customer demographic factors, discussed in Section 2.2, may influence distinct perceptions regarding the prioritization of experiential retail strategy elements. These hypotheses align with the study's objectives and address the gaps identified 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.

These hypotheses may serve as frameworks for understanding certain phenomena experiential retail strategy. It's important to emphasize that these hypotheses are guiding propositions for the research, recognizing that real-world consumer behavior may not always lead to definitive 'proof.' Nevertheless, the study is carefully designed to investigate whether variations in quality perceptions exist among different customer demographics, specifically with regards to gender, age, and education. By doing so, the research aims to contribute to a more comprehensive understanding of how these factors interact with elements of experiential retail strategies. Ultimately, the findings can provide valuable insights to inform strategic decisions within the retail sector.

3. MATERIALS AND METHOD

This chapter discusses the significance of research methodology in this study and the various methodologies available for problem-solving. The research aims to identify, prioritize experiential retail elements for SMEs retail and investigate demographic-based perceptual disparities among customers regarding the importance of experiential retail elements for SMEs retail in Hungary. This chapter provides an overview of the research methodology used, research design, sampling method, questionnaire development, data collection method, data analysis method, and validity and reliability instrument.

3.1. Research methodology

Research Methodology is a structured and systematic framework employed by researchers to methodically collect, analyze, and derive meaningful insights from data. It encompasses a rigorous selection of research methods, data collection tools, and analytical approaches to ensure the reliability and validity of research findings (Ratten, 2023). In essence, it's the roadmap that guides every aspect of the research process.

As emphasized by Pruzan (2016), Research Methodology serves as a comprehensive plan that governs the entire research journey. This includes designing research studies, formulating research questions or hypotheses, selecting data sources, employing sampling techniques, and crafting data analysis strategies. It provides a structured approach to conducting research and generating credible results while adhering to ethical standards. Buys and Oberholzer (2023) assert that research methodology explores not only practical methods but also the philosophical and theoretical foundations of research. It necessitates a critical examination of the underlying epistemological and ontological assumptions in research. Additionally, ethical considerations and principles governing the research process are integral to this framework. In summary, research methodology is a comprehensive and systematic approach that guides every aspect of the research journey. It involves the careful selection of research methods, data collection tools, and analytical approaches to ensure the reliability and validity of research findings. Furthermore, it encompasses the exploration of philosophical and theoretical underpinnings, ethical principles, and practical methods applied within the research process.

In summary, research methodology is a comprehensive and systematic approach that guides every facet of the research process. It involves the careful selection of research methods, data collection tools, and analytical approaches to ensure the reliability and validity of research

findings. Furthermore, it encompasses the exploration of philosophical and theoretical underpinnings, ethical principles, and practical methods applied within the research process. However, for this 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 diagram. 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.

3.2. Research framework

A research framework serves as a foundational concept within the context of a research study. It forms the structural and conceptual model that guides the entire research process, outlining essential components and key concepts, thereby creating a roadmap for the study's execution. Furthermore, it provides a structured blueprint for communicating the research plan.

In this research framework, researcher present a research methodology consisting of two distinct phases. Firstly, during the exploratory phase, we identify elements of experiential retail strategy through semi-structured, in-depth interviews. Subsequently, these elements are categorized based on the five quality categories derived from the Kano model analysis, which is achieved through customer perceptual surveys. To convert these qualitative findings into quantitative data, we calculate percentages based on the frequency or prevalence of specific responses, aligning them with the Kano model's five quality categories. In addition, we assess the frequency of quality attributes associated with each element of the experiential retail strategy using satisfaction and dissatisfaction coefficients. These coefficients enable us to quantify the levels of satisfaction and dissatisfaction experienced by users when interacting with a product or service, following the methodologies outlined in equations 1 and 2 (Berger et al., 1993; Matzler & Hinterhuber, 1998). The classification of elements is also based on the perception of significant customer demographic variables, such as age, gender, and education. This process allows us to investigate potential differences in customer perceptions across various demographic groups. It is important to note that this research framework has been

carefully designed to address the specific research problem at hand and is grounded in the relevant academic literature.

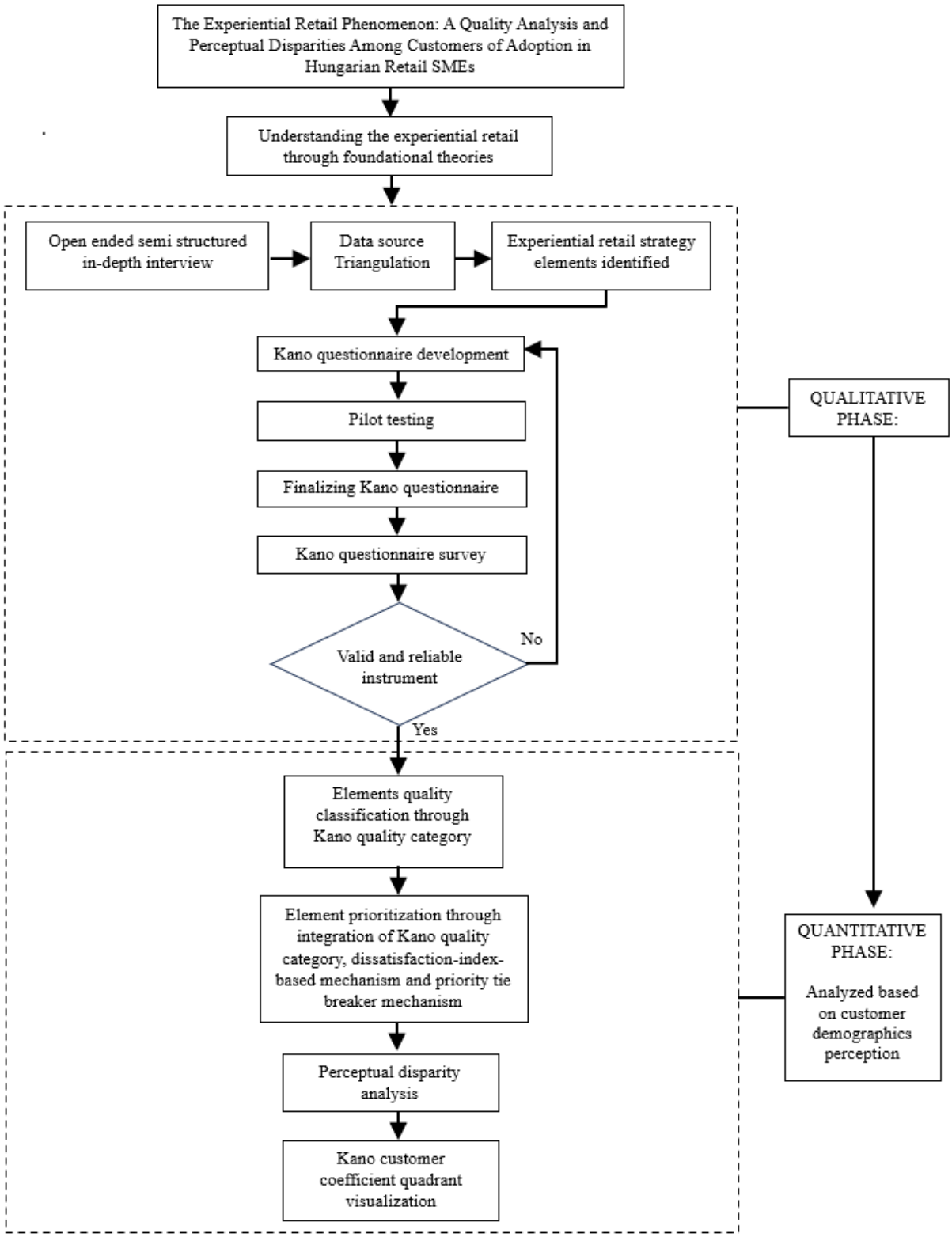


Figure 14. Research framework
Source: Author's elaboration

3.3. Research design

The research in question adopts a mixed methods approach, a research methodology that combines both quantitative and qualitative methods to address complex research inquiries that cannot be effectively tackled by either method in isolation. This approach enables researchers to employ multiple research techniques and gather different types of data, facilitating a synergistic blend of both inductive and deductive reasoning. While this approach is valuable, it's important to emphasize that it can introduce complexity into the research design and necessitate a clear and well-structured presentation. In essence, mixed methods research integrates both quantitative and qualitative research approaches within a single research project (Bell & Bryman, 2019).

Among the various traditional mixed methods designs, this research leans toward the exploratory sequential mixed-method approach. As described by Edmonds & Kennedy (2017), this design unfolds in three phases. In the first phase, data collection and qualitative analysis take precedence, with a primary focus on obtaining qualitative data. In the second phase, informed by insights gained from the initial qualitative exploration, the researcher engages in activities such as creating new variables and designing research instruments intended for use in the subsequent phase. The third phase involves the utilization of these instruments to collect and analyze quantitative data, ultimately enabling the interpretation of results based on quantitative outcomes.

The exploratory sequential mixed methods approach is rooted in the philosophical premise that all exploratory research commences with qualitative exploration, emphasizing a comprehensive understanding of diverse perspectives. As the research evolves into the quantitative phase, it adopts a post-positivist perspective to measure variables and identify statistical trends. This design embraces differing worldviews across phases, culminating in a unified interpretation of findings. Theory development occurs inductively during the early stages, with qualitative data informing the creation of theoretical models, such as grounded theory. Alternatively, existing theories from the literature can be integrated when crafting new measurement tools. This approach effectively marries qualitative insights with established theory, informing various stages of the project (Creswell & Clark, 2018).

However, more specifically, this research employs an exploratory sequential mixed-method approach that integrates a "quantification of qualitative data" combination strategy proposed by Grønmo (2020). This strategy revolves around data collection, initially through a qualitative exploratory approach, and subsequently relies extensively on quantitative techniques for data

analysis. Notably, both approaches draw from the same dataset. Initially gathered as qualitative data, it is later systematically converted into quantitative data during the analysis process, employing statistical methods, resulting in the emergence of quantitative data outcomes.

3.3.1. Sampling method

In the realm of research and data collection, the careful selection of an appropriate sampling method is a pivotal step in ensuring the reliability and representativeness of research findings. The chosen method will dictate how a subset of data is collected from a larger population, enabling researcher to draw meaningful conclusions without the need to examine each individual element. The sampling method in this research is guided by the infinite population principle where it is impossible to know the exact population of all retail customers with certainty. This section elaborates the fundamental concepts and strategies of sampling, shedding light on the diverse techniques used by researchers to effectively gather data. Understanding these principles empowers researchers to navigate the complex process of selecting samples that accurately mirror the traits of the target population, thus facilitating robust and insightful research outcomes. Before determining the specifics of sampling methods, it is crucial to define the target population. This research encompasses participants who are customers of small and medium-sized retail businesses in Hungary. These participants were carefully chosen due to their relevance to our research objectives, representing a significant segment of the customer perception landscape in this geographic region. Purposive sampling has been chosen as the method for this study, given its suitability for obtaining data from specific segments of the population. In the context of a survey on retail customer perceptions in Hungary, this method was particularly valuable in identifying and targeting participants whose characteristics align with our research objectives.

The number of interview samples in the qualitative phase of this research will be determined by data saturation, considering the exploratory nature of the study. Data collection will continue until no new themes or insights emerge from the gathered data, ensuring a thorough depth of understanding. This research conducted ten interviews with ten different individuals in Hungary. This aligns with previous findings that suggest saturation can be reached within a range of 9 to 17 interviews (Hennink & Kaiser, 2022). In the survey phase, this study gathered a total of 392 survey responses through questionnaires, with each subgroup containing more than 90 samples. Given the uncertain population size inherent to this research, the determination of the sample size follows Roscoe's rule of thumb guidelines: (1) Most research

benefits from sample sizes ranging from 30 to 500. (2) When working with subgroups, a minimum of 30 samples per category is recommended. (3) In multivariate research, the sample size should be at least ten times the number of variables. (4) Simple experimental research with rigorous controls can succeed with sample sizes as small as 10 to 20 (Sekaran and Bougie, 2016). Following these criteria, the chosen sample size for this research is appropriate and suitable for its purpose.

3.3.2. Questionnaire development

Analyzing existing literature provides valuable insights into essential aspects of experiential retail. These insights can then be applied to the interview process to identify fundamental components of an effective experiential retail strategy. Subsequently, a comprehensive questionnaire was formulated based on the outcomes of in-depth interviews conducted in the preceding phase. This questionnaire encompasses various topics and is designed to align with the research objectives. The questionnaire is divided into two sections. The first part consists of questions related to initial screening and demographic information of the respondents. In the second section contained closed-ended survey questions that are built upon the Kano model questionnaire (see table 1). An illustrative example of the finalized questionnaire results is presented in Figure 15.

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)

Functional question for interactive display element:

What if the SMEs retail store has interactive displays (Engaging screens for hands-on exploration and interaction with digital content in-store)where you could explore product features and options?

Mark just one oval.

- ◯ I like it that way
- ◯ It must be that way
- ◯ I am neutral
- ◯ I can live with it
- ◯ i dislike it

Dysfunctional question for interactive display element:

What if the SMEs retail store doesn't have interactive displays (no engaging screens for hands-on exploration and interaction with digital content in-store), and you couldn't explore product features and options?

Mark just one oval.

- ◯ I like it that way
- ◯ It must be that way
- ◯ I am neutral
- ◯ I can live with it
- ◯ I dislike it

Figure 15. Example of the final version of questionnaire
Source: Author's elaboration

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".

3.4. Data collection method

In this comprehensive section on data collection methods, I elaborate on the complex process crucial to the foundation of this study. The significance of effective data collection cannot be overstated, as it is paramount in generating reliable and insightful findings. The subsequent discussion provides a detailed exposition on the methodologies employed to gather primary data for the research, underscoring the pivotal role of the data collection approach in enhancing the credibility and validity of the research outcomes.

The initial phase of qualitative data collection aimed at discerning the technical facets of experiential retail involved semi structured, open-ended in-depth interviews lasting approximately 40 minutes. Targeting individuals who had been retail customers in Hungary, a screening question was posed to confirm participants' eligibility: "Have you ever purchased goods or services for personal use from a retailer in Hungary?" Prior to the interviews, the researcher meticulously explained the concept of experiential retail. These interviews focused on a profound exploration of the technical elements of marketing strategy employed by retailers to craft memorable and emotionally engaging experiences. The goal was to understand how these strategies contribute to increased customer loyalty and brand advocacy.

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. The survey was administered through a hybrid approach, integrating both online and face-to-face methods. The online component utilized a Google form, accessible to participants over the internet, while the offline survey involved face-to-face interactions.

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 small and local businesses, including clothing boutiques, grocery stores, bakeries, locally-owned supermarkets, locally-owned franchise convenience stores, pharmacies, local bookshops, local cafes, small food courts, food stalls, or local markets with fewer than 250 employees?" The research adhered strictly to ethical guidelines, ensuring participant consent and anonymity. Rigorous measures were implemented to maintain data confidentiality, and no personally identifiable information was collected.

3.5. Data analysis method

The data analysis method holds a crucial role in empirical research, serving as the key to extracting valuable insights from the gathered information. It provides an extensive overview of the strategies, techniques, and tools used to analyze the collected data during the study. The decisions made in this phase not only impact the research's validity and reliability but also shape the narrative and outcomes of the study.

I examine the fundamental principles of the chosen data analysis method, explain the rationale behind its selection, and present a detailed framework for data handling, processing, and interpretation. Furthermore, I emphasize the importance of transparency and rigor in data analysis, underscoring their pivotal role in ensuring the credibility of research findings. This subsection offers a clear understanding of how the data was transformed into meaningful information, facilitating a deeper comprehension of the research outcomes.

In the qualitative phase of this research, I conducted the following analysis steps:

(1) **Member checking**

In this initial step, interviewers confirm the accuracy of the data collected during the interview. This may involve immediate follow-up questions or clarifications with the interviewee to ensure that the information gathered is reliable and free from misunderstandings. Member checking helps address any potential issues or discrepancies while the interview is still fresh in the participant's memory (Birt et al., 2016; Saldaña, 2016)

(2) **Descriptive coding**:

Descriptive coding, also known as "topic coding," involves summarizing qualitative data passages with a single word or short phrase, typically a noun, to capture the fundamental topic of what is discussed or written. The focus is on the subject matter, with the content representing the substance of the message (Saldaña, 2016)

(3) **Cross-Reference with Supporting Studies**

In this final step, researchers cross-reference the interview findings with existing literature or supporting studies. This helps place the interview data within the broader context of existing knowledge and research. Researchers look for similarities or differences between their findings and those of previous studies, which can provide valuable insights and validation for their results.

This step involves creating a thorough list of elements related to the experiential retail strategy, generating qualitative data. This list serves as the basis for developing the Kano questionnaire to be used in the upcoming survey data collection phase.

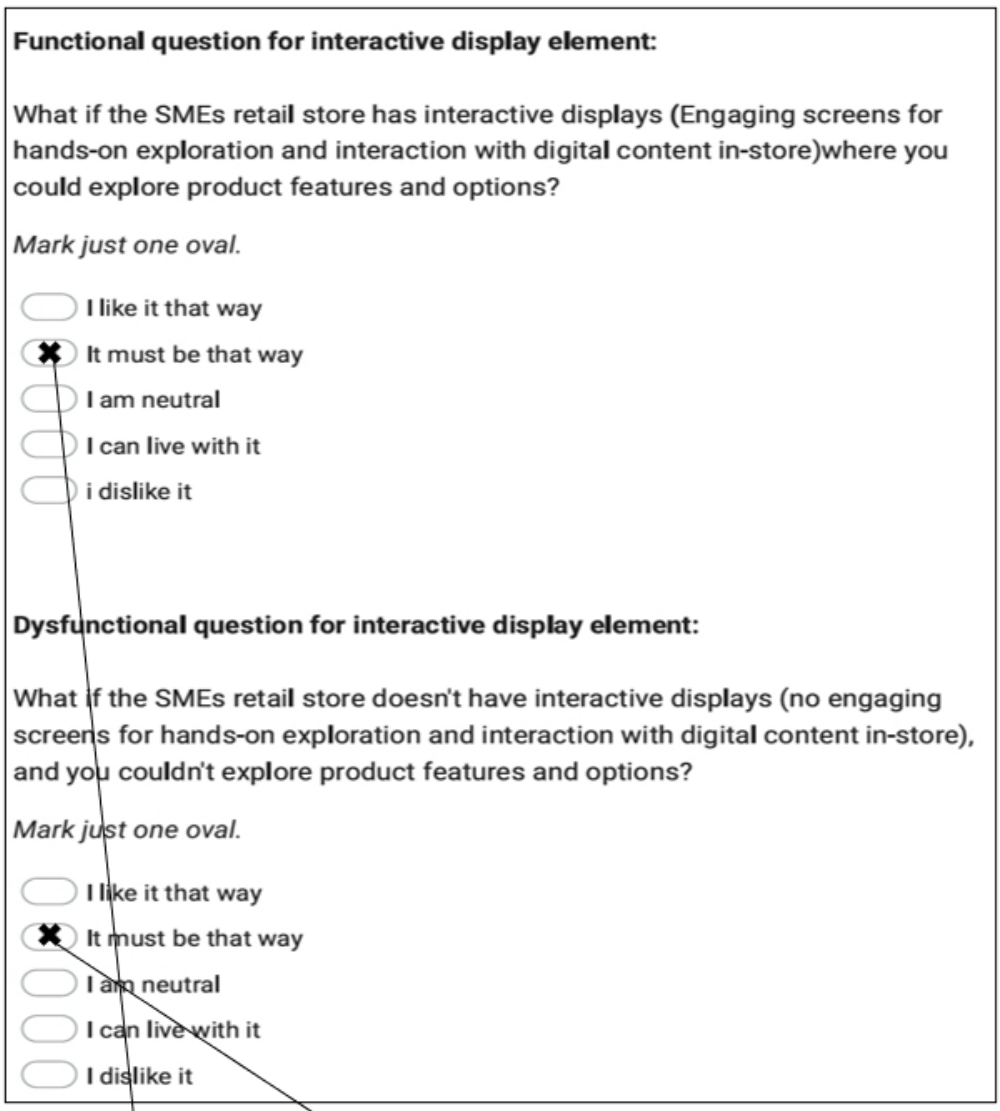
After completing the survey, I analyze the gathered data using the Kano Model Evaluation Matrix. This matrix is a crucial tool for categorizing customer perceptions of various experiential retail strategy elements into Kano quality categories, considering their impact on both customer satisfaction and dissatisfaction. These categories, as explained in Section 2.3, include Attractive, One-Dimensional, Must-Be, Basic, Reverse, and Questionable. They help us understand the quality attributes associated with each element. For a visual representation of the Kano Model Evaluation Matrix, you can refer to Table 2.

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

A =Attractive, O = One-dimensional, M = Must-be, I = Indifferent, R = reverse, Q = Questionable (Kano, 1995).

As previously mentioned, the dataset was derived from a survey conducted with 392 participants utilizing the Kano questionnaire. The subsequent analysis involves classifying the data using the Kano Model Evaluation Matrix. Figure 16 provides an illustrative example of how the survey results obtained through the Kano questionnaire are systematically analyzed and categorized within the framework of the Kano Model Evaluation Matrix.



Functional question for interactive display element:

What if the SMEs retail store has interactive displays (Engaging screens for hands-on exploration and interaction with digital content in-store)where you could explore product features and options?

Mark just one oval.

- I like it that way
- ✖ It must be that way
- I am neutral
- I can live with it
- i dislike it

Dysfunctional question for interactive display element:

What if the SMEs retail store doesn't have interactive displays (no engaging screens for hands-on exploration and interaction with digital content in-store), and you couldn't explore product features and options?

Mark just one oval.

- I like it that way
- ✖ It must be that way
- I am neutral
- I can live with it
- I dislike it

		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

Figure 16. Analysis process of kano model quality classification
Source: kano (1995)

In the subsequent phase, I quantify the data by calculating the frequency of categories derived from 392 survey participant's responses and expressing these frequencies as percentages. To precisely determine quality attributes for each element, I select the attribute category with the

highest percentage, serving 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.
- 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.

The prioritization of elements is as follows: "must-be" is the highest priority, followed by one-dimensional elements, and then Attractive and Indifferent categories. This prioritization is determined by the urgency towards customer satisfaction (Jiang et al., 2023).

Subsequently, the frequency percentages of quality attribute categories related to the experiential element strategy are used to calculate the customer satisfaction and dissatisfaction index score. This step, known as the customer satisfaction coefficient, introduced by Berger et al., 1993, measures the increase in satisfaction during a specific service and the decrease in satisfaction (increased dissatisfaction) when a certain element or service is not experienced. Equations 2 and equation 3 are employed for this calculation.

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

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

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.
- SI represents dissatisfaction index value of the elements.

The closer the customer satisfaction index score is to 1, the stronger the increase in customer satisfaction when receiving a particular service or element. Conversely, the closer the customer dissatisfaction index score is to -1, the stronger the increase in customer dissatisfaction. When both scores approach 0, the degree of increase in satisfaction or decrease in satisfaction (increase in dissatisfaction) is weaker.

The dissatisfaction index score is also utilized to determine the priority of each element. As this score reflects the degree of dissatisfaction if the element is unavailable or unfulfilled. I call this as "dissatisfaction index-based prioritization" mechanism. The experiential retail strategy element with the highest dissatisfaction index score (closest to -1) takes precedence, signifying its urgency for prioritization 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.

In case there are elements with identical dissatisfaction index scores, the priority determination will also consider the satisfaction index score. The element with the higher satisfaction index will be prioritized. The researcher calls this mechanism as "priority tie breaker" as explain in 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 of specific experiential retail elements strategy.
- SI_{e_1} Represent satisfaction Index of specific experiential retail elements strategy.
- DI represents dissatisfaction index value of the elements.
- SI represents dissatisfaction index value of the elements.

The graphical representation in Figure 17 known as visually displays the results, affirming the arrangement of technical variables in a two-dimensional quadrant chart, corresponding to the four quality attributes. Leveraging customer satisfaction coefficients, which range from 0 to 1, offers valuable insights into the relative importance of different elements. Integrating these coefficients enables the anticipation of priority elements, facilitating the creation of a strategic framework that caters to customer preferences based on these prioritized quality attributes.

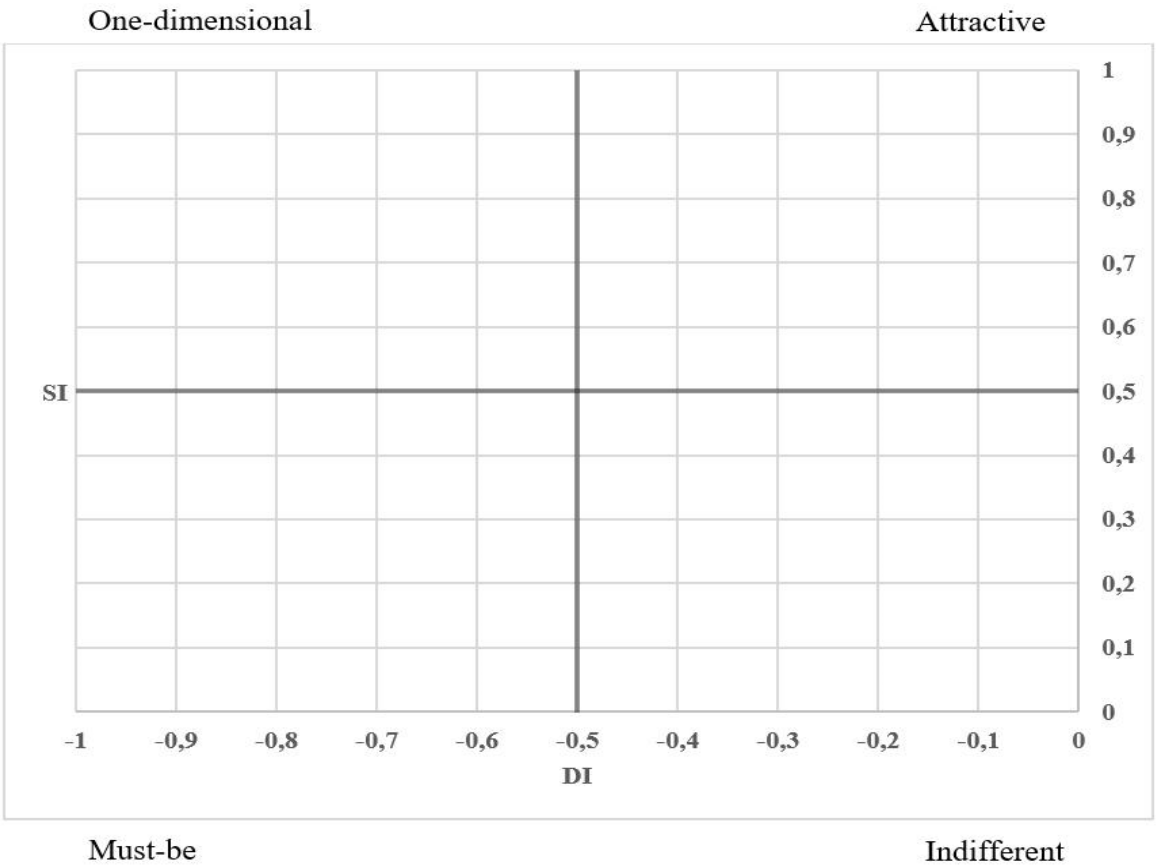


Figure 17. Kano model customer satisfaction coefficient quadrant plot
Source: Kano (1995)

This entire methodology aligns with the principle of mixed methods, incorporating the quantification of qualitative data as proposed by Grønmo (2020). Data collection

predominantly takes a qualitative approach, while data analysis leans toward the quantitative side. Nonetheless, both approaches draw from the same data, with qualitative data being quantified during the analysis process.

These analysis steps collectively form a structured approach to making sense of interview data, ensuring its validity and reliability, and integrating it with existing knowledge to draw meaningful conclusions and insights.

3.6. Validity and reliability

In the realm of research, the primary goal is to produce meaningful and dependable findings. This section explores the critical concepts of reliability and validity, which serve as the foundation for research's credibility and integrity. Reliability concerns the consistency and stability of measures across different situations and over time, while validity deals with the accuracy and appropriateness of the measures and methods used to evaluate the research construct. Understanding and addressing these issues are essential to ensure the rigor and trustworthiness of the study's findings, cementing its significance in the academic world. This section provides a detailed explanation of the strategies used to establish data and instrument validity and reliability in this research, emphasizing their importance in maintaining research quality.

To enhance reliability and validity, this preliminary exploratory research employs a triangulation approach in qualitative data collection. Triangulation is a well-recognized method in the social sciences, particularly in qualitative research. It involves using multiple sources, methods, and perspectives to investigate a research problem. This methodology is crucial for ensuring the reliability and credibility of research findings. Triangulation can take various forms, including data source triangulation, methodological triangulation, theoretical triangulation, and researcher triangulation. This approach minimizes the risk of measurement errors and bias by utilizing multiple data sources and methods. When findings align across different sources or methods, it enhances result reliability and validity by confirming and validating them through diverse sources or perspectives.

In this research, data source triangulation is applied during the initial exploratory qualitative data collection. The aim is to collect data from various sources using a single data collection method, ensuring a diverse representation of participants based on factors like age, gender, ethnicity, and educational level. Data is gathered at different times and locations, with each

participant being interviewed on separate days. Furthermore, this research integrates method triangulation by employing more than one form of data collection procedure, such as in-depth interviews and surveys, and theory triangulation by employing more than one form of theory to comprehensively analyze elements of experiential retail strategy.

In the subsequent phase, statistical tests using SPSS 25 are conducted to assess reliability and validity. For reliability, the Cronbach's alpha coefficient is used to evaluate the reliability of each construct, all of which exhibit coefficients greater than 0.7. These Cronbach's alpha coefficients for interactive displays, pop-up stores, in-store events, gamification, digital signage, art installation, immersive theme, social media integration, personalization, seamless omnichannel retailing, product testing (demonstration), sensory experience, interactive social space, storytelling, and loyalty programs range from 0.814 to 0.952, indicating consistently high reliability throughout. Following this, tests for convergent and discriminant validity are conducted to gain insights into the relationships between these constructs (Sekaran & Bougie, 2016)

Discriminant validity aims to demonstrate that the instrument can distinguish between different constructs or factors, thereby preventing items in the questionnaire from exhibiting high correlations with items measuring unrelated concepts. Convergent validity evaluates whether items measuring the same construct are correlated with each other, confirming that items within a single construct effectively measure the same underlying concept.

In the convergent validity tests, factor loadings exceed 0.5 (ranging from 0.554 to 0.937) for all measures, confirming that the composite reliabilities of all constructs (ranging from 0.78 to 0.86) surpass the suggested 0.7 cutoff. The average variance extracted (AVE) for each construct also exceeds 0.5 (ranging from 0.57 to 0.68), confirming robust convergent validity within our research model.

4. RESULT AND DISCUSSION

4.1. Profile Respondents

The primary goal of this study is to investigate the elements within retail strategies aimed at enhancing the customer experience. Subsequently, the researcher will assess how customers perceive these elements in the context of SMEs retail, taking into consideration demographic factors such as gender, age, and education. The objective is to rank these retail strategy elements based on customer perceptions and explore any differences among them.

The interview dataset comprises a total of eleven data points from ten different participants. Among these participants, seven are male, and four are female. In terms of age distribution, three fall within the 19-30 age range, while the majority, six participants, belong to the 31-40 age group. It's important to note that most interview participants hold a university degree, with nine out of the eleven participants meeting this criterion (as presented in 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

Source: Author's analysis

The survey dataset consists of 392 data points. Among these, 329 participants were included. Of these participants, 58.16% are identified as male, while 41.84% are categorized as female. The age distribution of respondents is divided into two categories: the "younger" category, which includes individuals from Generation Z, millennials, or those aged 21-42, and the "older" category, which includes Generation X, baby boomers, or those aged 42 and older. The largest segment of the sample, accounting for 64.54%, falls within the 21-42 age range (young category). Furthermore, Table 4 visually demonstrates that over 75% of survey respondents have attained a higher educational degree.

Table 4. Survey respondent demographics

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

Source: Author's analysis

4.2. Qualitative phase result

In the qualitative part of this study, the researcher identified fifteen technical elements crucial for improving the experiential aspects of retail strategies. These findings offer valuable insights into the different components that contribute to creating immersive and engaging retail experiences. 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 settings. This qualitative analysis lays the groundwork for our in-depth exploration of experiential retail strategies in the subsequent research phases. The elements are thoroughly examined and detailed in Table 5, along with descriptions and relevant supporting studies.

Table 5. Elements of experiential retail strategies Identified

No	Elements	Descriptions	Supporting studies
1	Interactive display	Engaging screens for hands-on exploration and interaction with digital content in-store.	(Nöjd et al., 2020; Pantano et al., 2022; Roy et al., 2017)
2	Pop-up store	Temporary, exclusive retail spaces that showcase specific products or brands, creating a sense of urgency and exclusivity.	(Henkel & Toporowski, 2021; Klein et al., 2016; Ye et al., 2023)
3	In-store event	Special occasions such as product launches or workshops held in-store to attract and excite customers.	(Sands et al., 2009; Sands et al., 2015;

4	Gamification	Incorporating game elements like challenges and rewards to make the shopping experience interactive and entertaining.	(Poncin et al. 2017; Hsu, 2023)
5	Digital signage	Dynamic screens conveying information and captivating visuals to enhance the store's appeal.	(Garaus et al., 2017; Garaus & Wagner's, 2019)
6	Art installation	Artistic elements in-store enhance shopping, creating a unique atmosphere, engaging customers, and encouraging brand interaction.	(Downey & Sherry (2022); Joy et al., 2014; Naletelich & Paswan, 2018)
7	Immersive theme	Transporting customers to captivating and themed environments, creating a unique shopping experience.	(Borghini et al. 2009; Foster & McLelland, 2015)
8	Social media integration	Linking the retail experience with social media platforms for sharing, interaction, and exclusive promotions.	(Hsu & Tang, 2020; Muninger et al., 2019)
9	Personalization	Customizing the shopping experience based on individual customer preferences using data and technology.	(Lambillotte et al., 2022; Riegger et al., 2022)
10	Seamless omnichannel retailing	A seamless, consistent shopping experience across online and offline channels.	(Hsia et al., 2020; Yin et al., 2022)
11	Product testing (Demonstration)	Opportunities for customers to try and experience products physically or virtually (using technology such VR and AR) before making a purchase.	(Ert et al., 2016); Park et al., 2021)
12	Sensory experience	Stimulating environments that engage customers' senses through lighting, music, scent, and texture.	(Li et al., 2023; Castillo-Villar & Villasante-Arellano, 2020)
13	Interactive social space	Areas fostering customer interaction and community engagement within the store.	(Ham et al., 2021; Thomas et al., 2020).
14	Storytelling experience	Engaging narratives, visuals, and immersive technologies that connect customers emotionally with the business.	(Chapman & Dilmperi, 2022)
15	Loyalty program	Rewards system where customers earn points or benefits for their continued patronage, which can be redeemed for discounts, free products, or other incentives.	(Bruneau et al., 2018; Chen et al., 2021c)

Source: Author's analysis

4.3. Quantifying the qualitative result

In this phase, the data quantification process involves calculating the frequencies of close-ended survey responses within Kano quality categories for each element of the experiential retail strategy, presented as a percentage. The data is derived from a total of 392 participant surveys, and the results will be detailed based on three different demographics (gender, age, and education). The proportion values assigned to are indicated as percentage, calculated utilizes the equation 1 that previously proposed in data analysis method section.

4.3.1. Gender-based quantification result

I present the quantification of data results according to customer gender. The presented findings include quantitative weights in the form of percentages, calculated from a total of 228 samples for male customers and 164 samples for female customers. For a more detailed breakdown, Table 6 displays the results related to male samples, while Table 7 presents findings associated with female samples. This allows for a clearer understanding of the gender-specific aspects of the research.

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Table 6. Kano quality ratings for male customers

No	Elements	A	O	M	I	R	Q
1	Interactive display	20.18	61.84	12.28	5.70	0.00	0.00
2	Pop-up store	59.21	18.42	14.04	8.33	0.00	0.00
3	In-store event	55.70	26.76	4.82	12.72	0.00	0.00
4	Gamification	56.58	10.96	3.51	28.95	0.00	0.00
5	Digital signage	16.67	51.76	24.56	5.26	0.00	1.75
6	Art installation	64.04	16.23	7.89	10.96	0.88	0.00
7	Immersive themes	20.18	43.42	34.65	1.75	0.00	0.00
8	Social media integration	10.53	21.05	61.84	6.58	0.00	0.00
9	Personalization	23.25	41.67	18.42	11.84	4.82	0.00
10	Seamless Omnichannel retailing	10.53	12.72	71.49	5.26	0.00	0.00
11	Product testing (Demonstration)	46.05	26.75	4.39	22.81	0.00	0.00
12	Storytelling experience	57.89	9.65	25.44	7.02	0.00	0.00
13	Sensory experience	52.19	11.84	8.34	27.63	0.00	0.00
14	Interactive social space	5.26	21.05	9.65	64.04	0.00	0.00
15	Loyalty program	28.07	14.47	6.14	51.32	0.00	0.00

Source: author's analysis

Table 7. Kano quality ratings for female customers

No	Elements	A	O	M	I	R	Q
1	Interactive display	56.10	25.00	14.63	4.27	0.00	0.00
2	Pop-up store	68.29	6.71	9.76	15.24	0.00	0.00
3	In-store event	54.27	27.44	6.71	10.36	0.00	1.22
4	Gamification	59.15	14.02	7.32	19.51	0.00	0.00
5	Digital signage	57.32	7.92	29.88	4.88	0.00	0.00
6	Art installation	73.78	11.59	12.80	1.83	0.00	0.00
7	Immersive themes	55.49	29.27	3.66	11.58	0.00	0.00
8	Social media integration	6.71	52.44	37.80	3.05	0.00	0.00
9	Personalization	62.19	7.32	21.34	5.49	3.66	0.00
10	Seamless Omnichannel retailing	16.46	53.66	23.78	6.10	0.00	0.00
11	Product testing (Demonstration)	3.66	65.85	26.22	4.27	0.00	0.00
12	Storytelling experience	64.63	18.90	3.66	12.81	0.00	0.00
13	Sensory experience	31.10	51.22	5.49	12.19	0.00	0.00
14	Interactive social space	26.83	55.49	7.32	10.36	0.00	0.00
15	Loyalty program	23.17	12.80	59.76	4.27	0.00	0.00

Source: author’s analysis

Table 6 and 7 present data related to experiential strategy elements categorized by customer gender perspectives. It is evident that, for male customers, social media integration (M=61.84%) and seamless omnichannel retailing (M=71.49%) are classified as "Must-be" qualities. These findings underscore the significance of incorporating these elements into the retail experience strategy for SMEs retail in Hungary to prevent disappointing male customers. This also underscores the growing importance of social media in marketing to engage male customers and enhance their satisfaction. Additionally, maintaining a consistent shopping experience across diverse channels is crucial for retaining male customers. For female customers, loyalty programs (M=59.76%) are categorized as "Must-be" qualities, indicating that loyalty programs are significant in satisfying female customers.

Regarding one-dimensional quality attributes, for male customers, Interactive displays (O=61.84%), digital signage (O=51.76%), immersive theme (O=43.42%) and personalization (O=41.67%) with a satisfaction coefficient (SI=0.68, DI=-0.63) are classified as one-dimensional qualities. For female customers, social media integration (O=52.44%), seamless omnichannel retailing (O=53.66%), product testing (demonstration) (O=65.85%), sensory experience (O=51.22%) with a satisfaction coefficient (SI=0.82, DI=-0.57), Interactive social

space (O=55.49%), are classified as one-dimensional qualities. These results align with the research findings of Kim et al. (2023), which indicated that sensory value significantly impacts satisfaction and preference for fashion brands targeting young female customers.

Results on attractive quality attributes for different customer genders indicate that Pop-up stores (A=59.21%), in-store events (A=55.70%), gamification (A=56.58%), art installations (O=64.04%), product testing (demonstration) (A=46.05%), storytelling experiences (A=57.89%) and sensory experiences (A=52.19%) are considered attractive qualities for male customers. On the other hand, for female customers, their preferences lean towards different aspects. Interactive displays (A=56.10%), Pop-up stores (A=68.29%), in-store events (A=54.27%), gamification (A=59.15), digital signage (A=57.32), art installations (A=73.38%), immersive theme (A=55.49%), personalization (A=62.19), and storytelling experiences (A=64.63) are identified as attractive qualities for female customers.

In terms of indifferent quality attributes for different customer genders, male customers perceive interactive social space (I=64.04%) and loyalty programs (I=51.32%) as attractive qualities. Surprisingly, there is no specific attribute categorized as indifferent for female customers, indicating that female customers may have more distinct and pronounced preferences.

4.3.2. Age-based quantification result

Table 8 and 9 present the percentage distribution of quality attribute categories for each element of the experiential retail strategy based on gender. The results encompass 253 younger customer samples and 139 older customer samples. The outcomes for male samples are depicted in Table 8, while the outcomes for female samples are outlined in Table 9.

Table 8. Kano quality ratings for younger customers

No	Elements	A	O	M	I	R	Q
1	Interactive display	21.34	55.73	16.60	6.32	0.00	0.00
2	Pop-up store	60.48	11.46	13.83	14.23	0.00	0.00
3	In-store event	61.26	15.42	6.72	16.60	0.00	0.00
4	Gamification	69.17	16.60	5.14	9.09	0.00	0.00
5	Digital signage	28.85	43.87	22.93	4.35	0.00	0.00
6	Art installation	68.38	16.21	12.25	3.16	0.00	0.00

7	Immersive theme	19.37	48.22	28.06	4.35	0.00	0.00
8	Social media integration	4.35	24.11	68.77	2.77	0.00	0.00
9	Personalization	28.85	35.57	28.06	5.53	1.98	0.00
10	Seamless Omnichannel retailing	6.72	18.18	72.73	2.37	0.00	0.00
11	Product testing (Demonstration)	36.36	28.46	15.02	20.16	0.00	0.00
12	Storytelling experience	60.08	16.20	20.95	2.77	0.00	0.00
13	Sensory experience	37.55	27.67	9.49	25.30	0.00	0.00
14	Interactive social space	15.81	50.59	10.28	23.32	0.00	0.00
15	Loyalty program	28.85	17.39	11.07	42.69	0.00	0.00

Source: author's analysis

Table 9. Kano quality category values for older customer

No	Elements	A	O	M	I	R	Q
1	Interactive display	60.43	29.50	7.19	2.88	0.00	0.00
2	Pop-up store	67.63	17.27	9.35	5.75	0.00	0.00
3	In-store event	43.88	48.20	3.60	2.88	0.00	1.44
4	Gamification	36.69	4.32	5.03	53.96	0.00	0.00
5	Digital signage	42.45	14.39	29.49	10.79	0.00	2.88
6	Art installation	67.63	10.79	5.75	14.39	1.44	0.00
7	Immersive theme	63.31	17.99	10.07	8.63	0.00	0.00
8	Social media integration	17.27	52.52	20.86	9.35	0.00	0.00
9	Personalization	58.99	12.23	4.32	15.83	8.63	0.00
10	Seamless Omnichannel retailing	24.46	51.08	12.95	11.51	0.00	0.00
11	Product testing (Demonstration)	13.67	69.78	10.79	5.76	0.00	0.00
12	Storytelling experience	61.87	8.63	7.91	21.58	0.00	0.00
13	Sensory experience	53.96	29.50	2.88	13.67	0.00	0.00
14	Interactive social space	11.51	7.91	5.76	74.82	0.00	0.00
15	Loyalty program	20.86	7.19	60.43	11.51	0.00	0.00

Source: author's analysis

Table 8 and 9 provide an in-depth analysis of experiential strategy elements, focusing on their variation across different customer age groups, shedding light on the critical elements influencing customer satisfaction and disappointment. Two key elements emerge as crucial for young customers: social media integration and seamless omnichannel retailing. For young customers, the data indicates that social media integration is a "Must-have" element, with an impressive rating of 68.77%. This implies that incorporating social media into the retail experience is vital, as customers in this age group expect it. Failure to provide this element can

result in significant dissatisfaction for young customers, underscoring the increasing importance of social media in marketing. To maintain and elevate customer satisfaction, businesses must leverage social media platforms effectively to engage young customers. Additionally, seamless omnichannel retailing also emerges as a "Must-have" element for young customers, with a rating of 72.73%. This suggests that young customers highly value a seamless shopping experience across various channels and expect businesses to provide this. Therefore, SMEs in Hungary must prioritize the incorporation of seamless omnichannel retailing in their strategy to meet the expectations of young customers, as failing to do so can lead to significant dissatisfaction among this demographic. Turning our attention to older customers, the data indicates that loyalty programs are a "Must-have" element for them, with a rating of 60.43%. This emphasizes that loyalty programs are a fundamental requirement in the retail experience for older customers. For Hungarian SMEs retailing to older customers, having a well-structured loyalty program is non-negotiable, and neglecting this essential element can result in disappointment among older customer segments.

Results for one-dimensional quality attributes for different customer age groups show that Interactive displays (O = 55.73%), digital signage (O = 43.87%), immersive theme (O = 48.22%), personalization (O = 35.57%), and interactive social space (O = 50.59%) are classified as one-dimensional qualities for young customers. For older customers, in-store events (O= 48.20%), social media integration (O= 52.52%), seamless omnichannel retailing (O= 51.08%), and product testing (demonstration) (O= 69.78%) are classified as one-dimensional qualities.

Results for attractive quality attributes for different customer age groups indicate that pop-up stores (A= 60.48%), in-store events (A= 61.26%), gamification (A= 69.17%) with a satisfaction coefficient (SI= 0.86, DI= -0.22), art installation (O= 68.38%), product testing (demonstration) (A= 36.36%), storytelling experience (A= 60.08%), and sensory experience (A= 37.55%) are classified as attractive qualities for young customers. For older customers, interactive displays (A= 60.43%), pop-up stores (A= 67.63%), digital signage (A= 42.45), art installation (A= 67.63%), immersive theme (A= 63.31%), personalization (A= 58.99), storytelling experience (A= 61.87), and sensory experience (A= 53.96) are classified as attractive qualities. Results for indifferent quality attributes for different customer age groups show that loyalty programs (I= 42.69%) are classified as indifferent qualities for young customers. For older customers, interactive social space (I= 74.82%) is classified as an indifferent quality.

4.3.3. Education-based quantification result

Table 10 and 11 present the frequency percentages of quality attributes across different educational level groups within the experiential retail strategy. The data, gathered from 297 customers with university degree and 95 customers without university degree reveals insights into each element. Specifically, Table 10 presented result findings for the customer with university degree demographic, while Table 11 details results for the customer without university degree.

Table 10. Kano quality ratings for customers with university degree

No	Elements	A	O	M	I	R	Q
1	Interactive display	29.97	55.89	10.44	3.70	0.00	0.00
2	Pop-up store	71.38	13.13	8.08	7.41	0.00	0.00
3	In-store event	62.96	21.21	2.36	13.47	0.00	0.00.
4	Gamification	60.94	10.77	4.71	23.57	0.00	0.00
5	Digital signage	31.31	39.73	24.92	4.04	0.00	0.00
6	Art installation	73.40	13.80	7.07	5.72	0.00	0.00
7	Immersive theme	37.04	46.13	10.77	6.06	0.00	0.00
8	Social media integration	7.74	27.27	61.28	3.70	0.00	0.00
9	Personalization	47.47	26.94	11.45	9.43	4.71	0.00
10	Seamless Omnichannel retailing	12.12	25.59	60.27	2.02	0.00	0.00
11	Product testing (Demonstration)	34.34	41.08	13.13	11.45	0.00	0.00
12	Storytelling experience	62.96	15.82	17.17	4.04	0.00	0.00
13	Sensory experience	48.48	30.98	7.41	13.13	0.00	0.00
14	Interactive social space	13.80	28.96	9.76	47.47	0.00	0.00
15	Loyalty program	17.51	14.81	28.28	39.39	0.00	0.00

Source: author's analysis

Table 11. Kano quality ratings for customers without university degree

No	Elements	A	O	M	I	R	Q
1	Interactive display	51.58	16.84	22.11	9.47	0.00	0.00
2	Pop-up store	36.84	14.74	25.26	23.16	0.00	0.00
3	In-store event	30.53	45.26	15.79	6.32	0.00	2.10
4	Gamification	47.37	16.84	6.32	29.47	0.00	0.00
5	Digital signage	41.05	13.68	32.63	8.42	0.00	4.21
6	Art installation	51.58	15.79	18.95	11.58	2.10	0.00
7	Immersive theme	28.42	10.53	55.79	5.26	0.00	0.00
8	Social media integration	12.63	55.79	22.11	9.47	0.00	0.00
10	Personalization	14.74	28.42	45.26	8.42	3.16	0.00
11	Seamless Omnichannel retailing	15.79	46.32	21.05	16.84	0.00	0.00
12	Product testing (Demonstration)	9.47	49.47	14.74	26.32	0.00	0.00
13	Storytelling experience	53.68	6.32	13.68	26.32	0.00	0.00
14	Sensory experience	27.37	20.00	6.32	46.32	0.00	0.00
15	Interactive social space	15.79	55.79	5.26	23.16	0.00	0.00
16	Loyalty program	52.63	10.53	29.47	7.37	0.00	0.00

Source: author's analysis

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Table 10 and 11 present data on experiential strategy elements from the perspectives of customers with varying education levels. The findings reveal that for those with a university degree, social media integration (M= 61.28%) and seamless omnichannel retailing (M= 60.27%) are considered essential (Must-be qualities). This suggests that Hungarian SMEs in retail must incorporate these elements into their strategy to avoid disappointing customers with higher education. The significance of social media integration for male customers highlights its growing importance in marketing. Businesses should leverage social media platforms to engage educated customers and enhance overall satisfaction. Similarly, the emphasis on seamless omnichannel retailing for university-educated customers underscores the importance of a consistent shopping experience across channels for retaining such customers.

For customers with a high school degree or lower, immersive theme (M= 55.79%) and personalization (M= 45.26%) are categorized as Must-be qualities. This indicates that loyalty programs are fundamental elements desired by customers without a university degree, and Hungarian SMEs in retail should include them in their experience strategy to avoid disappointing this customer segment.

In terms of one-dimensional quality attributes, customers with a university degree prioritize interactive displays (O= 55.89%), digital signage (O= 39.73%), immersive theme (O= 46.13%), and product testing (demonstration) (O= 41.08%). For those without a university degree, in-store events (O= 45.26%), social media integration (O= 55.79%), seamless omnichannel retailing (O= 46.32%), product testing (demonstration) (O= 49.47%), and interactive social space (O= 55.79%) are considered one-dimensional qualities.

Analyzing attractive quality attributes based on customer gender and education level, customers with higher education prioritize pop-up stores (A=71.38%), in-store events (A= 62.96%), gamification (A= 60.94%), art installations (A= 73.40%), storytelling experiences (A= 62.96%), and sensory experiences (A= 48.48%). For those without a university degree, interactive displays (A= 51.58%), pop-up stores (A= 36.84%), gamification (A= 47.37), digital signage (A= 41.05), art installations (A= 51.58%), storytelling experiences (A= 53.68%), and loyalty programs (A= 52.63) are considered attractive qualities.

Lastly, indifferent quality attributes for customers with a university degree include interactive social space (I= 47.47%) and loyalty programs (I= 39.39). On the other hand, sensory experiences (I= 46.32%) are classified as indifferent quality attributes for customers without a university degree.

4.4. Priority and perceptual disparities analysis

In this phase, building upon the findings of our mixed method study, a comprehensive investigation into customer perceptions was conducted. This rigorous analysis was underpinned by data derived from the Kano questionnaire survey and the Kano model evaluation matrix. The principal aim was to employ a systematic approach to evaluate and categorize customer preferences and perceptions, particularly in the context of experiential retail elements. The primary research objective was to discern how customers reacted to these elements concerning their desire to determine priority of experiential retail strategy and its perceptual disparities among customer demographics. The researcher acknowledges the pivotal role of this investigation in shedding light on the elements that exert the most influence on customer satisfaction and their contribution to the creation of a distinctive and gratifying shopping experience. This phase serves as a foundational resource for devising tailored strategies for small and medium-sized retail enterprises to harmonize with customer preferences and elevate the overall retail experience.

As explained in the data analysis methodology section, my approach to determining priority elements in experiential retail strategy integrates the quality category classification hierarchy from the Kano model with the dissatisfaction index score on the customer satisfaction coefficient. The priority of element groups will be ordered as follows: (1) Must-be (M) = 1st priority, (2) One-dimensional (O) = 2nd priority, Attractive (A) = 3rd priority, and Indifferent (I) = 4th priority (Jiang et al., 2023). The Must-be category takes precedence, given the importance of these attributes. The presence of Must-be qualities usually elicits a neutral response from consumers, but their absence causes significant customer dissatisfaction (Coleman, 2017). Ignoring basic customer needs in SMEs retail can have a major impact on customer satisfaction. Therefore, identifying experiential retail strategy elements with must-have qualities and prioritizing meeting these fundamental requirements is the first step toward improving the retail shopping experience.

Furthermore, experiential retail strategy elements characterized by one-dimensional quality attributes yield customer satisfaction, while their absence results in consumer dissatisfaction (Coleman, 2017). It is paramount to underscore that one-dimensional quality attributes in experiential retail strategy have a direct link to customer contentment. The adept implementation of these strategies significantly influences customer satisfaction. Consequently, attributes with one-dimensional quality within an experiential retail strategy must also be a focal point in the SME's experiential retail strategy.

Subsequently, the presence of attractive quality characteristics leads to customer satisfaction, and their absence does not lead to customer dissatisfaction (Coleman, 2017). To introduce an element of surprise and excitement, it is crucial that customers do not anticipate these attractive qualities in advance. Elements within experiential retail strategies embodying attractive quality characteristics distinguish themselves, serving as a unique attraction that outperforms competitors. Consequently, these attractive attributes aid in identifying potential needs within experiential retail strategy elements, ultimately amplifying customer preferences. The inclusion of diverse strategic elements can further enhance customer preferences, especially when SME retail businesses are confined to one-dimensional and essential attributes. This differentiation strategy, even on a modest scale, elevates variations in retail customer satisfaction. It not only enriches the customer experience but also contributes to strengthening the retailer's reputation and fostering customer loyalty.

Moreover, indifferent quality attributes, to which consumers are indifferent, do not significantly affect customer satisfaction (Kano et al., 1984). However, when thoughtfully

integrated into experiential retail strategy services, these attributes can guide strategic development and potentially captivate customers. SMEs retailer should consider strategically utilizing such attributes to enhance the retail shopping experience. The strategic integration of indifferent quality attributes with other experiential retail strategy elements enriches the value-added aspect of retailing and may ultimately transform them into attractive qualities. Retailers should, therefore, consider offering such elements to enhance customer satisfaction.

Furthermore, individually, the elements that have been classified in each quality category group will also be analyzed based on their customer satisfaction coefficient score. The higher the dissatisfaction score, the more urgent it is for that element to be prioritized for its presence, if elements share identical dissatisfaction index scores, priority determination will also consider the satisfaction index. The one with the higher satisfaction index will be prioritized, as has been conveyed in the data analysis method section. The analysis of priority elements in experiential retail strategy and their perceptual variations among customer demographics is comprehensively explained and presented in subsequent sections, accompanied by tables and figures.

4.4.1. Gender-based quality classification and prioritization

In this section, I analyze results of perceptions based on customer gender, specifically exploring responses from male and female customers regarding experiential retail elements. The results are systematically presented in Table 12 and 13, offering an exploration of perceptions regarding customer priorities based on importance level of each elements different expectations and levels of satisfaction with each experiential retail element. Through this approach, valuable insights emerge, highlighting preferences of male and female customers and ultimately contributing to a broader investigation into the dynamics of the retail experience. Results related to male customers are presented in Table 12, and those related to female customers are presented in Table 13.

Table 12. Classification and ranking of male customer perception

No	Elements	MFC	Classified as	SI	DI	Ranking
1	Interactive display	O (61.84)	One-dimensional	0.82	-0.74	5
2	Pop-up store	A (59.21)	Attractive	0.78	-0.32	9
3	In-store event	A (55.70)	Attractive	0.82	-0.32	8

4	Gamification	A (56.58)	Attractive	0.66	-0.14	13
5	Digital signage	O (51.76)	One-dimensional	0.68	-0.76	4
6	Art installation	A (64.04)	Attractive	0.80	-0.24	11
7	Immersive theme	O (43.42)	One-dimensional	0.64	-0.78	3
8	Social media integration	M (61.84)	Must-be	0.32	-0.83	2
9	Personalization	O (41.67)	One-dimensional	0.68	-0.63	6
10	Seamless Omnichannel retailing	M (71.49)	Must-be	0.23	-0.84	1
11	Product testing (Demonstration)	A (46.05)	Attractive	0.73	-0.31	10
12	Storytelling experience	A (57.89)	Attractive	0.68	-0.35	7
13	Sensory experience	A (52.19)	Attractive	0.64	-0.20	12
14	Interactive social space	I (64.04)	Indifferent	0.26	-0.30	14
15	Loyalty program	I (51.32)	Indifferent	0.43	-0.21	15

Note: MFC= Most frequent category. Source: author's analysis

Table 12 indicates that seamless omnichannel retailing stands out as 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, immersive theme (O= 43.42, SI= 0.64, DI= -0.78) as the third priority, digital signage (O= 51.76, SI= 0.68, DI= -0.76) at the 4th rank, interactive display elements (O= 61.84, SI= 0.82, DI= -0.74) at the 5th rank, personalization (O= 41.67, SI= 0.68, DI= -0.63) at the 6th rank, storytelling experience (A= 57.89, SI= 0.68, D= -0.35) at the 7th rank, in-store event (A= 55.70, SI= 0.82, DI= -0.32) at the 8th rank, pop-up store (O= 59.21, SI= 0.78, DI= -0.32) at the 9th rank, product testing (demonstration) (A= 46.05, SI= 0.73, DI= -0.31) at the 10th rank, art installation (A= 64.04, SI= 0.80, DI= -0.24) at the 11th rank, sensory experience (A= 52.19, SI= 0.64, DI= -0.20) at the 12th rank, gamification (A= 56.58, SI= 0.66, DI= -0.14) at the 13th rank, interactive social space (I= 64.04, SI= 0.26, DI= -0.30) at the 14th rank, and loyalty program (I= 51.32, SI= 0.43, DI= -0.21) at the 15th rank, representing the least priority and least expected element for male customers.

Table 13. Classification and ranking of female customer perception

No	Elements	MFC	Classified as	SI	DI	Ranking
1	Interactive display	A (56.10)	Attractive	0.81	-0.40	7
2	Pop-up store	A (68.29)	Attractive	0.75	-0.16	15
3	In-store event	A (54.27)	Attractive	0.83	-0.35	9
4	Gamification	A (59.15)	Attractive	0.73	-0.21	14

5	Digital signage	A (57.32)	Attractive	0.65	-0.38	8
6	Art installation	A (73.78)	Attractive	0.85	-0.24	12
7	Immersive theme	A (55.49)	Attractive	0.85	-0.34	10
8	Social media integration	O (52.44)	One-dimensional	0.59	-0.90	3
9	Personalization	A (62.19)	Attractive	0.72	-0.30	11
10	Seamless Omnichannel retailing	O (53.66)	One-dimensional	0.70	-0.77	4
11	Product testing (Demonstration)	O (65.85)	One-dimensional	0.70	-0.92	2
12	Storytelling experience	A (64.63)	Attractive	0.84	-0.23	13
13	Sensory experience	O (51.22)	One-dimensional	0.82	-0.57	6
14	Interactive social space	O (55.49)	One-dimensional	0.82	-0.63	5
15	Loyalty program	O (59.76)	Must-be	0.36	-0.73	1

Note: MFC= Most frequent category. Source: author's analysis

Table 13 indicates that, for female customers, the loyalty program is the top priority, falling within the must-be quality category (M= 59.76) with a satisfaction coefficient (SI= 0.36, DI= -0.73) ranking first. For male customers, 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). Subsequent to these, elements such as seamless omnichannel retailing (O= 53.66, SI= 0.70, DI= -0.77) rank 4th, interactive social space (O= 55.49, SI= 0.82, DI= -0.63) ranks 5th, sensory experience (O= 51.22, SI= 0.82, DI= -0.57) ranks 6th, interactive display (A= 56.10, SI= 0.81, DI= -0.40) ranks 7th, digital signage (O= 57.32, SI= 0.65, DI= -0.38) ranks 8th, in-store events (A= 54.27, SI= 0.83, DI= -0.35) rank 9th, immersive theme (A= 55.49, SI= 0.85, DI= -0.34) rank 10th, personalization (A = 62.19, SI= 0.72, DI= -0.30) ranks 11th, art installation (A= 73.78, SI= 0.85, DI= -0.24) ranks 12th, 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, representing the least priority and least expected elements for female customers.

4.4.2. Gender-based perceptual disparities

An analysis was undertaken to explore potential variations leading to perceptual disparities based on gender demographics. Data from both male and female customers, displayed in table 14, were analyzed to identify significant disparities in their perceptions of elements within the retail experience. The subsequent section provides a detailed overview of the key findings,

highlighting disparities that could influence the satisfaction of retail strategies for diverse gender groups.

Table 14. Perceptual disparities between male and female customers

No	Elements	Customer gender							
		Male				Female			
		Class	Rank	SI	DI	Class	Rank	SI	DI
1	Interactive display	O	5	0.82	-0.74	A	7	0.81	-0.40
2	Pop-up store	A	9	0.78	-0.32	A	15	0.75	-0.16
3	In-store event	A	8	0.82	-0.32	A	9	0.83	-0.35
4	Gamification	A	13	0.66	-0.14	A	14	0.73	-0.21
5	Digital signage	O	4	0.68	-0.76	A	8	0.65	-0.38
6	Art installation	A	11	0.80	-0.24	A	12	0.85	-0.24
7	Immersive theme	O	3	0.64	-0.78	A	10	0.85	-0.34
8	Social media integration	M	2	0.32	-0.83	O	3	0.59	-0.90
9	Personalization	O	6	0.68	-0.63	A	11	0.72	-0.30
10	Seamless Omnichannel retailing	M	1	0.23	-0.84	O	4	0.70	-0.77
11	Product testing (Demonstration)	A	10	0.73	-0.31	O	2	0.70	-0.92
12	Storytelling experience	A	7	0.68	-0.35	A	13	0.84	-0.23
13	Sensory experience	A	12	0.64	-0.20	O	6	0.82	-0.57
14	Interactive social space	I	14	0.26	-0.30	O	5	0.82	-0.63
15	Loyalty program	I	15	0.43	-0.21	M	1	0.36	-0.73

Source: author's analysis

The research results presented in Table 14 highlight interesting differences in viewpoints between male and female consumers regarding the prioritization of elements in experiential retail strategy. Male customers rank interactive displays as the 5th element, categorizing it as a one-dimensional (O) element. The presence or absence of these displays significantly impacts their satisfaction, with male customers considering them more important than loyalty programs, interactive social spaces, sensory experiences, and even product transformation elements. This perspective contrasts with that of female customers, who place interactive displays in the Attractive category, ranking it 7th. They consider it less important than loyalty programs, product testing (demonstration), and social media integration.

Regarding the pop-up store element, both male and female customers categorize it as attractive, but there is a notable disparity. Female customers rank the pop-up store as the least prioritized element (rank 15), contrasting with male customers who place it in 9th place. Despite this, it still takes precedence over product testing and art installation elements for both genders. On the other hand, male customers prioritize the in-store event element, ranking it 8th, one place higher than pop-up stores. This contrasts with female customers who consider pop-up stores no more important than storytelling and sensory experiences, giving it a rank of 9.

In terms of the gamification element, there's a slight disparity between male and female customers' rankings. Females position gamification at rank 14, while males rank it one place higher. Interestingly, female customers prioritize gamification over pop-up stores, whereas male customers hold the opposite view.

Digital signage elements are deemed attractive by female customers, significantly enhancing satisfaction. However, their absence doesn't markedly reduce satisfaction. Females rank digital signage at 8, attributing unique attraction that surpasses competitors. In contrast, male customers perceive digital signage as one-dimensional, ranking it 4th in priority.

Regarding the immersive theme element, male customers consider it a one-dimensional quality category with a third-priority ranking, while female customers find it attractive with a ranking of 10. Additionally, the social media integration element is deemed a must-have by male customers, given a ranking of 2. This suggests that male customers view social media integration as a fundamental requirement that SME retailers should provide, in contrast to female customers who perceive it as a one-dimensional element.

Male customers place the personalization element at the 6th rank, classifying it as one-dimensional. Its absence impacts customer satisfaction negatively. Female customers, on the other hand, see personalization as an active element, and its absence doesn't significantly impact their dissatisfaction.

Further disparities in perception arise with the seamless omnichannel retailing element. Male customers rank it at 1, considering it a top priority and a basic essential element for SME retailers. The absence of this element significantly reduces male customer satisfaction. In contrast, female customers regard seamless omnichannel retailing as a one-dimensional element with a ranking of 4.

Regarding product testing (demonstration), male customers view it as an Attractive quality element, with no significant decrease in their satisfaction. It ranks 10th for male customers. In contrast, female customers perceive product testing (demonstration) as falling into a one-dimensional quality category, ranking 2nd out of 15 elements. This suggests that SMEs retailers not providing testing (demonstration) have the potential to significantly dissatisfy female customers.

Furthermore, male customers categorize the sensory experience as an attractive category element, ranking 12th out of 15. Females, however, consider the sensory experience a one-dimensional element, ranking 6th. The absence of sensory influences female customers' satisfaction coefficient. 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.

Perceptual disparities also arise regarding interactive social space and loyalty program elements. Male customers classify both elements as indifferent, indicating that these elements do not significantly affect male customer satisfaction. Males also prioritize these elements as the two lowest, with a 14th rank for interactive social space and 15th for loyalty. In contrast, females view interactive social space as a one-dimensional element, ranking 5th, and consider the loyalty program a must-be element with the highest priority (1st rank). 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. This insight provides a unique perspective on customer satisfaction dynamics in the retail context.

4.4.3. Visualize gender-based results

Following the analysis, the data is visualized using the Kano customer satisfaction coefficient quadrant plot model. This plot categorizes and visualizes satisfaction index and dissatisfaction index values of previously examined elements. It facilitates quick and informed decision-making by providing a snapshot of the current state of customer satisfaction and prioritizing elements. Visual representation simplifies communication of complex data to stakeholders, making it more accessible to a broader audience and enhancing clarity. This approach also makes it easier to identify patterns in the perceived impact of each element on the experiential retail strategy among different demographic customer gender, as presented in Figure 18.

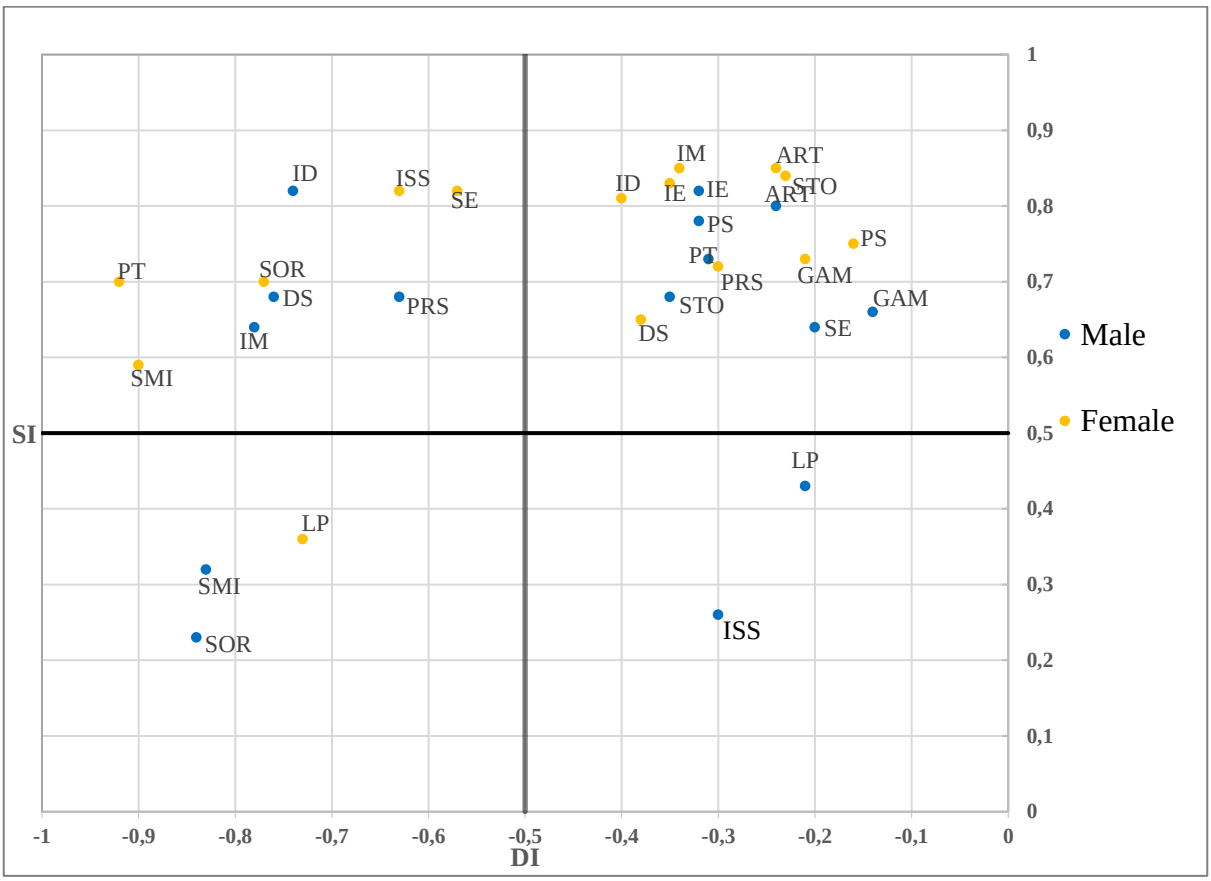

Figure 18. Gender-based Kano model customer satisfaction coefficient quadrant plot
Source: author's analysis

4.4.4. Age-based quality classification and prioritization

In this section, I analyze perception results based on customer age, specifically examining responses from both younger and older customers, and focusing on experiential retail elements. The findings are systematically presented in Table 12 and 13, providing an exploration of perceptions regarding customer priorities, the importance level of each element, different expectations, and levels of satisfaction with each experiential retail aspect. This approach reveals valuable insights, emphasizing the preferences of both younger and older customers, thus contributing to a more comprehensive investigation into the dynamics of the retail experience. Table 15 presents results related to younger customers, while Table 16 presents results related to older customers.

Table 15. Classification and ranking of younger customer perception

No	Elements	MFC	Classified as	SI	DI	Ranking
1	Interactive display	O (55.73)	One-dimensional	0.77	-0.72	4
2	Pop-up store	A (60.48)	Attractive	0.72	-0.25	12
3	In-store event	A (61.26)	Attractive	0.77	-0.22	14
4	Gamification	A (69.17)	Attractive	0.86	-0.22	13
5	Digital signage	O (43.87)	One-dimensional	0.73	-0.67	5
6	Art installation	A (68.38)	Attractive	0.85	-0.28	11
7	Immersive theme	O (48.22)	One-dimensional	0.68	-0.76	3
8	Social media integration	M (68.77)	Must-be	0.28	-0.93	1
9	Personalization	O (35.57)	One-dimensional	0.66	-0.64	6
10	Seamless Omnichannel retailing	M (72.73)	Must-be	0.25	-0.91	2
11	Product testing (Demonstration)	A (36.36)	Attractive	0.65	-0.43	8
12	Storytelling experience	A (60.08)	Attractive	0.76	-0.37	9
13	Sensory experience	A (37.55)	Attractive	0.65	-0.37	10
14	Interactive social space	O (50.59)	One-dimensional	0.66	-0.61	7
15	Loyalty program	I (42.69)	Indifferent	0.46	-0.28	15

Note: MFC= Most frequent category. Source: author's analysis

Table 15 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). Interactive display (O= 55.73, SI= 0.73, DI= -0.67) holds the 4th rank, digital signage (O= 43.87, SI= 0.73, DI= -0.67) secures the 5th rank, and personalization (O= 35.57, SI= 0.66, DI= -0.64) is positioned as the 6th rank. The 7th rank is assigned to interactive social space (O= 50.59, SI= 0.66, D= -0.61), product testing (demonstration) (A= 36.36, SI= 0.65, DI= -0.43) takes the 8th rank, and storytelling experience (A= 60.08, SI= 0.76, D= -0.37) is the 9th rank. Sensory experience (A= 37.55, SI= 0.65, DI= -0.37) occupies the 10th rank, followed by art installation (A= 68.38, SI= 0.85, DI= -0.28) at the 11th rank. Pop-up store (O= 60.48, SI= 0.72, DI= -0.25) claims the 12th rank, 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 16. Classification and ranking of female customer perception

No	Elements	MFC	Classified as	SI	DI	Ranking
1	Interactive display	A (60.43)	Attractive	0.90	-0.37	7
2	Pop-up store	A (67.63)	Attractive	0.85	-0.27	13
3	In-store event	O (48.20)	One-dimensional	0.93	-0.53	5
4	Gamification	I (53.96)	Indifferent	0.41	-0.09	15
5	Digital signage	A (42.45)	Attractive	0.59	-0.45	8
6	Art installation	A (67.63)	Attractive	0.80	-0.17	11
7	Immersive theme	A (63.31)	Attractive	0.81	-0.28	9
8	Social media integration	O (52.52)	One-dimensional	0.70	-0.73	3
9	Personalization	A (58.99)	Attractive	0.78	-0.18	10
10	Seamless Omnichannel retailing	O (51.08)	One-dimensional	0.76	-0.64	4
11	Product testing (Demonstration)	O (69.78)	One-dimensional	0.81	-0.83	2
12	Storytelling experience	A (61.87)	Attractive	0.71	-0.17	12
13	Sensory experience	A (53.96)	Attractive	0.83	-0.32	6
14	Interactive social space	I (74.82)	Indifferent	0.19	-0.14	14
15	Loyalty program	M (60.43)	Must-be	0.28	-0.68	1

Note: MFC= Most frequent category. Source: author's analysis

Table 16 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). Seamless omnichannel retailing (O= 51.08, SI= 0.76, DI= -0.64) holds the 4th rank, in-store event (O= 48.20, SI= 0.93, DI= -0.53) secures the 5th rank, and sensory experience (A= 53.96, SI= 0.83, DI= -0.32) is positioned as the 6th rank. The 7th rank is assigned to interactive display (A= 60.43, SI= 0.66, DI= -0.61), digital signage (A= 42.45, SI= 0.59, DI= -0.45) takes the 8th rank, and immersive theme (A= 63.31, SI= 0.81, DI= -0.28) claim the 9th rank. Personalization (A= 58.99, SI= 0.78, DI= -0.18) occupies the 10th rank, followed by art installation (A= 67.63, SI= 0.80, DI= -0.17) at the 11th rank. The 12th rank is held by storytelling experience (O= 61.87, SI= 0.71, DI= -0.17), 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.

4.4.5. Age-based perceptual disparities

An analysis was conducted on data from younger customers, encompassing Gen Z and millennials, and data from older customers, encompassing Gen X and baby boomers, which is displayed in Table 17. The objective was to uncover potential variations leading to perceptual disparities based on age demographics. This section analyzes the primary findings, unveiling disparities that may impact the effectiveness of retail strategies designed for diverse age groups.

Table 17. Perceptual disparities between younger and older customer

No	Elements	Customer age							
		Younger				Older			
		Class	Rank	SI	DI	Class	Rank	SI	DI
1	Interactive display	O	4	0.77	-0.72	A	7	0.90	-0.37
2	Pop-up store	A	12	0.72	-0.25	A	13	0.85	-0.27
3	In-store event	A	14	0.77	-0.22	O	5	0.93	-0.53
4	Gamification	A	13	0.86	-0.22	I	15	0.41	-0.09
5	Digital signage	O	5	0.73	-0.67	A	8	0.59	-0.45
6	Art installation	A	11	0.85	-0.28	A	11	0.80	-0.17
7	Immersive theme	O	3	0.68	-0.76	A	9	0.81	-0.28
8	Social media integration	M	1	0.28	-0.93	O	3	0.70	-0.73
9	Personalization	O	6	0.66	-0.64	A	10	0.78	-0.18
10	Seamless Omnichannel retailing	M	2	0.25	-0.91	O	4	0.76	-0.64
11	Product testing (Demonstration)	A	8	0.65	-0.43	O	2	0.81	-0.83
12	Storytelling experience	A	9	0.76	-0.37	A	12	0.71	-0.17
13	Sensory experience	A	10	0.65	-0.37	A	6	0.83	-0.32
14	Interactive social space	O	7	0.66	-0.61	I	14	0.19	-0.14
15	Loyalty program	I	15	0.46	-0.28	M	1	0.28	-0.68

Source: author's analysis

The findings in Table 17 reveal notable disparities in the perspectives of younger and older customers on the prioritization of elements in experiential retail strategy. Younger customers rank interactive displays as the 4th element, categorizing it as one-dimensional (O), significantly impacting their satisfaction. They deem it more important than loyalty programs, product testing (demonstration), and social media integration. In contrast, older customers

place interactive displays in the Attractive category, ranking it 7th, considering it less important than loyalty programs, product testing (demonstration), and social media integration. Younger customers prioritize in-store events, ranking it 14th, while older customers consider it less of a priority than gamification, digital signage, and art installation, giving it a rank of 5 out of 15 elements.

There are differences in the ranking of the gamification element between younger and older customers. Younger customers position gamification at rank 13 in the Attractive category, whereas older customers rank it lower, classifying it as an indifferent category element. Interestingly, younger customers prioritize gamification over loyalty programs and in-store events, while older customers hold the opposite view. Older customers find digital signage attractive, enhancing satisfaction, but its absence doesn't significantly reduce satisfaction. They rank it 8th, considering it less priority than product testing (demonstration) and the sensory experience element. In contrast, younger customers perceive digital signage as one-dimensional, ranking it 5th, considering it more priority than product testing (demonstration) and the sensory experience element.

For the immersive theme element, younger customers see it as a one-dimensional quality category with a third-priority ranking, while older customers consider it an attractive category element with a ranking of 10. Social media integration is deemed a must-have by younger customers, ranking 1st, indicating it as a fundamental requirement for SME retailers. Older customers perceive it as a one-dimensional element with a rank of 3. Younger customers place personalization at the 6th rank, classifying it as one-dimensional. Its absence significantly impacts satisfaction. Older customers see personalization as an attractive element, ranking it 10th, and its absence doesn't significantly impact dissatisfaction. There's a disparity in perception of seamless omnichannel retailing, with younger customers ranking it 2nd as a must-be category element, while older customers see it as one-dimensional, ranking it 4th.

Regarding product testing (demonstration), younger customers view it as an Attractive element, ranking 8th with no significant decrease in satisfaction. Older customers perceive it as one-dimensional, ranking 2nd, suggesting potential dissatisfaction if not provided by SME retailers. Younger customers classify interactive social space as one-dimensional, impacting satisfaction significantly, ranking it 7th. Older customers classify it as indifferent, with no significant impact on satisfaction, ranking it 14th. Younger customers rank loyalty programs lowest at 15th, classifying it as indifferent. Older customers see it as a must-category element, ranking it 1st.

4.4.6. Visualize Age-based results

Following the analysis, the data is visualized using the Kano customer satisfaction coefficient quadrant plot model. This plot categorizes and visualizes satisfaction index and dissatisfaction index values of previously examined elements. It facilitates quick and informed decision-making by providing a snapshot of the current state of customer satisfaction and prioritizing elements. Visual representation simplifies communication of complex data to stakeholders, making it more accessible to a broader audience and enhancing clarity. This approach also makes it easier to identify patterns in the perceived impact of each element on the experiential retail strategy among different demographic customer age, as presented in Figure 19.

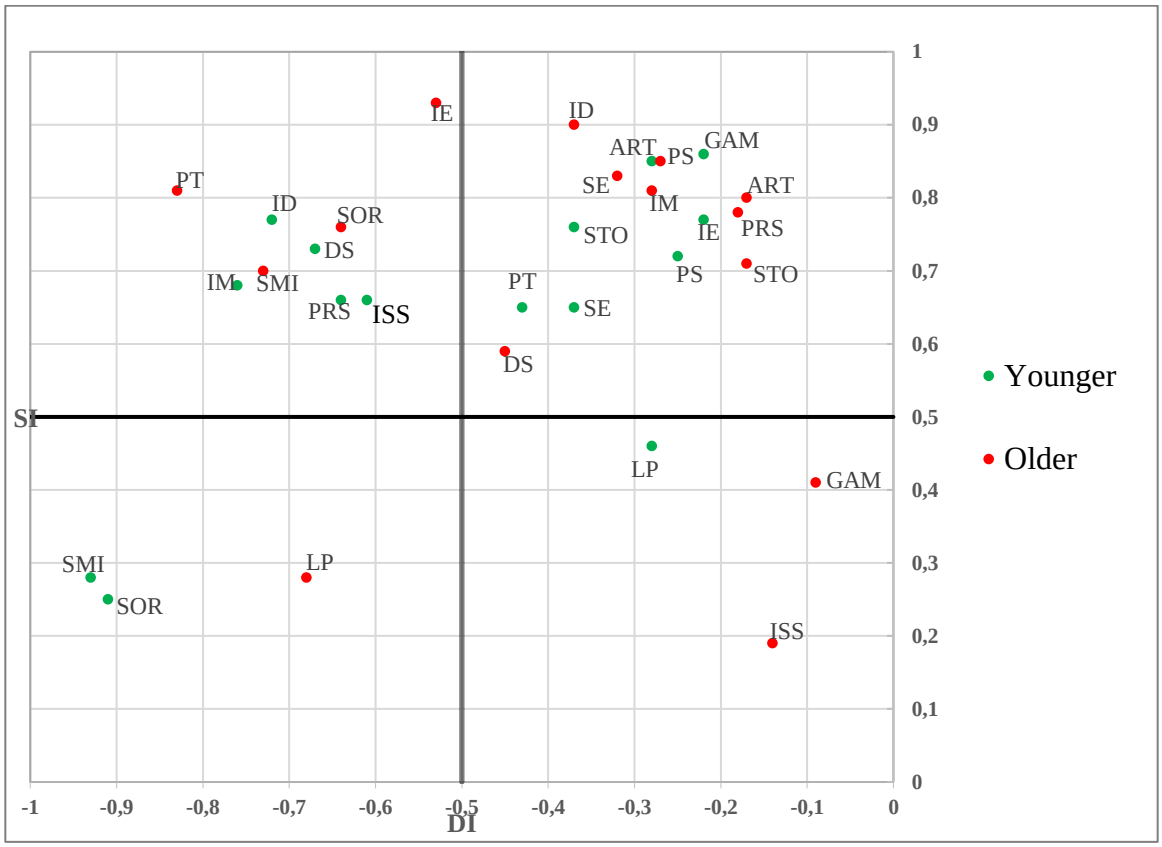

Figure 19. Age-based Kano model customer satisfaction coefficient quadrant plot

Source: author's analysis

4.4.7. Education-based quality classification and prioritization

In this section, I analyze perception results related to customer education. The study specifically investigates responses from customers with a university degree and those without, focusing on experiential retail elements. The findings are systematically presented in table 18 and table 19, exploring perceptions of customer priorities based on the importance ranking of each element shaped by diverse expectations. Additionally, the tables illustrate satisfaction levels with each experiential retail aspect. This approach unveils valuable insights, highlighting preferences of both customer groups, thus contributing to a more comprehensive investigation into the dynamics of the retail experience. Table 18 details results for customers with a university degree, while Table 19 presents findings for customers without a university degree.

Table 18. Classification and ranking of customer perception with university degree

No	Elements	MFC	Classified as	SI	DI	Ranking
1	Interactive display	O (55.89)	One-dimensional	0.86	-0.66	3
2	Pop-up store	A (71.38)	Attractive	0.85	-0.21	12
3	In-store event	A (62.96)	Attractive	0.84	-0.24	10
4	Gamification	A (60.94)	Attractive	0.72	-0.15	13
5	Digital signage	O (39.73)	One-dimensional	0.71	-0.64	4
6	Art installation	A (73.40)	Attractive	0.87	-0.21	11
7	Immersive theme	O (46.13)	One-dimensional	0.83	-0.57	5
8	Social media integration	M (61.28)	Must-be	0.35	-0.89	1
9	Personalization	A (47.47)	Attractive	0.78	-0.40	7
10	Seamless Omnichannel retailing	M (60.27)	Must-be	0.38	-0.86	2
11	Product testing (Demonstration)	O (41.08)	One-dimensional	0.75	-0.54	6
12	Storytelling experience	A (62.96)	Attractive	0.79	-0.33	9
13	Sensory experience	A (48.48)	Attractive	0.79	-0.38	8
14	Interactive social space	I (47.47)	Indifferent	0.43	-0.39	15
15	Loyalty program	I (39.39)	Indifferent	0.32	-0.43	14

Note: MFC= Most frequent category. Source: author's analysis

Table 18 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). Digital signage (O= 39.73, SI= 0.71, DI= -0.64) holds the 4th rank, immersive themes (O= 46.13, SI= 0.83, DI= -0.57) secure the 5th rank, and product testing (demonstration) (O= 41.08, SI= 0.75, DI= -0.54) is positioned as the 6th rank. The 7th rank is assigned to personalization (A= 47.47, SI= 0.78, DI= -0.40), sensory experience (A= 48.48, SI= 0.79, DI= -0.38) takes the 8th rank, and storytelling experience (A= 62.96, SI= 0.79, DI= -0.33) claims the 9th rank. In-store event (A= 62.96, SI= 0.84, DI= -0.24) occupies the 10th rank, followed by art installation (A= 73.40, SI= 0.87, DI= -0.21) at the 11th rank. The 12th rank is held by a pop-up store (A= 71.38, SI= 0.85, DI= -0.21), 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 19. Classification and ranking of customer perception without university degree

No	Elements	MFC	Classified as	SI	DI	Ranking
1	Interactive display	A (51.58)	Attractive	0.68	-0.39	11
2	Pop-up store	A (36.84)	Attractive	0.52	-0.40	10
3	In-store event	O (45.26)	One-dimensional	0.77	-0.62	6
4	Gamification	A (47.37)	Attractive	0.64	-0.23	13
5	Digital signage	A (41.05)	Attractive	0.57	-0.48	8
6	Art installation	A (51.58)	Attractive	0.69	-0.35	12
7	Immersive themes	M (55.79)	Must-be	0.39	-0.66	2
8	Social media integration	O (55.79)	One-dimensional	0.32	-0.83	3
9	Personalization	M (45.26)	Must-be	0.44	-0.76	1
10	Seamless Omnichannel retailing	O (46.32)	One-dimensional	0.62	-0.67	4
11	Product testing (Demonstration)	O (49.47)	One-dimensional	0.59	-0.64	5
12	Storytelling experience	A (53.68)	Attractive	0.60	-0.20	14
13	Sensory experience	I (46.32)	Indifferent	0.47	-0.26	15
14	Interactive social space	O (55.79)	One-dimensional	0.72	-0.61	7
15	Loyalty program	A (52.63)	Attractive	0.63	-0.40	9

Note: MFC= Most frequent category, The proportion values shown in MFC is indicated as percentage.

Table 19 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). Seamless omnichannel retailing (O= 46.32, SI= 0.62, DI= -0.67) holds the 4th rank, product testing (demonstration) (O= 49.47, SI= 0.59, DI= -0.64) secure the 5th rank, and in-store event (O= 45.26, SI= 0.77, DI= -0.62) is positioned as the 6th rank. The 7th rank is assigned to interactive social space (A= 55.79, SI= 0.72, DI= -0.61), digital signage (A= 41.05, SI= 0.57, DI= -0.48) takes the 8th rank, and loyalty program (A= 52.63, SI= 0.63, DI= -0.40) claims the 9th rank. Pop-up store (A=36.84, SI= 0.52, DI= -0.40) occupies the 10th rank, followed by interactive display (A= 51.58, SI= 0.68, DI= -0.39) at the 11th rank. The 12th rank is held by an art installation (A= 51.38, SI= 0.69, DI= -0.35), 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, 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.

4.4.8. Education-based perceptual disparities

In Table 20, data from customers with and without university degrees is analyzed to reveal potential variations contributing to perceptual disparities within the demographic of education levels. The ensuing section explores primary findings, shedding light on disparities that may impact the effectiveness of retail strategies customized for varied educational groups.

Table 20. Perceptual disparities between customer with and without university degree

No	Elements	Customer education							
		With University degree				Without University degree			
		Class	Rank	SI	DI	Class	Rank	SI	DI
1	Interactive display	O	3	0.86	-0.66	A	11	0.68	-0.39
2	Pop-up store	A	12	0.85	-0.21	A	10	0.52	-0.40
3	In-store event	A	10	0.84	-0.24	O	6	0.77	-0.62
4	Gamification	A	13	0.72	-0.15	A	13	0.64	-0.23
5	Digital signage	O	4	0.71	-0.64	A	8	0.57	-0.48
6	Art installation	A	11	0.87	-0.21	A	12	0.69	-0.35
7	Immersive theme	O	5	0.83	-0.57	M	2	0.39	-0.66
8	Social media integration	M	1	0.35	-0.89	O	3	0.32	-0.83
9	Personalization	A	7	0.78	-0.40	M	1	0.44	-0.76
10	Seamless Omnichannel retailing	M	2	0.38	-0.86	O	4	0.62	-0.67
11	Product testing (Demonstration)	O	6	0.75	-0.54	O	5	0.59	-0.64

12	Storytelling experience	A	9	0.79	-0.33	A	14	0.60	-0.20
13	Sensory experience	A	8	0.79	-0.38	I	15	0.47	-0.26
14	Interactive social space	I	15	0.43	-0.39	O	7	0.72	-0.61
15	Loyalty program	I	14	0.32	-0.43	A	9	0.63	-0.40

Source: author's analysis

The findings in Table 20 reveal notable disparities in the perspectives of customer with university degree and customer without university degree on the prioritization of elements in experiential retail strategy. Customers with university degree rank interactive displays as the 3rd element, categorizing it as one-dimensional (O), significantly impacting their satisfaction. They deem it more important than loyalty programs, interactive social space, and product testing (demonstration) and personalization. In contrast, customers without university degree place interactive displays in the Attractive category, ranking it 11th, considering it less important than loyalty programs, product testing (demonstration), and social media integration and personalization. Customers with university degree prioritize in-store events, ranking it 10th consider it less priority than interactive display, digital signage, storytelling experience and sensory experience, while customers without university degree consider it more of a priority than interactive display, digital signage, storytelling experience and sensory experience, giving it a rank of 6 out of 15 elements. There are slightly differences related of the gamification element between customer with university degree and customer without university degree. Even both groups have a same rank and category for gamification element, but result shown that Customers with university degree position gamification at lower dissatisfaction index score, than the customer without university degree.

For the immersive theme element, customer with university degree see it as a one-dimensional quality category with a 5th priority ranking, while older customers consider it a must-be category element with a ranking of 2. Social media integration is deemed a must-be by customer with university degree, ranking 1st, indicating it as a fundamental requirement for SME retailers. Customers without university degree perceive it as a one-dimensional element with a rank of 3. Customer with university degree place personalization element at the 7th rank, classifying it as attractive. Personalization element absence significantly impacts satisfaction of customer with university degree. customers without university degree see personalization as a must-be element, ranking it 1st, and the absence of personalization element significantly impact dissatisfaction customer without university degree. There's a disparity in

perception of seamless omnichannel retailing, with customers with university degree ranking it 2nd as a must-be category element, while customers without university degree see it as one-dimensional, ranking it 4th out of 15 elements.

In terms of sensory experience, customers with a university degree find it attractive, ranking it 8th. The absence of sensory experience doesn't significantly reduce satisfaction, but its presence notably delights customers with a university degree. For those without a university degree, sensory experience is perceived as indifferent, with a ranking as low as 15th indicating it is the least prioritized element.

Additionally, customers with a university degree categorize interactive social space and loyalty programs as indifferent elements, with ranks of 15th and 14th, respectively. On the other hand, customers without a university degree see interactive social space as a one-dimensional element with a 7th rank, while considering the loyalty program an attractive element with a rank of 9.

4.4.9. Visualize Education-based results

Following the analysis, the data is visualized using the Kano customer satisfaction coefficient quadrant plot model. This plot categorizes and visualizes satisfaction index and dissatisfaction index values of previously examined elements. It facilitates quick and informed decision-making by providing a snapshot of the current state of customer satisfaction and prioritizing elements. Visual representation simplifies communication of complex data to stakeholders, making it more accessible to a broader audience and enhancing clarity. This approach also makes it easier to identify patterns in the perceived impact of each element on the experiential retail strategy among different demographic customer education, as presented in Figure 20.

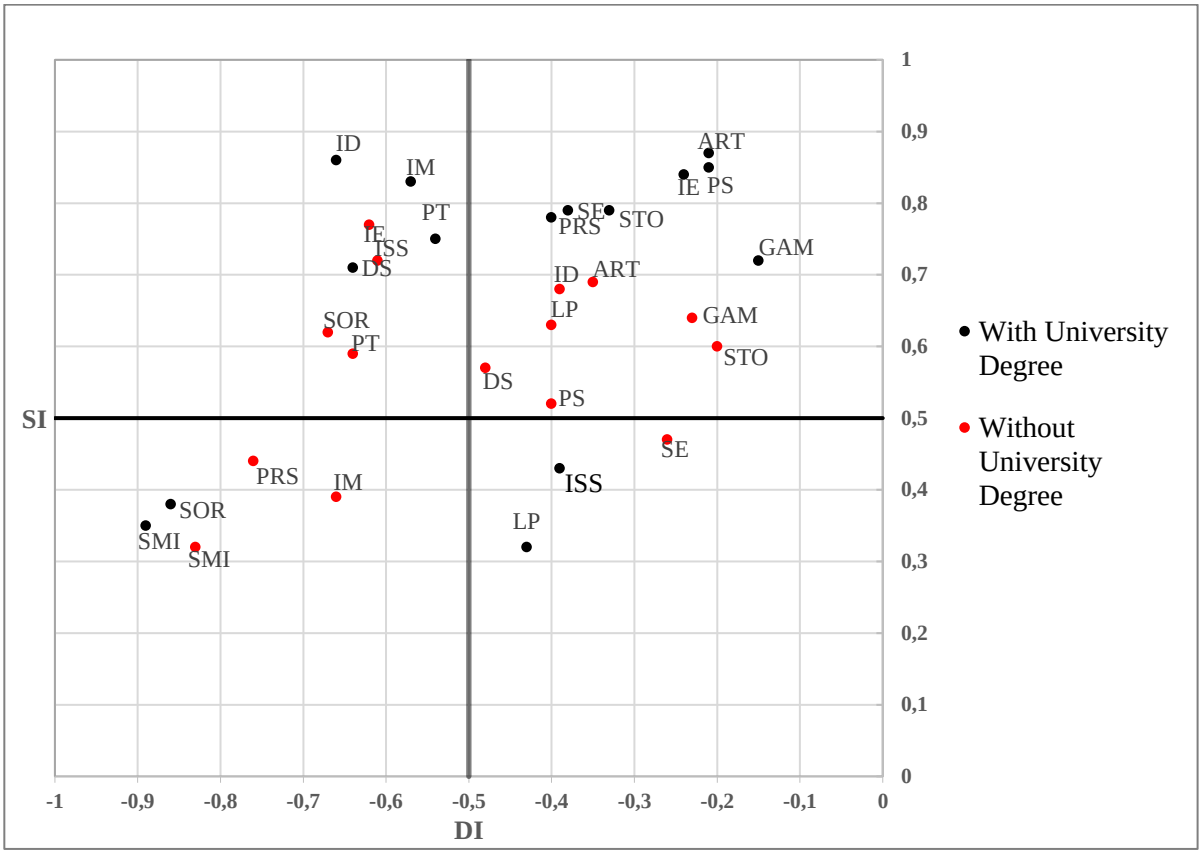

Figure 20. Education-based Kano model customer satisfaction coefficient quadrant plot

5. CONCLUSION AND RECOMMENDATION

The primary objective of this research is to investigate and identify elements of experiential retail strategy, prioritize them, and analyze perception gaps among different customer demographics within SME retail in Hungary. While experiential retail strategies are considered the future, no prior studies have developed models focused on identifying these elements, prioritizing them based on customer satisfaction, and scrutinizing variations across customer demographics. This research employs an exploratory sequential mix-method design with a focus on quantifying qualitative data (Grønmo, 2020). The approach involves qualitative exploration followed by extensive quantitative techniques for data analysis.

In the absence of a specific theory for experiential retail, this study relies on six foundational theories: experience economic theory (Pine and Gilmore, 1998), experiential marketing theory (Schmitt, 1999), customer engagement behavior concept (Van Doorn et al., 2010), sensory marketing (Krishna, 2012), customer engagement (Pansari and Kumar, 2017), and Phygital retail experience (Banik, 2021). The research identifies 15 elements of experiential retail strategies through open-ended in-depth interviews from ten participants within a triangulation framework, enhancing data validity and reliability. These elements include interactive displays, pop-up stores, in-store events, gamification, digital signage, art installation, immersive themes, social media integration, personalization, seamless omnichannel retailing, product testing demonstration, sensory experience, interactive social space, storytelling experience, and loyalty programs (RQ1 answered).

Utilizing the Kano analysis model, the study classifies these elements into five quality categories: must-be, one-dimensional, attractive, indifferent, and reverse. The priority ranking is determined through a survey of 392 Hungarian retail SME customers across gender, age, and education demographics. Functional and dysfunctional Kano questionnaires, along with a Kano evaluation matrix, precisely determine quality attributes for each element. The prioritization hierarchy is established as follows: ‘must-be’ elements have the highest priority, followed by one-dimensional elements, and then attractive and indifferent categories. This prioritization is based on the urgency toward customer satisfaction.

The research introduces an innovative mechanism called "dissatisfaction index-based prioritization," utilizing the dissatisfaction index score to determine the urgency of each element. The element with the highest dissatisfaction index score takes precedence, indicating its immediate need for prioritization. Equation 4 illustrates this score, reflecting the degree of

dissatisfaction if the element is unavailable or unfulfilled. The researcher has also introduced a "priority tie breaker" mechanism, which, in instances of identical dissatisfaction index scores among elements, incorporates the satisfaction index score for determining priority. The element with the higher satisfaction index takes precedence, as explained in Equation 5.

The findings reveal perceptual disparities based on gender. Male customers rank interactive displays as the 5th element, categorizing it as one-dimensional (O), whereas female customers place it in the attractive category, ranking it 7th. Notably, males prioritize interactive displays more than loyalty programs, interactive social spaces, sensory experiences, and product transformation elements, whereas females prioritize it lower. In the context of pop-up stores, both genders categorize them as attractive, but with a notable difference. Female customers rank them as the least prioritized element (15th), whereas male customers place them 9th. Despite this, pop-up stores take precedence over product testing and art installation elements for both genders. Conversely, males prioritize in-store events (ranked 8th), while females consider them no more important than storytelling and sensory experiences. For the gamification element, there's a slight gender disparity. Females position it at rank 14, while males rank it one place higher. Interestingly, females prioritize gamification over pop-up stores, while males hold the opposite view. Digital signage elements enhance satisfaction significantly for females, but their absence doesn't markedly reduce satisfaction. In contrast, males perceive digital signage as one-dimensional, ranking it 4th in priority. Regarding immersive themes, males consider it a one-dimensional quality category with a third-priority ranking, while females find it attractive with a ranking of 10. Social media integration is deemed a must-have by males (rank 2) and a one-dimensional element by females. Male customers place the personalization element at the 6th rank, classifying it as one-dimensional, while its absence impacts satisfaction negatively. Female customers see personalization as an active element, and its absence doesn't significantly impact dissatisfaction.

Further disparities arise with the seamless omnichannel retailing element. Males rank it at 1, considering it a top priority, while females regard it as a one-dimensional element with a ranking of 4. Regarding product testing (demonstration), males view it as an attractive quality element (rank 10), while females perceive it as falling into a one-dimensional quality category, ranking 2nd out of 15 elements. Sensory experience is considered attractive by males (rank 12) and one-dimensional by females (rank 6). The absence of sensory experience influences female satisfaction significantly. Perceptual disparities also arise regarding interactive social space and loyalty program elements. Males classify both elements as indifferent, indicating

that these elements do not significantly affect male customer satisfaction. In contrast, females view interactive social space as a one-dimensional element, ranking 5th, and consider the loyalty program a must-be element with the highest priority (1st rank).

In terms of age demographics, younger customers consider interactive displays as the 4th element, categorizing it as one-dimensional (O) and significantly affecting their satisfaction. Conversely, older customers place interactive displays in the attractive category, ranking it 7th. Notably, there are disparities in the ranking of the gamification element between younger and older customers. Younger customers position gamification at rank 13 in the attractive category, while older customers rank it lower, categorizing it as an indifferent element. For the immersive theme element, younger customers perceive it as a one-dimensional quality category with a third-priority ranking. On the other hand, older customers regard it as an attractive category element with a ranking of 10. Examining product testing (demonstration), younger customers consider it an attractive element (rank 8), whereas older customers perceive it as one-dimensional, ranking it 2nd. This suggests potential dissatisfaction among older customers if not provided by SME retailers. Interactive social space is viewed differently by age groups, with younger customers classifying it as one-dimensional, significantly impacting satisfaction (rank 7). In contrast, older customers categorize it as indifferent, with no significant impact on satisfaction (rank 14). Furthermore, loyalty programs are ranked differently by age groups, with younger customers placing it at the lowest rank of 15th, classifying it as indifferent. Older customers, however, perceive it as a must-category element, ranking it 1st.

Considering the education demographic, customers with a university degree rank interactive displays as the third element, categorizing it as one-dimensional (O), significantly impacting their satisfaction. In contrast, customers without a university degree place interactive displays in the attractive category, ranking it eleventh. There are slight differences related to the gamification element between customers with a university degree and those without. Both groups have the same rank and category for the gamification element, but customers with a university degree show a lower dissatisfaction index score. For the immersive theme's element, customers with a university degree see it as a one-dimensional quality category with a fifth priority ranking, while older customers consider it a must-be category element with a ranking of second. Social media integration is deemed a must-be by customers with a university degree (rank 1), indicating it as a fundamental requirement for SME retailers. Customers without a university degree perceive it as a one-dimensional element with a rank of 3. Customers with a

university degree place the personalization element at the seventh rank, classifying it as attractive. Its absence significantly impacts satisfaction. Customers without a university degree see personalization as a must-be element, ranking it first, and the absence of the personalization element significantly impacts dissatisfaction. There's a disparity in the perception of seamless omnichannel retailing, with customers with a university degree ranking it second as a must-be category element, while customers without a university degree see it as one-dimensional, ranking it fourth out of 15 elements. In terms of sensory experience, customers with a university degree find it attractive, ranking it eighth. The absence of sensory experience doesn't significantly reduce satisfaction, but its presence notably delights customers with a university degree. For those without a university degree, sensory experience is perceived as indifferent, with a ranking as low as 15th, indicating it is the least prioritized element. Additionally, customers with a university degree categorize interactive social space and loyalty programs as indifferent elements, with ranks of 15th and 14th, respectively. On the other hand, customers without a university degree see interactive social space as a one-dimensional element with a seventh rank, while considering the loyalty program an attractive element with a rank of ninth (RQ2 answered).

The findings of the study reveal a notable perception gap among customers based on demographic factors concerning the importance of various elements of experiential retail strategy for small and medium-sized enterprises (SMEs) in the retail sector (RQ4 answered). The study also introduces two innovative prioritization mechanisms, namely the "Dissatisfaction Index" and the "Priority Tie Breaker," which utilize the Kano model for prioritizing experiential retail strategies for SMEs. The effectiveness of these mechanisms in providing insights and guiding prioritization decisions is confirmed through the study's results (RQ3 answered).

The research findings address the research questions and hypotheses formulated at the beginning of the study (table 21 and table 22).

Table 21. 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 22. 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

5.1. Recommendations

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

5.1.1. Related to government support

- Policy Support: Government should create policies encouraging SMEs in Hungary to adopt experiential retail elements, offering financial incentives and training programs.
- Education Initiatives: Collaborate with educational institutions to provide tailored courses on experiential retail, addressing variations in customer perceptions based on gender, age, and education.
- Technology Adoption Assistance: Support SMEs in adopting technologies like digital signage, social media integration, and seamless omnichannel retailing through subsidies or consultation services

- Flexible Regulations: Maintain a flexible regulatory framework to allow SMEs to innovate and experiment with different experiential retail elements.

5.1.2. For SMEs retailers

- Experiential Focus: SMEs should integrate key experiential elements identified (e.g., interactive displays, pop-up stores) to enhance customer satisfaction.
- Customer Factor Tailoring: Customize experiential strategies for different customer factor groups, particularly demographic such as gender, age, and education.
- Tech Adoption: Embrace user-friendly technology, focusing on seamless omnichannel retailing and social media integration.
- Employee Training: Invest in employee training for effective implementation of experiential strategies, emphasizing customer engagement.
- Flexible Retail Spaces: Design adaptable retail spaces to easily incorporate experiential elements like interactive social spaces.
- Personalization: Implement personalized experiences through data-driven insights and loyalty programs.
- Continuous Improvement: Regularly assess and adapt experiential strategies based on customer feedback and market trends.
- Collaborations: Explore partnerships with local entities for events or installations, enhancing the overall retail experience.
- Quality Assurance: Maintain the quality and functionality of must-be and attractive elements to meet customer expectations.

5.1.3. For researchers

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

5.2. Limitation and potential future research

This section outlines the limitations encountered during throughout the study and proposes potential directions for future research.

5.2.1. Limitations

- Generalizability**:** The findings are specific to SME retail in Hungary, limiting the generalizability of results to different cultural and market contexts.
- Time Sensitivity**:** Experiential retail is dynamic, and the study's findings might become outdated as retail trends evolve.

5.2.2. Potential future research

- Comparative Analysis with Non-SMEs**:** Extend the research to compare experiential retail strategies and perceptions between SMEs and larger retail enterprises, identifying potential differences in approach and impact.
- Cross-Industry Validation: Extend the application of the proposed "Dissatisfaction Index" and "Priority Tie Breaker" mechanisms to assess their effectiveness in prioritizing mechanisms across diverse industries beyond SME retail. Evaluate whether these mechanisms remain effective in prioritizing experiential strategies in sectors such as hospitality, technology, or services.
- Employ regression models to quantitatively analyze the relationship between each experiential retail element and customer satisfaction. This can provide insights into the strength and significance of the impact of each element.

6. NEW SCIENTIFIC RESULT

After conducting comprehensive research, I proposed four new scientific findings that provide valuable insights to the field:

- **Identification of Experiential Retail Elements:**
  Through my research, I identified 15 key elements of experiential retail strategies. These elements encompass a diverse range, including interactive displays, pop-up stores, in-store events, gamification, digital signage, art installations, immersive themes, social media integration, personalization, seamless omnichannel retailing, product testing demonstrations, sensory experiences, interactive social spaces, storytelling experiences, and loyalty programs. This comprehensive list showcases various ways retailers can engage and delight customers in both physical and digital retail environments.
- **Classification using Kano Model Analysis:**
  I employed the Kano analysis model to classify experiential retail elements into five distinct quality categories: must-be, one-dimensional, attractive, indifferent, and reverse. This classification framework enhances our understanding of the different attributes and their impact on customer satisfaction.
- **Innovative Prioritization Mechanisms:**
  My research introduced the innovative "dissatisfaction index-based prioritization" mechanism, demonstrating its effectiveness in determining the urgency of each element. Additionally, I established the success of a unique "priority tie-breaker" mechanism for cases where elements have identical dissatisfaction index scores. This approach incorporates the satisfaction index score to accurately determine priority ranks.
- **Demographic-Based Perceptual Disparity Analysis:**
  My research included a comprehensive analysis of demographic-based perceptual disparities, considering factors such as gender, age, and education. This analysis, conducted through the Kano model, offers insights into how different demographic groups perceive and prioritize experiential retail elements.

7. SUMMARY

The transformation of small and medium-sized enterprises (SMEs) in Hungary's retail sector is due to technological advancements and changing consumer expectations. It highlights the emerging trend of experiential retail, emphasizing its shift from transactional to holistic customer experiences. Experiential retail aims to create immersive and emotionally resonant environments, fostering customer loyalty. The study focuses on Hungarian SMEs, acknowledging their significant role in the country's economy. It explores the challenges and opportunities presented by experiential retail, aiming to fill a research gap by employing the Kano model to understand and prioritize elements influencing customer satisfaction and loyalty in this dynamic landscape. The research utilizes a mixed-methods approach to provide valuable insights for SMEs to enhance their strategies in the evolving realm of experiential retail.

This research addresses the gap in understanding how Hungarian SME retail customers perceive experiential retail and aims to provide tailored insights using the Kano model. The study emphasizes the need for specific strategies for SMEs, introducing innovative mechanisms to efficiently prioritize elements. The significance lies in empowering SME retailers to adapt and thrive in the dynamic Hungarian market. The research objectives include identifying experiential retail elements, prioritizing them based on customer satisfaction and demographics, and introducing efficient prioritization mechanisms. The research questions focus on: (1) What are the elements of the 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 SME retail?

This study lacks a dedicated theory for experiential retail, so it draws on six foundational theories: experience economic theory by Pine and Gilmore (1998), experiential marketing theory by Schmitt (1999), the concept of customer engagement behavior by Van Doorn et al. (2010), sensory marketing by Krishna (2012), customer engagement by Pansari and Kumar (2017), and Phygital retail experience by Banik (2021). Furthermore, the research integrates the Kano model for quality classification.

This research utilizes an exploratory sequential mixed-method design, emphasizing the quantification of qualitative data. The methodology comprises qualitative exploration,

succeeded by thorough application of quantitative techniques for data analysis. Through open-ended, in-depth interviews involving ten participants within a triangulation framework, the study identifies 15 elements of experiential retail strategies. This enhances data validity and reliability. The identified elements encompass interactive displays, pop-up stores, in-store events, gamification, digital signage, art installations, immersive themes, social media integration, personalization, seamless omnichannel retailing, product testing demonstrations, sensory experiences, interactive social spaces, storytelling experiences, and loyalty programs. Applying the Kano analysis model, this study categorizes elements into five quality groups: must-be, one-dimensional, attractive, indifferent, and reverse. This classification results from surveying 392 Hungarian retail SME customers across gender, age, and education demographics. Functional and dysfunctional Kano questionnaires, along with a Kano evaluation matrix, precisely ascertain quality attributes for each element. The prioritization hierarchy is as follows: 'must-be' elements hold the highest priority, followed by one-dimensional elements, attractive elements, and indifferent elements. This prioritization is grounded in the urgency toward customer satisfaction. The customer satisfaction coefficient, calculated as part of the quantification process, is used to identify the satisfaction index and dissatisfaction index scores. These scores are subsequently employed to determine each element's prioritization rank and construct the Kano customer satisfaction coefficient quadrant for visualization.

The research introduces an innovative mechanism called “dissatisfaction index-based prioritization,” utilizing the dissatisfaction index score to determine the urgency of each element. The element with the highest dissatisfaction index score takes precedence, indicating its immediate need for prioritization. The researcher has also introduced a “priority tie breaker” mechanism. In instances of identical dissatisfaction index scores among elements, it incorporates the satisfaction index score to determine priority, giving precedence to the element with the higher satisfaction index.

Gender-based perceptual disparities exist in prioritizing experiential retail elements. Males prioritize interactive displays over loyalty programs, while females rank it lower. Pop-up stores attract both genders, but with differing priorities. Gamification shows a slight gender gap, and digital signage significantly enhances female satisfaction. Age and education demographics also impact perceptions, revealing disparities in prioritizing elements such as interactive displays, gamification, and sensory experiences. Innovative prioritization mechanisms, “Dissatisfaction Index-based Prioritization” and “Priority Tie Breaker,” effectively guide experiential retail strategies for SMEs, aligning with research questions and hypotheses.

Based on the research, the following recommendations are proposed: For government support, it is advised to implement policies that encourage SMEs in Hungary to adopt experiential retail elements, provide financial incentives, and establish training programs. Collaboration with educational institutions is recommended for tailored courses, assistance in adopting technologies, maintaining flexible regulations, and developing consumer protection guidelines. SMEs should focus on integrating identified experiential elements, tailoring strategies for diverse customer groups, embracing user-friendly technology, investing in employee training, designing adaptable retail spaces, implementing personalized experiences, ensuring continuous improvement, and exploring collaborations for enhanced retail experiences. Researchers should publish findings, explore additional dimensions, collaborate with stakeholders, engage in educational outreach, and advocate for the practical implementation of experiential retail strategies.

APPENDIX I

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APPENDIX II

QUESTIONNAIRE

Assessment of perceived quality, prioritization, and perceptual disparities of experiential retail elements among customers and its adoption in Hungarian SMEs retail

The objective of this series of questionnaires is to investigate the elements of experiential retail strategy, determine their perceived significance, evaluate their quality, and recognize perceptual differences among retail customers in Hungary based on their demographic characteristics. These questionnaires aim to gather information from individuals who have engaged in retail purchasing experiences in Hungary.

SMEs retail referred to in this study are any businesses that sell products directly to consumers for personal use or consumption having fewer than 250 employees.

Your valuable insights and opinions will greatly contribute to this research. The findings from these questionnaires will provide valuable insights into the factors that contribute to the experiential retail phenomenon, their perceived quality, and the potential variations among customers based on their personal demographic characteristics.

We sincerely appreciate your participation in this study and kindly request your best efforts in responding to each question.

If you have any questions or concerns regarding the study, please feel free to contact us at wicaksonotutur12@gmail.com

* Indicates required questions

1. What is your gender ? *

Mark just one oval.

- ◯ Male
- ◯ Female

2. What is your age? *

3. What is your educational level? *

Mark just one oval.

- ◯ Secondary school (Highschool) or less
- ◯ Bachelor degree
- ◯ Master degree
- ◯ Ph.D degree

4. **Screening question**: *
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?

Mark just one oval.

- ◯ Yes
- ◯ No

Functional and Dysfunctional questions related to the Experiential Retail Strategy Elements in SMEs retail

The objective of this questionnaire is to assess the perception of retail customers in Hungary regarding the implementation of experiential retail elements in SMEs retail, considering both functional and dysfunctional aspects. In total, there are 15 elements that will be investigated, including **interactive displays, pop-up stores, in-store events, gamification, digital signage, art installations, immersive themes, social media integration, personalization, seamless omnichannel retailing, product testing demonstrations, sensory experiences, interactive social spaces, storytelling experiences, and loyalty program elements**. Each element will be accompanied by two questions (one functional and one dysfunctional), resulting in a total of 30 questions. The functional question pertains to how you perceive (as a customer/survey participant) the presence of this element in SME retail, while the dysfunctional question relates to your perception if this element is unavailable in Hungary SMEs Retail. Respondents will have five ordinal scale answer options to choose from. The integration of functional and dysfunctional answers will establish a priority level for elements based on customer perceptions. The questionnaire aims to gather valuable insights into how customers perceive various experiential retail elements and their impact on their overall shopping experience.

5. **Functional question for interactive display element:** *

What if the SMEs retail store has interactive displays (Engaging screens for hands-on exploration and interaction with digital content in-store)where you could explore product features and options?

Mark just one oval.

- ◯ I like it that way
- ◯ It must be that way
- ◯ I am neutral
- ◯ I can live with it
- ◯ i dislike it

6. **Dysfunctional question for interactive display element:** *

What if the SMEs retail store doesn't have interactive displays (no engaging screens for hands-on exploration and interaction with digital content in-store), and you couldn't explore product features and options?

Mark just one oval.

- ◯ I like it that way
- ◯ It must be that way
- ◯ I am neutral
- ◯ I can live with it
- ◯ I dislike it

7. **Functional question for personalization element:** *

What if the SMEs retail store offer personalization experiences (customizing the shopping experience based on individual customer preferences using data and technology) tailored to your preferences and interests?

Mark just one oval.

- ◯ I like it that way
- ◯ It must be that way
- ◯ I am neutral
- ◯ I can live with it
- ◯ i dislike it

8. **Dysfunctional question for personalization element:** *

What if the SMEs retail store **doesn't** offer personalization experiences (any customized shopping experience based on individual customer preferences using data and technology) and treats every customer the same?

Mark just one oval.

- ◯ I like it that way
- ◯ It must be that way
- ◯ I am neutral
- ◯ I can live with it
- ◯ i dislike it

9. **Functional question for pop-up store element:** *

What if the SMEs retail store occasionally hosted pop-up store (temporary, exclusive retail spaces that showcase specific products or brands, creating a sense of urgency and exclusivity) featuring unique products or brands?

Mark just one oval.

- ◯ I like it that way
- ◯ It must be that way
- ◯ I am neutral
- ◯ I can live with it
- ◯ i dislike it

10. **Dysfunctional question for pop-up store element:** *

What if the SMEs retail store **never** featured any pop-up store (temporary, exclusive retail spaces that showcase specific products or brands, creating a sense of urgency and exclusivity) and only offered a fixed selection of products?

Mark just one oval.

- I like it that way
- It must be that way
- I am neutral
- I can live with it
- i dislike it

11. **Functional question for in-store event element:** *

What if the SMEs retail store regularly organized exciting in-store events (Special occasions such as product launches or workshops held in-store to attract and excite customers) or workshops for customers?

Mark just one oval.

- I like it that way
- It must be that way
- I am neutral
- I can live with it
- i dislike it

12. **Dysfunctional question for in-store event element:** *

What if SMEs retail store **never** organized any in-store events (special occasions such as product launches or workshops held in-store to attract and excite customers) or workshops?

Mark just one oval.

- I like it that way
- It must be that way
- I am neutral
- I can live with it
- i dislike it

13. **Functional question for sensory experience element:** *

What if the SMEs retail stores has a different sensory experience (stimulating environments that engage customers' senses through lighting, music, scent, and texture) to enhance your shopping experience?

Mark just one oval.

- ◯ I like it that way
- ◯ It must be that way
- ◯ I am neutral
- ◯ I can live with it
- ◯ i dislike it

14. **Dysfunctional question for sensory experience element:** *

What if the SMEs retail store **doesn't** have any sensory experience (no stimulating environments that engage customers' senses through lighting, music, scent, and texture), making the shopping experience dull and unstimulating?

Mark just one oval.

- ◯ I like it that way
- ◯ It must be that way
- ◯ I am neutral
- ◯ I can live with it
- ◯ i dislike it

15. **Functional question for gamification element:** *

What if the SMEs retail store offer interactive games (Incorporating game elements like challenges and rewards to make the shopping experience interactive and entertaining) or challenges to make shopping more enjoyable?

Mark just one oval.

- ◯ I like it that way
- ◯ It must be that way
- ◯ I am neutral
- ◯ I can live with it
- ◯ i dislike it

16. **Dysfunctional question for gamification element:** *

What if the SMEs retail store **doesn't** offer any gamification elements (never Incorporated game elements like challenges and rewards to make the shopping experience interactive and entertaining) making the shopping experience less engaging?

Mark just one oval.

- ◯ I like it that way
- ◯ It must be that way
- ◯ I am neutral
- ◯ I can live with it
- ◯ i dislike it

17. **Functional question for digital signage element:** *

What if the SMEs retail store has digital signage (dynamic screens conveying information and captivating visuals to enhance the store's appeal) displaying helpful information and promotions?

Mark just one oval.

- ◯ I like it that way
- ◯ It must be that way
- ◯ I am neutral
- ◯ I can live with it
- ◯ i dislike it

18. **Dysfunctional question for digital signage element:** *

What if the SMEs retail store **doesn't** have any digital signage (dynamic screens conveying information and captivating visuals) to enhance the store's appeal?

Mark just one oval.

- ◯ I like it that way
- ◯ It must be that way
- ◯ I am neutral
- ◯ I can live with it
- ◯ i dislike it

19. **Functional question for social media integration element:** *

What if the SMEs retail store integrated social media platforms (linking the retail experience with social media platforms for sharing, interaction, and exclusive promotions) to connect with customers and provide exclusive offers?

Mark just one oval.

- ◯ I like it that way
- ◯ It must be that way
- ◯ I am neutral
- ◯ I can live with it
- ◯ i dislike it

20. **Dysfunctional question for social media integration element:** *

What if the SMEs retail store has no social media presence or integration, making it difficult to stay updated or interact?

Mark just one oval.

- ◯ I like it that way
- ◯ It must be that way
- ◯ I am neutral
- ◯ I can live with it
- ◯ i dislike it

21. **Functional question for art installation:** *

What if the SMEs retail store has captivating art installations (Artistic elements in-store enhance shopping, creating a unique atmosphere, engaging customers, and encouraging brand interaction) to create an aesthetically pleasing environment?

Mark just one oval.

- ◯ I like it that way
- ◯ It must be that way
- ◯ I am neutral
- ◯ I can live with it
- ◯ i dislike it

22. **Dysfunctional question for art installation element:** *

What if the SMEs retail store **has no art installations** (no artistic elements in-store to enhance shopping, creating a unique atmosphere, engaging customers, and encouraging brand interaction)
and the environment looked plain and uninteresting?

Mark just one oval.

- ◯ I like it that way
- ◯ It must be that way
- ◯ I am neutral
- ◯ I can live with it
- ◯ i dislike it

23. **Functional question for interactive social space element:** *

What if the SMEs retail store provide interactive social spaces (areas fostering customer interaction and community engagement within the store) where you could relax and engage with others?

Mark just one oval.

- ◯ I like it that way
- ◯ It must be that way
- ◯ I am neutral
- ◯ I can live with it
- ◯ i dislike it

24. **Dysfunctional question for interactive social space element:** *

What if the SMEs retail store **doesn't provide** any social spaces and offered no areas for customers to interact or rest?

Mark just one oval.

- ◯ I like it that way
- ◯ It must be that way
- ◯ I am neutral
- ◯ I can live with it
- ◯ i dislike it

25. **Functional question for immersive theme element:** *

What if the SMEs retail store has immersive theme (Transporting customers to captivating and themed environments, creating a unique shopping experience) That transport you to a different environment or era while shopping?

Mark just one oval.

- I like it that way
- It must be that way
- I am neutral
- I can live with it
- i dislike it

26. **Dysfunctional question for immersive theme element:** *

What if the SMEs retail store has **no immersive theme and lacked** any distinctive atmosphere?

Mark just one oval.

- I like it that way
- It must be that way
- I am neutral
- I can live with it
- i dislike it

27. **Functional question for storytelling experience element:** *

What if the SMEs retail store provide storytelling experiences (engaging narratives that connect customers emotionally with the business) that provide background information and narratives about the products?

Mark just one oval.

- I like it that way
- It must be that way
- I am neutral
- I can live with it
- i dislike it

28. **Dysfunctional question for storytelling experience element:** *

What if the SMEs retail store **doesn't provide** any storytelling experiences, and the products lacked any compelling narratives?

Mark just one oval.

- I like it that way
- It must be that way
- I am neutral
- I can live with it
- i dislike it

29. **Functional question for seamless omnichannel retailing element**: *

What if the SMEs retail store provides a seamless, consistent, and reliable shopping experience across online and offline channels?

Mark just one oval.

- I like it that way
- It must be that way
- I am neutral
- I can live with it
- i dislike it

30. **Dysfunctional question for seamless omnichannel retailing element:** *

What if the SMEs retail store **doesn't provide** seamless, consistent, and reliable shopping experience across online and offline channels?

Mark just one oval.

- I like it that way
- It must be that way
- I am neutral
- I can live with it
- i dislike it

31. **Functional question for loyalty program element**: *

What if the SMEs retail store provide a loyalty program (rewards system where customers earn points, coupon or benefits for their continued patronage, which can be redeemed for discounts, free products, or other incentives)?

Mark just one oval.

- I like it that way
- It must be that way
- I am neutral
- I can live with it
- i dislike it

32. **Dysfunctional question for loyalty program element**: *

What if the SMEs retail store **doesn't provide** rewards system where customers earn points, coupon or benefits for their continued patronage, which can be redeemed for discounts, free products, or other incentives as a loyalty program?

Mark just one oval.

- I like it that way
- It must be that way
- I am neutral
- I can live with it
- i dislike it

33. **Functional question for product testing (demonstration) element:** *

What if the SMEs retail store provided product testing and demonstrations that allow you to try out products before making a purchase decision?

Mark just one oval.

- I like it that way
- It must be that way
- I am neutral
- I can live with it
- i dislike it

34. **Dysfunctional question for product testing (demonstration) element**: *

What if the SMEs retail store **doesn't provide** any product testing or demonstrations, and you had to rely solely on product descriptions and images?

Mark just one oval.

- ◯ I like it that way
- ◯ It must be that way
- ◯ I am neutral
- ◯ I can live with it
- ◯ i dislike it

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