

EXPERIENTIAL MARKETING – THE FUTURISTIC RETAIL EXPERIENCE

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Executive Summary

The rapid pace of globalization, increased competition and excessive brand clutter is changing the market landscape and posing new challenges for marketers and customers alike.

Coupled with economic slowdown, environmental crises and more discerning consumers, marketers are employing innovative strategies to address the changing consumer profiles. Marketers are building brands based on inputs and aim at creating experiences that shall be cherished forever.

In today's global marketplace, it is all about FEEL, RELATE and ACT, which is driving the consumption and choice of brands. The human interface is becoming a critical component and is providing the necessary touch-points for generating memorable experiences. This research paper examines and analyses the aspects of experiential marketing, both from the marketer's point of view, as well as the consumer's. The paper further addresses the issue of how to create and implement experiences in retail.

The term 'Experiential Marketing' has been popularized by Bernd H. Schmitt's book 'Experiential Marketing' published in 1999. Schmitt proposes that consumers gain experiences through sensory inputs, emotions, thought processes, participatory actions, or feelings of relatedness.

In essence, it may be said that experiential marketing seeks to create a memorable experience for the consumer, thereby rendering a direct sales pitch unnecessary. In other words, the experience of the consumer, with relation to the brand, or store, or salesperson, or the ambience, is itself sufficient to motivate him/her to buy the product.

This research paper explains a model that proposes a new way of looking at experiential marketing. We further apply this model, and thus evaluate and validate it, by applying it to retail locations.

Keywords: Experiential Marketing, Feel, Think, Act, Brand Identity

Literature Review

The current trend in the business world reveals new solutions developed to offer customised products. This does not simply apply to product solutions. For example, relationship marketing emphasises the role of the relationship between a vendor and its customer, with particular importance to personal involvement and trust. This suggests an enhanced opportunity for applying the experiential view of consumer behaviour and to implement consumption experience. (M. Addis et al., 2001)

Hedonic consumption has been defined as those facets of consumer behavior that relate to the multisensory, fantasy and emotive aspects of product usage experience (E.C. Hirschman, 1982). Traditional and hedonic views on consumer behaviour differ significantly. Traditional school of thought emphasizes on mass consumption, widening the consumer base, and gaining new customers. This view is significantly different from the methodological implications of the latter approach. As further supplemented, (Hirschman, 1992) the application of the experiential view depends on the product classes, product usage and individual differences.

It has been proposed (James, 1884) that emotions experienced are an outcome of the bodily sensations experienced by the person. This is applied in generating experiences, wherein sensory inputs, emotions and relational recalls create an imprint on the consumers' minds. Also, it has been suggested that generating experiences does not necessarily require new tools, (Holbrook et al, 1982) but better application of existing technology that intensifies the experience that the consumers gain. The difference between a poor and a good use of these tools is that of relating to the consumer, instead of simply bombarding the senses (Holbrook, 1993).

The competition has intensified considerably in every sector, including retail. This has happened because the majority of players are doing the same things, more intensively. Forming a relationship with the consumer creates an exponentially profitable business model that is sustainable in the long term, across many business domains and customer types. (Hirschman, 1992)

The retail sector in India is at a nascent stage and is expected to grow considerably. The competition in the sector at this stage is very intense because of the large number of players and the large investments in this sector. This competitive atmosphere has set the stage for low profit margins, structural upheavals, and rapid change for many players. Through resulting long-term loyalty, PWOM, and consumer delight, experiential marketing takes relationships, and profits to a level that traditional approaches such as CRM systems, and an emphasis on customer turnover can never hope to attain. This paper explores more on the same.

Introduction

This section is an introduction to the experiential approach. It explains the key attributes of the same, and the principle behind creating an experience (versus a traditional approach). An experiential approach is the next logical stage in consumer demands, beyond commodities, goods or services. This section also looks at the characteristics of the economy that set the stage for the creation of the same.

Key attributes

1. *Personal*

The experiences provided to consumers may be similar as those provided to other consumers. However, the assimilation of the same is deeply personal. For example, one person may wear a luxury chronometer to boost his social acceptance, another, as an aspect of self-actualization, yet another because of a passion for chronology, and what it consequently implies to him and so on.

2. *Memorable*

Experiential marketing creates memorable experiences. The consumer fondly reminisces them, and even shares them with peers and family, generating increasing sales through PWOM and consumer loyalty.

3. *Revealed over a duration*

The full spectrum of an experience is not apparent with the first company-consumer interaction. The experience deepens with each successive interaction. Also, each experience is unique.

4. *Participatory*

Experiential marketing necessarily involves consumer participation. The participation may be:

- a. Sensory perception, involving a delight of the consumer's sense of sight, hearing, smell, touch, taste, or a combination of these
- b. A stirring of emotions, mainly positive emotions
- c. A stimulation of the mind.
- d. Participation involving physical activity on the consumer's part
- e. Creating a sense of relatedness between the product (or the brand) and the consumer's own life

The principle behind creating an experience

Average businesses sell products, or generic services. These products or services perform certain tasks. According to the task they perform they are divided into

various consumption categories. In the ordinary scenario, there are conventions of doing business for each consumption category.

Experiential marketing goes beyond the consumer's stated needs (addressed by the consumption categories) and takes the socio-cultural context into account. Thus, experiential marketing addresses not simply the wants and needs, but the self-image, social goals, dormant emotions, values, and deeply ingrained desires of the consumer.

Necessary factors in the economy

Certain developments are key to setting the stage for the creation and sustenance of experiential business models. These are enumerated below:

1. The omnipresence of technology

Experiential business succeeds in a society which makes wide use of technology. Technology is nothing but a capability to deliver a product or service efficiently to a large number of consumers. A society that makes wide use of technology is characterised by the following:

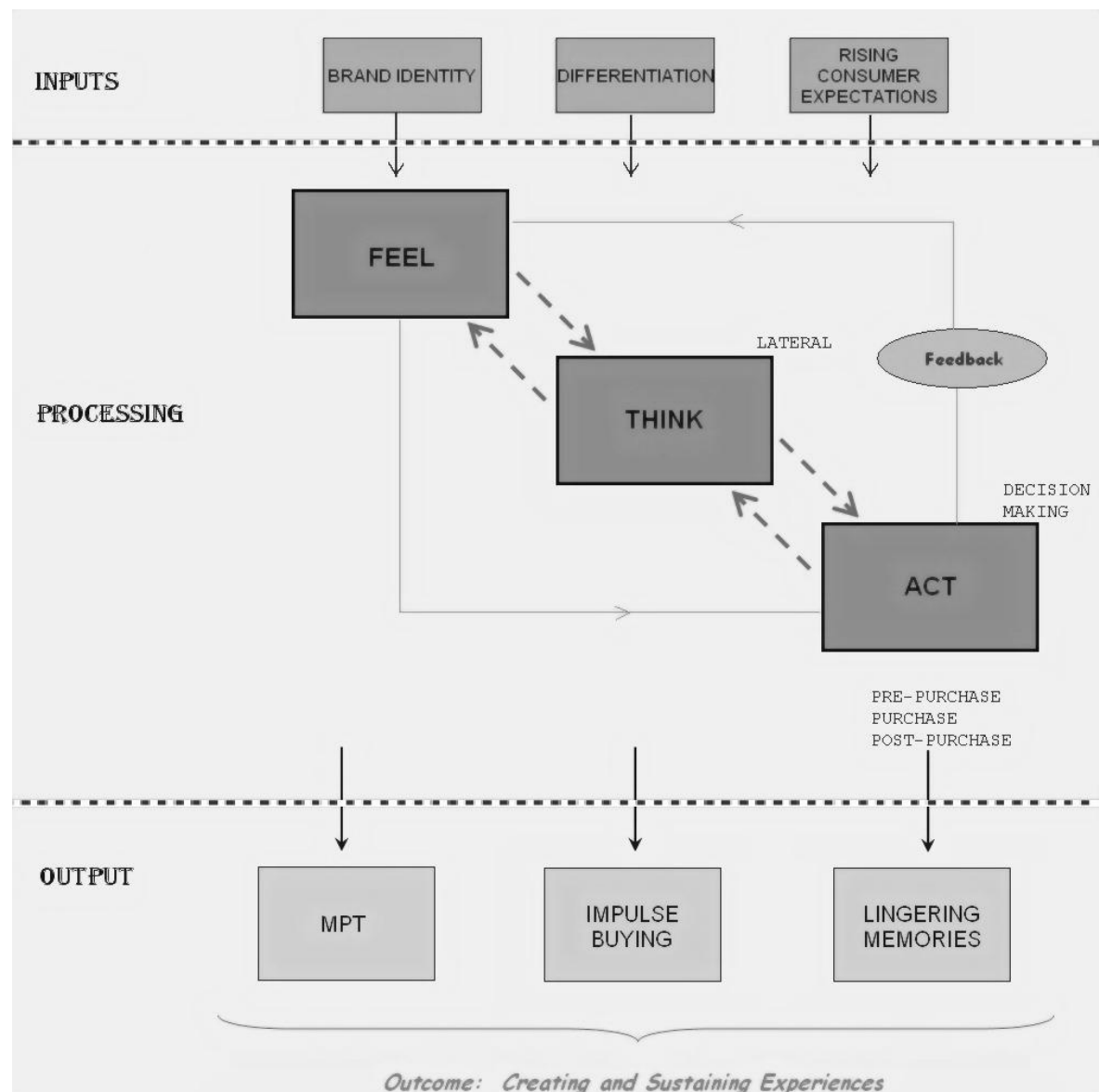
1. Mass availability of similar, little-differentiated products
2. Prosperity, which implies a satisfaction of basic human needs, and easy satisfaction of higher wants
3. An economy based on knowledge and service

This sets the stage for the success of an experiential enterprise. People are hungry for memorable experiences, services founded on warm relationships, and being delivered over and above what they have come to expect.

2. The ubiquity of brands

In the appropriate economy, branding of products and services is widely prevalent. Branding being commonplace, there is little difference between the prices of a packaged commodity, and a branded product. Consumers make purchasing decisions, not by the commodity, but by the brand.

Model



Explanation

This model is divided into 3 components: inputs to the consumer, processing of those inputs in the minds of the consumers, and its effects and resultant actions. A necessary factor for the creation of an experience is a sense of brand identity. The product or service should be known not by its individual properties, but by its brand, as already discussed. In a state with such a high brand consciousness, differentiation is the key. However, if the majority of brands are providing functionally similar products or service, consumer expectations rise and the stage is set.

Feel

The 'Feel' in this model is a reference to a range of emotions in a consumer as a response to an external stimulus. These stimuli are mostly sensory stimuli – such as

appealing colours, good ambience, scents from food and perfumes, music playing in the mall, and so on.

The James-Lange theory and its derivatives state that a changed situation leads to a changed bodily state. It asserts that first we react to a situation, and then we interpret our actions into an emotional response. Thus, emotions and sensory perception are inter-related, and dependant on each other.

The 'Feel' in the above model represents the consumer taking in the sensory stimuli presented by the mall; these are interpreted to form emotions, rouse feelings and previous memories. The new 'mood' created results in congruent actions – for example, increased shopping – which leads to further congruent emotions. The result is that there is an overall increase in conducive behaviour, such as more spending.

Congruence is dependent on 3 crucial factors: Motivation, Action, and the Outcome in the External Environment. Congruence is a desirable state for the human mind. Hence, a conducive external environment triggers a motivation to further experience that environment, meaning, to make the purchase, which in turn further enhances the experience of being in that environment.

Think

The Think component refers to rational purchase decisions. Some products, by their very utility and nature, cannot be emotional purchases. Rational purchases can be either high-involvement (e.g. consumer durables) or low-involvement (e.g. OTC medicines). For such products, it is possible to relate with the consumer by stimulating his or her thought processes.

The thought process may be lateral, meaning that the consumer may call upon other experiences and opinions, unrelated to the current environment of purchase.

Act

Act refers to the physical involvement of the consumer in an activity related to the product itself. For example, some SUV showrooms have installed adventure equipment such as an artificial rock-climbing facility. This has nothing to do with the sale of the vehicle itself, but the experience of prospective customers will convey to them that the company understands not just automobile technology, but more importantly, the consumers' self-image and aspirations. The participation of the consumer in the experience strengthens the congruence between his/her self-image and the brand perception.

Decision-making regarding the product takes place at this stage, during physical interaction with the product itself. Besides the decisive interaction, the consumer continues to form perceptions about the product at the pre-purchase, purchase and post-purchase stages.

Inter-relatedness

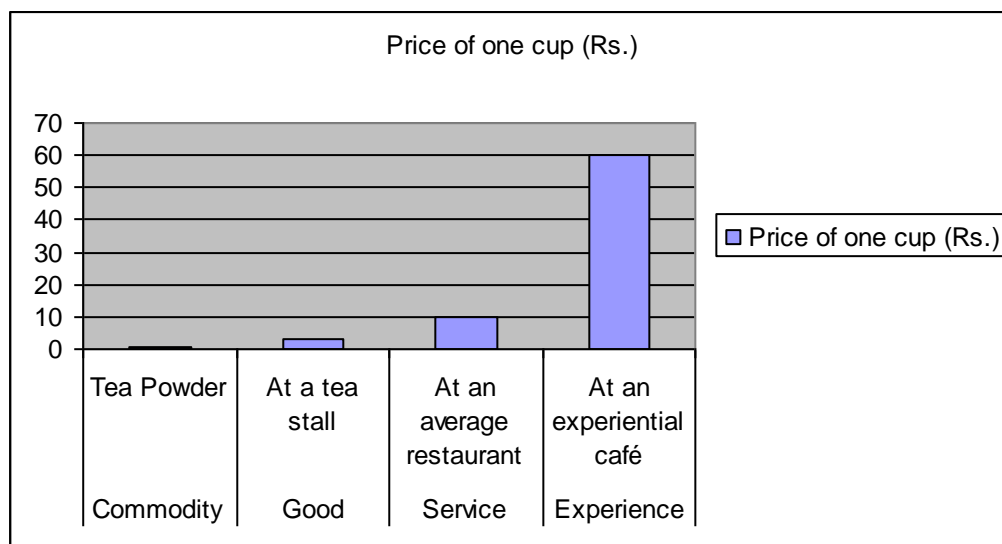
The above model indicates that the brand should strive to connect with the consumers at all the above levels. Thus, all these states of awareness flow into each other and are inter-related. For some products, a state may be irrelevant, e.g. a positive feeling for a personal accessory such as a purse, may translate directly into further physical interaction with the brand, leading to purchase. The physical interaction, and the act of purchasing, creates a feedback loop which alters the feelings for the brand, the mall environment, etc.

The outcome of the above processes is summed up in the third section of the model, viz, MPT, impulse buying and lingering memories. These are the psychological and tangible outcomes of being subjected to an experience. Impulse buying is obviously more likely in case of products which do not require high involvement thinking. However, the experiential approach sets the stage for the purchase of products or services to accessorise or enhance the product or service that the customer originally intended to purchase. This is one crucial way in which the experiential model adds profitability to retail in a way that traditional advertising-oriented approach never can.

Advantages of experiential marketing:

1. A new source of value:

Providing consumers with experiences allows the business to charge a higher price, and thus earn higher revenues. This is because the consumer is paying not for the product, or service, but for the experience, which is unique.



As an example, the above chart illustrates the typical rates applicable to a cup of tea in India.

The price point is a function of the value of remembering the experience. Hence, businesses must strive to create memorable experiences.

2. Entertaining:

Experiential marketing is entertaining to the consumer. If well-conducted, the consumer enjoys and remembers the interaction with the brand – represented by the product, the staff and the interaction format.

The most entertaining and memorable experiences achieve this by altering the consumer's perception of reality, through the product, staff and props.

3. Creates loyalty by leaving indelible impressions:

Experiential marketing, and the investment required therein, is lucrative because it generates customer loyalty. This generates PWOM and repeat purchases. The more sensory an experience is, the more memorable it will be.

Disadvantages of experiential marketing:

1. Goods and services must be customised

A major challenge is creating goods and services that each consumer perceives as being customised to his or her specific needs. This is more challenging for certain products than others.

2. Staff needs to be well-trained

The staff that interacts with the consumer must be well-trained. They must be trained to pay individual attention to each consumer, be passionate about the product, be creative in dealing with challenges and take initiative. In short, the entire emphasis of staff interaction must be on building relationships.

3. Charging the price

Determining an appropriate price for an experiential product may be challenging.

The appropriate price for an experiential product or service is what the consumer believes it to be worth. Hence the price must not follow a model like a cost+markup model, but should determine what the most profitable segment of consumers will be willing to pay. The profitability of each segment would be a function of the perceived appropriate price, and the number of consumers therein.

Consumer delight is a function of the difference between what the consumer expected and how much more s/he received.

4. Difficulty in measuring

The experiential model is based on providing good experiences and ensuring consumer delight. It stresses on creating an emotional bond and a relationship with the

customer. A drawback is that these traits are difficult to measure. While customer turnover and even satisfaction in the traditional approaches can be measured, parameters such as delight are difficult to measure. Challenges in measuring these parameters may lead to some difficulties while implementing the experiential model, and determining its effectiveness.

Scope for future research

The writing of this paper has involved primary research, the findings of which are in the Appendix. The sample size for this research was 100, in Mumbai city. Further research may include detailed research on this subject over a larger sample size. Due to the limited sample size, detailed analyses such as factor analysis using analysis software could not be implemented. Future research may look into the same.

The evolution of the economy has seen a natural progression of the standard of customer delight, from quality commodities, to goods, to services in a knowledge-based economy, which is the state that the Indian economy and many other parts of the world are currently in. Experiences are the new frontier in this natural progression. As more and more companies appropriately and sensibly apply experiential approaches, the next frontier in the coming decades will be consumer transformation. The consumer of the future will come to naturally expect good experiences and be in a quest for life-altering or personality-changing transformations. Any future research may explore this.

Appendix:

1. CASE STUDY: Ishanya Mall

Introduction

Ishanya is a Specialty Mall focused on the interior and exterior needs of a home or office owner, builder/ developer or an architect and facilitates shopping that is destination based. It is targeted at those who have an interest in interior design – either as consumers, or the real estate industry, such as architect, an interior designer, a builder or a developer. Ishanya is designed as a venue for the latest in world-class design inspiration ideas, expertise and solutions. To its customers, Ishanya offers choices between a multitude of design possibilities. It offers the support through its services that help lay consumers in resolving dilemmas, helping find solutions, helping create dreams and bringing them to fruition.

Mall design

Ishanya's architecture has a theme of concrete, glass and steel, housed in a 10-acre green, Zen-themed campus. Glass and water bodies and carefully designed lighting are used to enhance the aesthetic beauty of the architecture.

Ishanya has also implemented intelligent building systems that will result in functional safety as well as energy conservation and efficiency through rain water harvesting and waste management. The centre is equipped with a sophisticated fire detection system, fire fighting systems/sprinklers, CCTV and access control. The roofing is designed with special insulation keeping in mind the energy consumption for air conditioning.

By the day you can buy, browse, eat, look for art, attend seminars, or even enrich your mind with expertise and knowledge. You can browse a large number of brands showcasing the latest in international design, seeking out Ishanya's exclusive services that offer you the possibility of interactivity and custom fit. By the evening you enjoy a musical program or classic theatre or enjoy fine dining.

Range of products

With over 52 Product and Service Categories, spread over 5,50,000 sq. ft. provides ample exhibition space for hosting product launches, exhibitions and art shows, perfect for builders, developers, architects, designers, students & sculpture dealers etc.

Ishanya has 5000 brands and over 100 SIS's, but it is beyond a mere cluster of shops. It combines retail with customer conveniences like design consultants, design studios and services, knowledge centre and information centre etc to aid customers in informed decision making. All in all its facilities and ambience make for enriching shopping experience.

Ishanya conducts seminars, workshops, exhibitions with national and global themes, which help consumers make more informed and enriching choices.

Simulation facility

To encourage customers to try-out their ideas and give them shape, Ishanya provides state of the art mock up and simulation facility. Computer simulated imaging on state of the art workstations gives customers an experience of how a property, house or room will look like on completion or how selected fabrics would look in their own room or selected ambience. Ishanya has an in-house design team that can help coordinate custom built packages for project needs. The simulation facility is located next to Ishanya's Knowledge and Research Centre and library.

Amphitheatre

Ishanya provides a 450-seater amphitheatre for music and performing arts, spaces for sculpture or design exhibitions, permanent art galleries to host the finest in art. The seating area is expandable to 1,000 seats by modifying the The Kund (waterbody).

Service providers can lease these facilities and expect targeted people for art shows or showcase your ideas and exhibits to a wide and tasteful audience. The Amphitheatre provides a stage to display the classical and contemporary of theatre and creative arts.

Ishanya has two individual art galleries with 6,750 sq. ft reserved for art, sculpture and creative installations. One gallery, the Tilting Art Gallery, overlooks the amphitheatre and gently slopes down to the 'Kund', a large water body, while the other, managed by Rimari, gives a view of the open 'Angan' style courtyard.

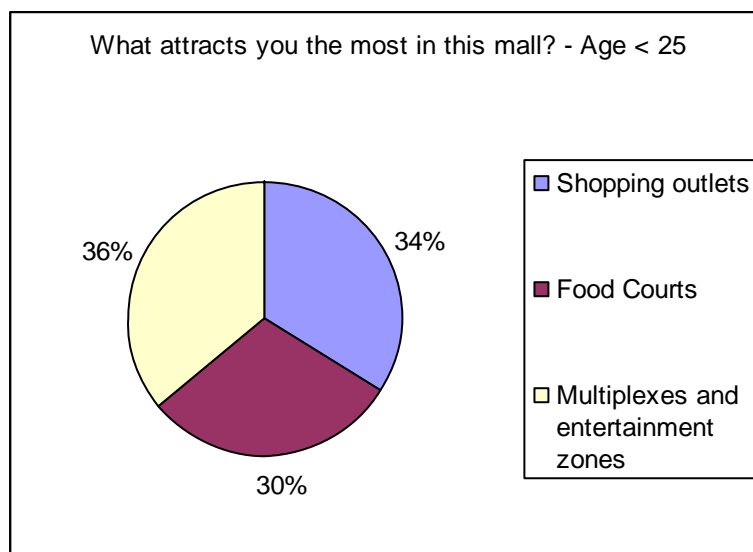
Laser Show

The highlight at the amphitheatre is presently 'Fantasia Magic', the story of magic in laser and water, presently running to packed shows three days of the week. The show is produced in London, and directed by LSE, Belgium. Animation, lighting effects and fire create a symphony of light and colour creating a unique show. Thus, it's a hi-tech show that can be customized for high profile event firms to enhance fashion shows, corporate and product launch events, fashion and celebrity events, and parties in a completely unique way. It has even been adapted to work in the monsoons, turning the cloudy greys into a rainbow of colors.

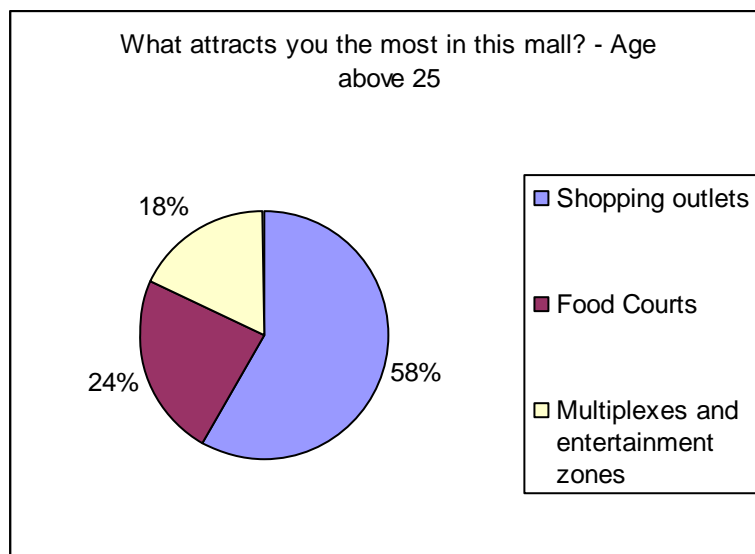
Thus, this unique laser show does not only lead to a special experience for customers. It can be used as a service to customers for their own events. Thus, through seminars, conventions and workshops, a knowledge and research centre, a mock up and simulation centre and a creativity centre, Ishanya has innovatively managed to transform even a B2B operation into a memorable experience.

2. PRIMARY RESEARCH: Findings

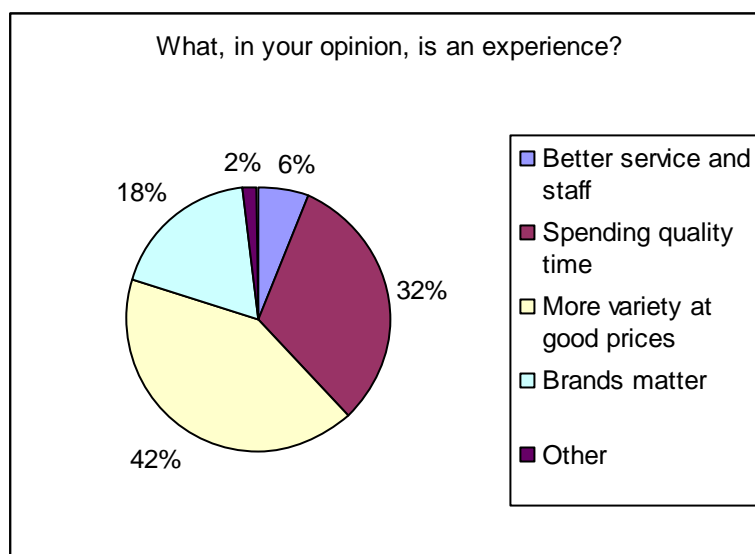
The survey sample of the primary research was biased toward youth. There are some differences between the tastes and preferences of the youth and the previous generations. Hence, rather than taking the average statistic, we have considered preferences for those above and below 25 separately.



As per the research, the youth are interested in all activities with no bias toward any one activity. Young girls are more interested in shopping outlets, whereas young males are slightly more interested in entertainment zones than females are.



A majority of people interviewed have no idea what an experience is. People considered good shopping bargains to be an experience. A variety of food courts and entertainment complexes was perceived as being provided with experiences.



Highly skilled staff goes a long way in providing an experience to shoppers. However, the interaction of customers with staff is limited and varies from outlet to outlet in a mall.

There is a high awareness regarding a mall's loyalty program, or card among consumers – whether they use it or not. 82% said they were aware about a loyalty program of the mall. This is in part due to aggressive push by the retail chain, and the customer's preference for better bargains. However, these cards are not perceived as an experience. They do not provide customers with better experiences, only better offers. The retail industry in India is still in a nascent stage and still has a way to go before it is in a position to skilfully apply its business model, whatever it may be.

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