

RETAIL DESIGN, EXPERIENCE ECONOMY AND THE GREYING POPULATION: A EUROPEAN PERSPECTIVE

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ABSTRACT

Elderly people (often defined as people aged 65 years and older) are a rapidly growing segment of the current world population (UN, 2007). This demographic shift creates opportunities and challenges for designers, marketers and consumer researchers alike. However, there seems to be a lack of reliable knowledge concerning the needs and wants of this particular 'grey market' (Szmigin & Carrigan, 2001; Curch & Thomas, 2006).

For a retailer, it is of growing importance to be on the same wavelength as their customer(s), not only to determine the functional needs of a retail store, but also to understand what appeals emotionally to customers. In the current 'Experience Economy', customers look for personal, intuitive relationships with brands and retailers, with which they feel allied with (Pine & Gilmore, 1999). Creating and directing experiences has become a means of communication as well as a possible differentiation strategy. Recently however, the concept of Pine & Gilmore's 'Experience Economy' is being criticized. The present parameters for inducing memorable experiences are authenticity and originality. Design of retail environments should be directed towards values and creating appropriate 'atmospheres', since experiences are the new source for value creation for customers.

This contribution aims to link the current issues of the 'grey market' with the growing discipline of Retail Design in general and the concept 'Experience Economy' in particular. Two successful European retail stores will illustrate how the design of retail stores can successfully be adapted to older customer's needs and wants.

Keywords: Retail Design, Experience Economy, Greying population

1 INTRODUCTION

Elderly people (often defined as people aged 65 years and older) are a rapidly growing segment of the current world population (UN, 2007). Due to changes in fertility and mortality rates, improved health care and changes in lifestyle, the world population has changed and will continue to change in the future. Looking at the European population composition, recent European population prospects make clear that by 2020, 20% of the European population will consist of people aged 65+. By 2050, this number is expected to increase to almost 30% (Giannakouris, 2008). This demographic shift creates opportunities and challenges for marketers, designers and consumer researchers alike. However, there seems to be a lack of reliable knowledge concerning the needs and wants of this particular 'grey market' in a retail environment (Szmigin & Carrigan, 2001; Curch & Thomas, 2006).

A significant part of people of this age group seem to have high disposable income and low debt rates. Figures indicate that in Europe, over-55s generally possess more than 60 per cent of all financial savings (Buck, 1990). These monetary facts aside, it is clear that today's 'older customers' are different in comparison with previous generations (Szmigin & Carrigan, 2001). The current group wants to enjoy life as long as they can, is active and productive and likes to consume. There is also an increased tendency to retire earlier, and thus, to have more time to shop and to spend (Balazs, 1994; Buck, 1990).

In other words: the current segment of 'older people' forms a significant and growing market. Marketers in the United States have realised this earlier than their European colleagues (Bartos, 1990). In a lot of European countries, the segment of 'older people' is still uncharted for marketers, designers and consumer researchers (Weijters & Geuens, 2003). Very recently however, some first examples of retail store

environments, adapted to the specific needs and wants of older customers, emerged in different European countries.

This paper uses the emergence of these retail initiatives as a means to provide more insight in the link between the current knowledge of the 'grey market' and the growing discipline of Retail Design in general and the concept 'Experience Economy' in particular.

2 BASIC CONCEPTS: RETAIL DESIGN AND EXPERIENCE ECONOMY

2.1 Retail design

Retail Design is a growing discipline in the field of Interior Design. The term 'Retail Design' covers several aspects that need to be considered when designing retail stores, e.g.: considerations concerning the tangible elements (store frontage, carpeting; fixtures, ...) and intangible elements (temperature, scents, colors, ...) or an understanding of what will work aesthetically within the environment; an understanding of how different store dimensions will perform functionally and commercially: thinking about how the store's design can be built to budget and meet regulations concerning the use of a public space (Kindleysides, 2007). Since design has gained in status in retail management, it is argued that the role of Retail Designers has progressed from plain shop fitting to the provision of inspiration to customers (Bäckström & Johansson, 2006).

In a world where homogenisation of products and services is widespread, retailers and manufacturers continuously (need to) look for differentiation strategies. Retail Design can play an important role in this process, since it is being accepted that a physical retail environment can have as much effect upon the customer's perceptions as the quality of the product(s) itself. Therefore, it is of growing importance for retailers to be on the same wavelength as their customer(s), not only to determine the functional needs of a retail store, but also to understand what appeals emotionally to customers (Inman & Winer, 1998). For instance, customers in today's retail stores ask and expect more than just being satisfied with the purchased brand or product and the delivered service level. They look for value; therefore, value creation is currently seen by many authors as the key to long-term retailer success (Sweeney & Soutar, 2001). A retailer can strive to create value by building personal, intuitive relationships with the customer, in order to let the customer feel allied with the brand or retail store (Pine & Gilmore, 1999). When trying to reach this goal, retailers need to consider creating exciting environments, which create personal and memorable customer experiences.

The multiplicity of the Retail Design discipline, in combination with the fact that it still is a growing discipline, makes it clear that Retail Design may well benefit from valuable and relevant input of several other disciplines, such as marketing and psychology.

2.2 Experience Economy

Thinking about how a retailer can understand what appeals functionally and emotionally to customers, brings us to refer to the concept 'Experience Economy'. The concept was developed at the end of the '90 in the management discipline by the American authors Joseph Pine & James Gilmore, in their book 'The experience economy: work is theatre and every business a stage'. Since economics (and marketing) are progressing from a goods to a service dominant logic (Vargo & Lusch, 2004), inducing 'experiences' has become a means of communication as well as a possible differentiation strategy. Experiences allow retailers to appeal not only to consumers' rationale but also to their emotions. The goal of consumption activities has been shifted from obtaining goods to obtaining satisfying experiences (Hirschman, 1984).

Recently however, and certainly in Europe, Pine & Gilmore's concept of the 'Experience Economy' (EE from now onwards) is being criticized. The literature that emphasizes the importance for retailers to focus on experiences often lacks a common ground for discussion, since interpretations of central concepts differ from one author to another (Bäckström & Johansson, 2006). Furthermore, experiences are always

context- and situation-specific (Dewey, 1934). This implies that ‘experiences’, as conceptualized in Pine & Gilmore’s first generation EE, do not necessarily work in a European retail context. In addition, in the first generation EE, the company was the frame of reference for value creation. In the current second generation EE however (Prahalad & Ramaswamy, 2004), the role of the customer has changed. This so-called ‘next economic practice’ implies that the traditional system of company-centrism needs to shift to a system of co-creation of value. In the current second generation EE, the *dialogue* between customers and businesses forms the basis for the co-creation of values which are meaningful and truly unique for the individual customer. The present parameters for creating and directing memorable experiences are authenticity and originality. Therefore, design of retail environments should be directed towards (co-) creating values and appropriate ‘atmospheres’, since experiences are the new source for value creation for customers. When a retail experience succeeds in delivering value to the customer, it can become the key to long-term success (Sweeney & Soutar, 2001).

3. REFLECTIONS ON DESIGN AND OLDER CUSTOMERS

Taking the present body of knowledge concerning Retail Design and the Experience Economy into account, how can the design of retail stores be adapted to older customer’s needs and wants? In what follows, physical and social aspects of the retail store environment are discussed as means to formulate an answer to this question. Two successful European retail stores, adapted to the needs and wants of older customers, illustrate how the theory can be translated into practice.

3.1 Physical aspects of the shopping environment

Since older customers’ shopping habits differ from those of younger customers (Park & Farr, 2007), it is clear that this population segment has special needs and wants in the marketplace. Research has demonstrated that for older customers, it is important to create efficient and user-friendly shopping environments. This population segment often shares concerns related to physical and spatial aspects of the shop (The Consumer Council, s.d.; Curch & Thomas, 2006): is it easy to get to the store? (by car, by bus) ; what is the distance from the parking lot to the store? ; store layout: where are the products I need, placed in the shop? (in the front or at the end of the store?) ; does the shop have rest areas? ; is it possible to easily manoeuvre between the aisles? ; are the trolleys easy to steer? ; what is the shelves’ height? ; are the product labels and price tags clearly displayed? ; is the detailed information, mentioned on the product label (e.g. cooking instructions, nutritional details), easily readable?

Despite the clear benefits of functional and aesthetically pleasing shopping interiors, other research indicates that also the store’s social environment may well be of equal importance to older customers.

3.2 Social aspects of the shopping environment

Different authors have made clear that silver shoppers (among other things) show a particular appreciation for ‘*value*’ in a store. They want to feel ‘welcome’ and appreciate good service and personal interaction from the shop personnel (Mogelonsky, 1995; Moschis, 2003).

Customers may also engage in shopping as a means of socializing with their friends (Burt & Gabbott, 1995). Moschis (2003) revealed that for a lot of older customers, shopping not only is a consumer activity, but also a social event. Graham et al. (1991, mentioned in Curch & Thomas, 2006) noticed that for two-thirds of their respondents, going to a shopping centre was a free time activity and the shopping centre was a place for social contacts. Kim et al. (2005) indicate that retail store environments are considered as places for reducing loneliness. For older people, the ‘consumption satisfaction’ does not merely emerge from ‘consuming’ an sich, but equally from *experiencing* something specific. Schiffman & Sherman (1991, mentioned in Kim et al., 2005) concluded that when marketers want to be successful with older customers, they increasingly need to emphasize *experiences* related to shopping motivation.

3.3 Successful European retail stores for elderly customers

A first successful European retail case, which tries to take older customer’s needs and wants into account, are the shops of the ADEG chain in Austria and Germany. Since a quarter of the Austrian and a third

of the German population are expected to be 65 or older by 2050 (Arabaci, 2008), the opening of the 'Adeg Aktiv Markt 50+' in 2003 in Salzburg was the first attempt by ADEG, a subsidiary of the German company EDEKA, to formulate an answer to the challenge of the greying population.

The Adeg store's design took older customer's shopping needs and wants into consideration: shelves' height is lower than in most stores, aisles are wider, lighting is brighter, there are magnifying glasses, hanging from chains for those having trouble reading labels, price labels are larger and there is access to rest areas within the store. Furthermore, non-skid floors are present in the store. ADEG also gave a lot of attention to the importance of the 'service' aspect: to addressing the queries of their aimed customers, ADEG decided to match the target market with their employees, all over 50. Older customers seem to highly value this initiative. ADEG wants to be seen as a 'service oriented' chain because it cannot compete on price with well-known discount chains like Aldi (Ralli, 2003).

Soon after their pilot store, ADEG opened similar supermarkets and started redesigning their existing supermarkets to making shopping more comfortable. The turnover of the ADEG senior supermarkets increased with 20 percent compared to that of other stores of the same chain (Smit, 2004). Consequently, also in Germany, similar stores were opened. Soon after opening the pilot store, the ADEG chain noticed that other age-groups were responding positively to the store's product selection and layout enhancements.

Following the successful ADEG story, in 2005 the German KAISER chain opened its first senior supermarket in Berlin. Just like ADEG, Kaiser's supermarket is adapted to the concrete needs and wants of older customers. Some features, for instance the curvy seated carts, are unique to Kaiser's. Like ADEG senior stores, Kaiser's 'Generations Market' gave attention to the social aspect of shopping for older customers. Therefore, Kaiser's created a 'senior corner', where people can meet in a relaxed atmosphere. Kaiser's senior supermarkets, too, seem successful: sales are 25 percent above forecasted figures, and long-time customers seem happy as well (Robinson, 2008).

The ADEG and Kaiser's success stories seem to inspire other retail chains: recently, news spread out that British TESCO chain is thinking about opening a 'senior supermarket' in Newcastle (Hurst, 2008).

4. CONCLUSION

This contribution aimed to indicating that the ongoing demographic trend of the 'greying population' offers opportunities for marketers, designers and consumer researchers alike. Research has made clear that the particular profile, status and economic situation of the grey market explains the concrete needs and wants this customer group has in a retail environment. In the current Experience Economy, inducing experiences has become a means of communication as well as a possible differentiation strategy. Retailers have to deliver value to the customer. The examples of ADEG and Kaiser's senior supermarkets have made clear that a proper retail environment, in combination with the right social approach, can strongly enhance shopping experiences for this customer segment.

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