“Today, people do not collect objects; they collect experiences to share”

WildBytes

II.

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INTRODUCTION

Today, we live in a fast-paced world in which digital revolutionizes the way we live, communicate, move, buy and feel things. We are extremely sensory creatures feeling everything thanks to our twenty million nerve endings, our eyes capable of distinguishing millions of colours, our sensitive ears which enable us to perceive the world that surrounds us and our extraordinary capacity to taste and smell *(Briggs & Buchholz, 2019).*

Brands realized over time, they could take advantage of this hyper-sensitivity by sending customers different stimuli in order to make them purchase certain products/ services. Nowadays, we are all exposed to thousands of stimuli every day. Among all these different stimuli's many are irrelevant. Hence, over the years we have unconsciously developed, filters enabling us to rapidly select the information that is relevant for us.

Moreover, with the emergence of technology and the constantly increasing offer, customers have become more and more demanding over time. Nowadays, they have high expectations, their needs are changing extremely fast and they are very connected which makes them extremely informed. Moreover, they seek brands which differentiate themselves from competitors by delivering personalized, engaging and unique experiences provoking emotions.

However, customers are evolving faster than companies, creating a gap between the needs of the customers and the available supply. Hence, if brands want to survive in today's competitive market, they need to adapt to these changing needs and constantly rethink the customer journey by finding innovative ways to engage their customers. Furthermore, with the fast evolution of technology, brands need to keep up by digitalizing the customer journey.

In 2013, Momentum, an Australian marketing agency, spoke for the first time about "Phygital". They defined it as being the fact of merging the digital and the physical world by engaging the customer with digital signage inside the traditional venue. Hence, at first sight, this could be a possible way for brands to reinvent the on-site experience and answer the needs of their customers.

The problem is that Phygital is quite a new concept, which is still unclear or even unknown for most people. This is due to the fact there are not clear boundaries to the concept yet,

everyone has a bit their own definition. Moreover, there is almost no information available about the effectiveness of implementing Phygital in traditional venues. Consequently, brands and institutions are still reluctant to create Phygital experiences for their customers on-site. This is why we decided along with Deloitte, to do a project master thesis about the concept of Phygital in order to increase people's awareness of it and answer the following research question: *"The integration of Phygital channels into a brand's omni channel strategy: an effective way to improve the on-site customer experience and increase a brand's revenue? "*

The choice of the topic can be explained principally by the fact I had the opportunity to do a three-month internship at Deloitte Brussels in the Digital experience department. Hence, by accepting their offer I would be immersed in this topic for several months and wishing to pursue a professional career in this field, this study was a great way to develop some solid knowledge on the subject. Moreover, I saw real value in the accomplishment of this project master thesis since Phygital is an emerging concept with a low awareness but with a promising future.

This project master thesis has two main objectives. Increase the awareness of Phygital through the creation of the "Phygital Factory" and answer the research question established above. The "Phygital Factory" is an online platform with as aim to become over the years, the worldwide showcase of Phygital. This platform will inform people about the concept, inspire brands/institutions through a portfolio gathering many Phygital projects and finally, make members/visitors interact through the Phygital Forum.

In order to accomplish the mission of creating a reliable, informative, inspirational and engaging platform and answer the research question established above, in-depth theoretical research has been conducted. To keep our literature review structured, we established three subsidiary questions which will also help us to fully accomplish the two objectives of this project master thesis. The first one, concerns the actors who constitute today's context: "Who are today's customers and what are their needs and wants?" The second one concerns the use of omni-channel strategies by brands/institutions in order to meet the needs of customers: "What are the benefits of using an omni-channel strategy nowadays and what are the limits to its use? And finally, "What do we mean by Phygital, how can it be implemented and what are its benefits/limitations?"

PART I: LITERATURE REVIEW

CHAPTER 1: Analysis of the current context

1. The evolution of marketing

Marketing has evolved continuously over time in order to answer the needs of consumers. Throughout this section will be shown this evolution has given a certain power to the customer and made him more demanding. Meanwhile, the various developments in terms of knowledge, communication, information and technology have shaken up the foundations of traditional marketing (product centric) to switch over to a more "relational" marketing (customer centric) strategy today.

Before mapping the evolution of marketing over the years, let's have a quick reminder of what marketing is. Marketing can be defined as follows: *"The activities undertaken by a company to promote the buying or selling of a product or service. Marketing includes advertising, selling, and delivering products to consumers or other businesses." (Twin, 2019, para. 1).*

There is no exact emerging date of marketing. Some researchers claim it was at the beginning of the 20th Century while others state it emerged many decennia's before. However, a distinction can be made between five different eras in the evolution of marketing *(Materne, 2017).*

In the 19th Century, the first "general" retail shops emerged. People could go there to buy food, clothes, garden tools, and so on. The owner of the shop was often a citizen who knew every customer personally. Hence, he welcomed the clients by their names, knew exactly the familial status and habits of each of them. Based on this he could make personalized suggestions and anticipate the needs and wants of every customer *(Roussin, 2018).*

At the beginning of the 20th Century, the arrival of mass marketing made this personalized service disappear with the emergence of department stores. In this era the customer was not the priority at all, it was the product. The brand implemented large scale production in order to be able to sell at low prices. During this era the needs and wants of the customer were not taken into account. Once the product was manufactured it was pushed to the whole market

without any targeting. Consequently, brands suggested shaving foam to woman and banks offered credit cards to teenagers which was extremely inefficient *(Roussin, 2018).*

During the second half of the 20th Century, brands realized the consumers' needs and wants were the starting point of any marketing process. Brands followed the key assumption, *"a market should make what it can sell, instead of trying to sell what it has made" (Keelson, 2012, p. 37).* Brands started segmenting their customers based on age/gender but over the years the segmentation went deeper and deeper, classifying them based on geography, behaviour, psychographics, and so on. This led to an explosion of the offer since the different segments had an increasing number of needs over time. This gave a certain power to the customers who were able to compare the different offers and choose the one that best matched their needs *(Materne, 2017).*

The more the 21th Century approached, the more marketing became "relational" and "experiential". Brands had to adapt their strategies due to the increase in competition, the rapid change in consumer needs, the shortening product life curves and well-informed customers. The aim was to create a one-to-one bond between the customer and the brand in order to make customers loyal. Brands created customer loyalty by focusing on customer satisfaction, quality of products/services, customer value, and so on. Meanwhile, they gave the customer a feeling of uniqueness by personalizing their experience and by asking them for feedback. In order to make this personalization possible brands had to collect more and more data about the behaviour and identity of their customers. Today, these huge amounts of data are also called Big Data. This way, brands could differentiate themselves from competitors in order to survive *(Tuzunkan, 2017).*

Recently, many marketing strategies have adopted an "interactive" dimension. In addition to the personalized one-to-one relationship, some brands are allocating a large part of their budget to innovative ways to engage the customer and personalize the experience even more. Some brands are for instance, integrating the customer in the production process of the product/service through customization. This is what Nike did with the "Nike maker experience" launched in NY in 2018. By engaging their customers, brands trigger emotions which will lead to the creation of memories and to a stronger relationship between the brand and the customer. Moreover, brands are diversifying their channels more and more in order

to engage with customers whenever they want, wherever they are and however they want *(Materne, 2017).*

2. The different kind of consumers

In order to analyse the current context, and the place of digital in the customer journey, it is important to analyse the different actors who constitute today's context. Four different generations will be analysed in this thesis to understand, their way of thinking, their lifestyles, their expectations, their needs and their buying process.

"A generation is a group of people traveling through life together and experiencing the same events at a similar age. Additionally, they share a common social, political, historical, and economic environment." (Khanh, 2017, p. 3)

The different generations are usually established based on year of birth. The problem is that many sources use different birth years to define generations. This is mostly due to the fact, many regions around the globe define the beginning and ending of a generation based on the important events that occurred in their region. North America for example, will consider 9/11 as being the event that indicates the end of Millennials and the beginning of the Z-Generation. This thesis will rely on the generations defined by the Pew Research Center which is specialized in demographic research.

2.1 The Boomers

The baby boomers are people born approximately between 1946 and 1964. They were born just after World War II when the number of births exploded. In 2019, they are in the 55-73 age range. Hence, most of them are already retired. However, marketers should not neglect Boomers because they still have the highest buying power and according to estimations they will keep this position until at least 2030 despite their shrinking size *(Fedder, Joshi & Upadhyaya, 2018).* Boomers can be characterized by their value for optimism, competitiveness and their need for self-gratification. Moreover, boomers live for their work and consider family, health and wellness as priorities. Regarding their behaviour, they like

one-to-one face-to-face communication and they do not hesitate to try new products, new services that could ease their lives. Nevertheless, they are price conscious and they pay attention to not being ripped off. When communicating with this generation through digital channels, brands should use text rather than pictures, make navigation as easy as possible and show relevant information *(Williams & Page, 2011).*

2.2 The X- Generation

The X- Generation (also called Gen-X) represents all people who were born approximately between 1965 and 1980 in a context of global political conflict. They are today, between 39 and 54 years old and many of them are the parents of Gen-Z. They have known difficult economic times with the different crisis they have had to face. This generation can be characterized by individualism, technological savviness, a high level of education, work addiction, family as highest priority but also their lack of trust. In order to overcome this lack of trust, brands need to be transparent and honest with this generation and offer them knowledgeable service *(Williams & Page, 2011).*

During their lifetime, members of this generation have had to face a lot of changes (technological, political, and so on). Hence, they have learned to be adaptive, to think globally and they are not afraid of going outside their comfort zone. Gen-X expect brands to offer personalized products/services tailored to their lifestyle. This generation is also known as the "in-between" generation and is often neglected by marketers because it represents the smallest proportion of the population. In fact, this generation has way more influence than marketers can imagine. Gen-X holds the majority decision-making power over two big generations. Most of Gen-X, support their kids financially who are mostly Gen-Z but also take care of their parents who are the boomers *(Khanh, 2017).*

As far as communication is concerned, Gen-X experienced the transition from analog to digital. Consequently, as said above, most of them are comfortable with the use of internet and social media but also with the use of online banking for example and they do not hesitate to visit blogs in order to check for reviews *(Khanh, 2017).*

Finally, surprisingly, Gen-X is the generation who makes most purchases online. According to KPMG (2017), they make almost 19 transactions per year on average against 15.6 for Millennials and 15.1 for the boomers. This breaks totally the myth younger generation are the once who make most online purchases.

2.3 The Y- Generation or Millennials

The Y-Generation or Millennials include all people born approximately between 1981 and 1995. In 2019, they are in the 24-38 age range. They are also called "digital pioneers" because they grew up with the emergence of internet. Consequently, they are connected, they use new technologies in an intuitive manner, they are the first multi-screen users and they are very transparent by sharing everything with their friends and relatives *(Sturtz, 2018).*

This generation can be characterized as open-minded, impatient and collaborative, in addition they have a desire to make an impact. Moreover, millennials are continuously seeking for peer acceptance and ways to connect themselves with their friends and family *(Williams & Page, 2011).*

According to the Center for General Kinetics (2018), millennials are crucial for marketers because they represent the largest proportion of the population. Consequently, marketers have had to reinvent their strategies completely because of the millennial way of communicating and its buying processes which are completely different from any previous generation. First of all, Millennials attach more importance to price than any other generation. They prefer saving their money rather than spending it. This could be explained by the fact they were seriously impacted by the financial crisis of 2008. Many of them saw their parents lose their jobs and having hard economic times. Hence, price consciousness is part of their education. Moreover, millennials are impatient. Everything needs to go fast and especially paying. Unlike, the two previous generations, the millennial carries almost no cash anymore, they prefer to pay by card and if the organization does not adapt they just switch to a competitor. According to CGK *(2016, para. 5), "millennials have the least-established loyalty as customers—but they are very loyal once they select a brand, service or company"*.

2.4 The Z- Generation

Finally, the Z-Generation represents all people born after 1995. In 2019, they are 23 years old and younger. A more detailed analyse of this generation in particular will be made because according to many reports, the proportion of Gen-Z on earth will exceed the number of Millennials in the coming years. Hence, they will become the largest generation and the main actors of tomorrows digital world *(Miller & Lu, 2018).*

Unlike millennials, Gen-Z are "digital native" because they were born in an already digitalized world. This generation has been completely immersed in a digital-everything world since their birth. They are extremely good multi-taskers compared to the previous generations. Moreover, this generation can be characterized as being realistic, self-reliant, open minded with an entrepreneurial spirit but with a low capacity to stay focused. According to data from the digital marketing institute, their attention span lasts on average 8 seconds. This means brands need to show them relevant, clear and short content. Moreover, they need to focus on UX and ease of navigation because this generation will immediately switch to the next task instead of finding out how it works *(EY, 2015).*

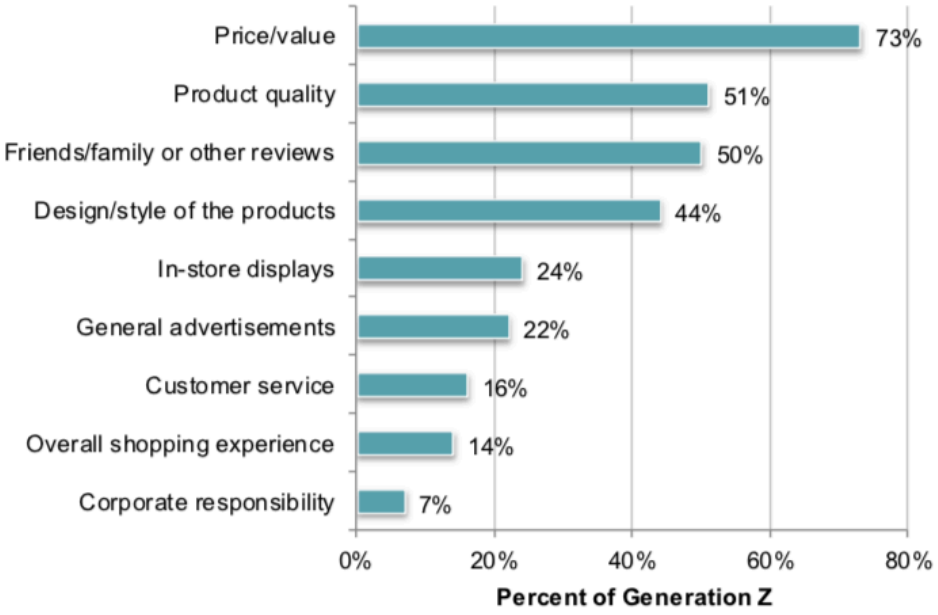
As said above, Gen Z is more connected than any generation before. Some are becoming so dependent on their smartphones that they feel uncomfortable without them. Gen-Z use their smartphones day and night. According to a recent study *(Villa, Denison & Dorsey, 2018)*, 95% of Gen-Z aged between 13 to 22, currently has a smartphone. Moreover, the same report states that over half of Gen Z uses their smartphone five or more hours per day and 26% use it 10 hours or more. Their activity on their smartphones consists mainly of communicating with their friends on social media.

Regarding their buying behaviour, Z-generation has divergent behaviour compared to its predecessors. According to a study carried out by the International Council of Shopping Centers (2018), 75% of Gen-Z prefer shopping in Physical stores rather than online because it provides a better shopping experience. The major reason why they prefer physical stores is the social dimension. Moreover, they discovered Gen-Z especially love shopping centres. Between February and April 2019, 95% of the surveyed Gen-Z went at least once to a shopping mall compared to 75% for millennials, 58% for Gen-X and 52% for the Boomers. They are attracted by these kinds of venues because they consider it as a fun activity during which they

can combine shopping with socializing, by going to the movie theater or going for a drink in the mall *(ICSC, 2018).*

Inside the store, Gen-Z expect a unique and personalized experience. During their purchasing process they are mostly influenced by the following factors:

Figure 1: Factors that influence Gen-Z purchases



Source: ICSC, 2018, p.2

This graph, sets as evident Gen-Z attach importance to the price of the product. Followed by the quality of the product and services. Moreover, they greatly value the advice of their family and friends. In fact, before making a purchase, Gen-Z is extremely informed and can be considered as a real product hunter. They make online price/product comparisons, they ask advice of vendors in-store but also of friends/family and they rely heavily on what they see on social media. According to the same ICSC report *(2018, p.1), "80% say they have purchased items in stores as a direct result of seeing them on social media. Among them, YouTube is the most influential platform".* Nevertheless, even if they prefer shopping offline, they do shop online and mostly for electronics and novelty items.

2.5 Key differences between Millennials and Gen-Z

Millennials and Gen-Z are often tarred with the same brush but are in fact slightly different. Both generations are very connected but Gen-Z is even more connected because they were born in a digital world and they have known nothing else. Moreover, Gen-Z grew up in a period of continuous change. As a result, they have learned to process information extremely quickly, they are used to multi-tasking and they switch to the next task if they feel a little bored. Their very short attention span, makes the task even more difficult for marketers who need to attract their attention. In addition, Gen-Z care less about prices than Millennials and spend less time seeking for coupons, promotions, and so on. As far as communication is concerned, Gen-Z prefer face-to-face communication over chatting/e-mailing which is not the case for Millennials. Finally, Gen-Z is seeking much more for uniqueness and individuality than millennials *(Jenkins, 2015).*

Figure 2: Summary of the characteristics of each generation

Boomers (1946-1964)	Gen-X (1965-1980)	Gen-Y / Millennials (1981-1995)	Gen-Z (1995-Today)
- Optimistic - Self gratification - Live to work - Face-to-Face com. - Loyal	- Adaptive - Individualism - Work to live - Lack of trust - Online shoppers	- "Digital Pioneers" - Price Conscious - Impatient - Open minded - Team-oriented	- "Digital Native" - Less Focused - Realistic - Entrepreneurs - Self reliant

3. The needs and wants of today's customers

Nowadays, we live in an extremely fast-paced society in which the needs and expectations of the different generations are constantly changing. As mentioned earlier, in the past, brands focused mainly on the product/service they sold to customers while today, they are coming back to a customer centric approach. Brands constantly need to anticipate the needs and wants of the customer in order to be able to react quickly to sudden changes and prevent

customers switching to competitors. In this section, the major needs of customers today will be analysed.

3.1 Their need for brand omnipresence

Over the years, the increasing number of brands and technologies have given a certain power to customers making them very demanding today. *"Nowadays, customers determine when, where, and how they will interact with a retail brand. It is the consumer rather than the retailer who defines the shopping journey" (Salesforce, 2016, p.2).* Consequently, brands need to be omnipresent in order to serve their customers.

To illustrate this, let's take the example of Burger King who has evolved over the years to become today omnipresent for its customers. Initially, Burger King had only physical locations. Later on, they launched home delivery services thanks to partnerships with Deliveroo and Uber Eats. Recently, they went even further and anticipated the needs of their customers by launching "The traffic Jam Whopper" in Mexico City. Mexico City has the worst traffic in the world. People spend about 5 hours a day in traffic jams. Burger King took advantage of this by launching traffic jam deliveries. People can order a Whopper from their car and a motorcycle will bring them their order. Burger King uses real time data in order to identify the different traffic jams in the city. Whenever they notice the driver is less than 1.8 miles away from a Burger King restaurant and that he/she will be stuck in traffic for more than 30 mins they activate the service. Once activated, drivers receive push notifications and billboards will display information about the different orders. It was a real challenge for the brand to launch this concept because they had to face two major issues. Firstly, they had to be sure the geo-localization would be accurate enough to deliver the meal to the right moving car. Moreover, they had to create an easy hands-free order app because the use of a smartphone while driving results in a hefty fine in Mexico. Nevertheless, it was worth it to persist because this new concept is a success. Participating restaurants saw a 63% increase of their deliveries in April 2019. They are even thinking about launching this concept in other big cities such as Los Angeles, Sao Paulo, Shanghai, and so on *(Holley, 2019).*

3.2 Their need for unique experiences triggering emotions

Besides the need for brand's omnipresence, today's customers and especially Gen-Z are seeking companies which offer exciting and unique experiences they will be able to share with their friends and relatives. According to a recent study, *"86% of buyers are willing to pay more for a great customer experience" (Kulbyte, 2019)* and Synchrony Financial *(2018, p.8)* goes even further by revealing that, *"45% of Gen-Z say the experience of buying something is as important as the product itself. Similar to Millennials and Gen X, but higher than Boomers".* These quotes demonstrate clearly the change in customer expectations and the switch to a new economic model who will be experience oriented. To make this transition possible, companies have to think "outside the box" by focussing less on the rational aspect of things and more on the human dimension *(Sturtz, 2018).*

Designing a consistent customer experience will become one of the main priorities for businesses in the coming years. According to C. Shaw, one of the leaders in customer experience, brands need to consider three things when designing a customer experience. The first one, is traits. This includes everything customers are born with but also a country's culture, education, and so on. Moreover, they have to analyse what external sources can influence the experience. A typical example, is a customer coming to a store with screaming children. This will drastically change the quality of the customer experience the brand had designed. Finally, it is crucial for brands to take into account the pre- and post-experience. They have to imagine what can possibly happen before the experience and the impact it can have on the mood of the customer. The same applies for after the experience. Once the experience is over it is far from finished. What happens next can impact the quality of the entire customer experience. For example, if the after-sale customer service is terrible, the customer will very likely only remember this negative aspect of the experience. Many airlines have already understood the importance of pre- and post-experience by proposing transportation services to bring customers to the airport and also to take them to their final destination after the flight. The main goal of this is to deliver a seamless experience minimizing stress for their customers *(Shaw, 2007).*

When focussing on the content of the experience, brands need to take into account the needs and expectations of their customers. The big four company, PWC did some research

into what customers value most in the customer experience (see Appendix 1). They found, efficiency/speed has the highest level of importance. Followed by knowledgeable service, easy payment, convenience and friendly service *(Kinghorn & Clarke, 2018)*.

Finding innovative ways to create a unique customer experience is a continuous challenge for brands. It is continuous because even after creating a great experience, brands need to reinvent and constantly alter the customer experience in order to make customers come back and the company remain profitable. The mistake many brands make, is to deliver an amazing experience to customers for the launch of the business and afterwards they do not reinvent themselves. Admittedly, a positive first impression is extremely important, it is what customers will remember and what will make them come back. However, the second time they will not feel the same degree of excitement as the first time, they will have high expectations and they will start noticing some negative aspects of the experience that might impact their first impression. The same will happen for their third, fourth and fifth visit, each time adding more monotonousness to the experience and each time worsening their first impression. This will make them finally switch to competitors. Consequently, refreshing the experience is crucial to keep their interest, stimulate them and create the "surprise" effect that will keep their first impression at a high level.

This need for unique and exciting experiences, goes hand in hand with the desire to live experiences triggering emotions. Today's customers, and especially younger generations want to live something special full of emotions in order to get memories they can share with friends and relatives. Moreover, *"they want to feel emotionally connected to the brands they select because it is an extension of their own personality, style, and identity (O'Brien, 2019, para. 5)."*

3.3 Their need for personalized service

The personalization of the customer journey is an important requirement of today's customers and especially for Gen-Z who is seeking much more for uniqueness than the other generations. According to a personalization report published by the Segment, today's customers are even ready to spend more to get a tailored service/ recommendation and *"44% of consumers say they will likely become repeat buyers after a personalized shopping*

experience with a particular company." (Segment, 2017, p.3). Customers love personalized service because it makes them think they are unique, they matter to the brand.

Let's have a look at some concrete statistics which show the benefits for brands of investing in personalization strategies. A report published by Monetate in 2019, states that 93% of businesses with an advanced personalization strategy experienced revenue growth in 2018 compared to 45.4% for brands with no personalization strategy (see Appendix 2). This can be explained by the fact customers spend on average more after receiving a personalized service. According to the Segment (2017, p.3), *"40% of U.S. consumers say they have purchased something more expensive than they originally planned because their experience was personalized".* Moreover, this revenue growth could also be explained by the fact personalization increases loyalty.

However, the need for personalization varies depending on the channel. According to the same personalization report from the Segment (2017), customers expect websites to deliver the most personalized experience, followed by customer service, emails and finally, mobile apps. Moreover, they designated brick & mortar[1] as the channel that could do way better in terms of personalization. Finally, the Segment analysed the differences in personalization expectations between the different types of retail. They found, the biggest gap between expectation and actual experience concerns large online retailers. Meanwhile, the gap is also significant for department stores and big box retailers like Ikea, Walmart, and so on. These statistics confirm the statement above saying personalization expectations are the highest on websites.

3.4 The case of Tomorrowland

Let us have a look at a brand which perfectly answers these three needs. This brand is the Belgian music festival Tomorrowland. They offer their customers a unique and personalized experience by playing a lot on emotions. They really take their customers an emotional journey throughout festival but also for a few weeks before by sending their customers

[1] "A business that operates from a shop/store or a building that customers visit, rather than only online" (Oxford Learners Dictionary, 2019)

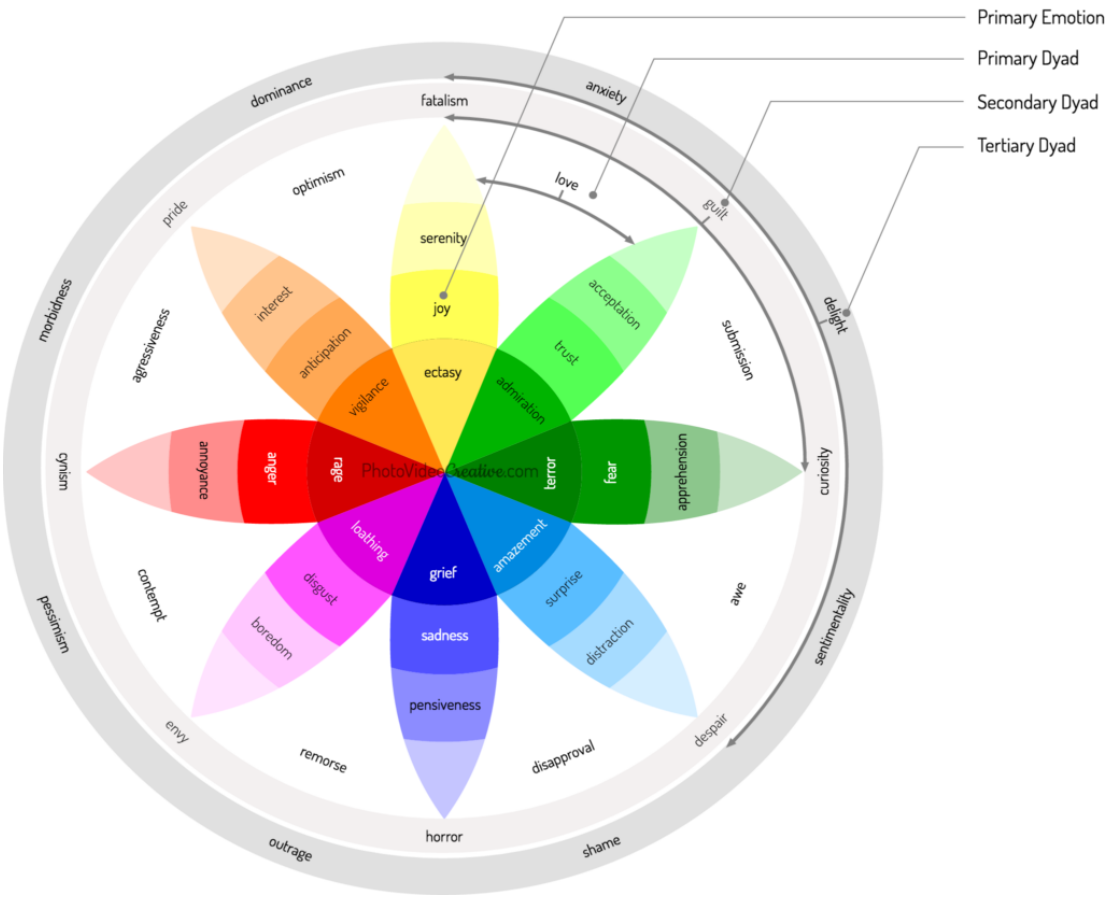
beautiful boxes with personalized bracelets inside. The customer has a feeling of uniqueness and it creates excitement leading up to the festival. This can be considered as one of the best strategies to create loyal customers and excellent brand ambassadors who will in turn encourage their friends and family to go to the festival. Regarding the omnipresence of the brand, the number of derivatives are constantly increasing and they recently launched the "One World Radio" which is the official radio of Tomorrowland operating throughout the year. This way, they maintain a relationship with the fans of the festival even outside festival dates.

4. The opportunities of emotional marketing

As said earlier, human beings are extremely sensory creatures. Hence, their behaviour is constantly affected by the emotions they feel and this applies also to buying behaviour. Nowadays, customers buy emotionally and not rationally as in the past. Impulse purchases for example, are due to the emergence of emotions.

The American psychologist Robert Plutchik, analysed the different emotions of human beings, the relationship between them and how they evolve over time. According to him, there are eight primary emotions (anger, anticipation, joy, trust, fear, surprise, sadness and disgust) which can describe all human emotions (+- 35.000) when combined. Based on this, he developed the Plutchik's Wheel of Emotions *(Donaldson, 2017).*

Figure 3: The Plutchik's Wheel of Emotions



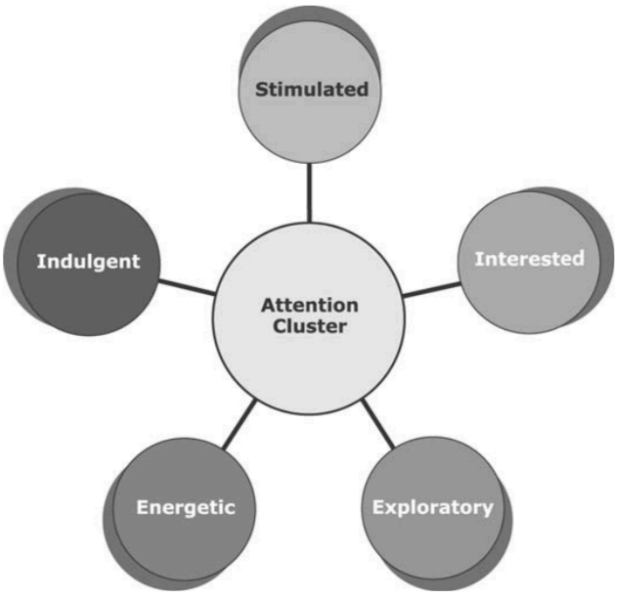
Source: Descours, 2017

At the edge of the circle, he put the eight primary emotions. The closer you get to the center, the more the emotion will intensify. On the contrary, the more you take distance from the central circle, the more the intensity will decrease. If a customer feels for example anger after its experience and the brand leaves it unchecked, the emotion can intensify and become rage. That's why asking customers for feedback is crucial in order to avoid this kind of situation. Plutchick also analysed the effect of mixing primary emotions. The resulting emotions are represented outside the flower. When mixing two primary emotions which are next to each other in the wheel, a primary dyad can be obtained. For example, the emotions of fear and surprise combined give according to him, awe. Primary emotions which are further from each other in the wheel can also be combined, this results in the creation of secondary or tertiary dyads. Thanks to this model, brands can have a better understanding of their customers and provoke the desired emotions to reach their objectives. When launching a new

product, for example, brands can provoke the emotions of trust and surprise in order to create curiosity for the product *(Sturtz, 2018).*

Shaw C., one of the worldwide leaders in customer experience, did specific research in order to find out which emotions cause an increase in customer spending. He found five emotions which have a direct effect on spending, when they are provoked during the customer experience. He calls it the attention cluster *(Shaw, 2007).*

Figure 4: The Attention Cluster



Source: Shaw, 2007, p14

To make it more understandable, Shaw C. indicates how brands can make each of these emotions emerge. To stimulate customers, brands need to be innovative and surprise customers. Furthermore, involving them in the production process of a product will also highly stimulate customers. To keep customers interested, brands need to frequently reimagine their product/ service. This is the strength of the fashion retailer Zara, they update their collections extremely often. As a consequence, customers feel the necessity of visiting the store on a regular basis. To give customers the desire to explore their brand, brands need again and again to innovate and design an interesting experience containing different stages. To make customers feel energetic during the journey, brands have a wide range of

possibilities. They should choose energetic employees, engage customers in a fun and interactive way, establish a certain tempo during the journey by providing music, and so on. Finally, to evoke indulgence towards their customers, brands should offer them something they value highly and that they would not imagine to be part of the offerings of the brands *(Shaw, 2007)*.

Hence, designing customer experiences provoking the right emotions, would answer the needs of today's customers and increase the revenue of brands. Unfortunately, many brands still consider focussing on emotions as a waste of time and money because it remains difficult to measure its Return on Investment.

5. The importance of loyal customers

Nowadays, having loyal customers is crucial for brands if they want to survive in this highly competitive environment. Brands have to connect with their customers and answer their needs in order to engage with them on a long-term basis and increase their revenue. However, in this fast-moving digital environment, customers are extremely demanding and informed. Consequently, the needs and wants of the different generations are changing quickly and customers do not hesitate to switch to competitors who meet their needs better. Kinghorn & Clarke (2018) conducted a research about customer loyalty all over the world. In their report they state, almost one in three (32%) customers switch to a competitor after only one bad experience and in Latin America, this number reaches almost one customer in two (49%).

Moreover, Careerbright (2016) claims, only 4% of dissatisfied customers complain while the 96% switch without saying anything. For this reason, it is important for a brand/ organization to listen to their customers/ visitors and ask their opinion about their experience. This way, the brand will be able to identify potential issues in the customer journey and fix them before customers switch to competitors.

Those statistics show clearly, brands can't make mistakes nowadays otherwise they risk losing their customers for good. Hence, it is an everyday challenge for them, to find new ways, new techniques to keep their existing customers.

5.1 Why loyal customer rather than new ones?

Establishing a relationship with a new customer and maintaining it in the long term requires considerable investment for the company. According to Saleh (2015), acquiring a new customer costs a company five times more than retaining an existing one. Furthermore, there is an important difference in return on investment. According to J. Wertz (2018), if a brand increases retention rates by 5%, it can lead to a profit increase of 25% to 95%. This is due to the fact that, it is much easier for brands (50-70%) to sell something to an existing customer than to a new one (see Appendix 3) but also because loyal customers will spend more and more over time, due to the relationship of trust that will settle between the brand and the customer. Finally, loyal customers are likely to act as real brand ambassadors who will talk about the brand to friends and relatives and transform them into new customers. This is extremely beneficial for brands, since word of mouth and referrals are the most effective and cheapest way for them to attract new customers *(Wertz, 2018)*.

This does not mean brands should not attract new customers, on the contrary, but they should allocate a larger part of their budget to retaining existing customers.

5.2 What makes customers loyal?

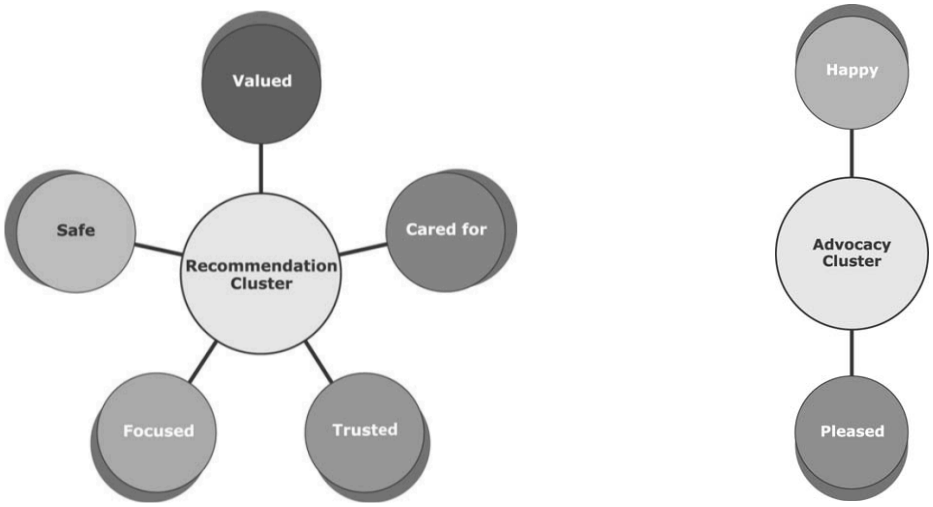
Customer loyalty depends on many different factors but ultimately, it is all about memories. Customers will become loyal to a brand because of the positive memories they have of their experience. These memories are partly created thanks to emotions. In this case the positive memory is made up of positive emotions. However, during the experience negative emotions might emerge which will result into negative memories and customers switching to competitors. Hence, in order to have loyal customers, brands need to provoke positive emotions during the experience in order to create positive memories *(Shaw, 2007).*

To carry this out, brands need to redesign the entire customer experience by splitting the customer journey into different stages. This way, brands will be able to determine which emotions, as much the positive as the negative ones, can possibly emerge at each stage of the journey. Based on this, they can put in place tools which reduce the emergence of bad emotions to a minimum in order to keep only the positive ones *(Shaw, 2007).*

According to several studies, loyalty results from the emergence of specific emotions. As reported by the Plutchik's wheel of emotions, if brands want to increase customer loyalty they need to combine the emotions of trust and joy which will result in the emotion of love. Customers who love a product or a brand, are very likely to remain loyal *(Donaldson, 2017)*.

After analysing the different emotions which encourage customer spending, Shaw C. did some statistical research to find emotions who could make loyalty increase or decrease. He divided these emotions into two groups:

Figure 5: The Recommendation Cluster & The Advocacy Cluster



Source: Shaw, 2007, p.15-16

The recommendation cluster on the left, includes five emotions which according to him, make customers loyal and which make them recommend the brand to their friends. He insists on one emotion in particular, the importance the customer attaches to feeling *cared for*. Brands need to listen to customers, demonstrate empathy, anticipate their needs, show customers their priority is their wellbeing and not the transaction. This will settle a relationship of *trust* and it will demonstrate that the brand values their customers. Another way to make customers feel *valued*, is by offering them a personalized service. The simple fact of sending a birthday card to customers, will surprise the customer and strengthen the relationship between them. Finally, by *focused* they mean customers need to be absorbed in the

experience. Brands need to keep customer attention by offering an engaging experience containing relevant and interesting content *(Shaw, 2007)*.

Shaw C. went further in its researchby finding two emotions (*happy and pleased*) which would make customers real brand advocates. In this case, customers will spontaneously talk about the brand to their friends/ relatives. To produce these two emotions, the customer experience must be above the expectations of the customers. Brands need to be innovative in order to find the extra touch that will surprise the customer and make him proud of choosing the brand. The personalized birthday card is a good illustration. Moreover, brands need to eliminate, as far as possible, the emergence of negative emotions.

Following the above research, he analysed which emotions have a direct impact on loyalty decrease, he found eight different emotions, these emotions constitute the destroying cluster. By evoking these emotions during the customer experience, it will generate a certain cost for the brand and especially, in after sale services, such as returns, complaints, and so on *(Shaw, 2007).*

Figure 6: The Destroying Cluster

Source: Shaw, 2007, p.14

Of course, there are other emotions which might cause loyalty decrease, but these emotions are the only ones which are statistically significant enough to claim they have a negative impact on loyalty.

Moreover, these eight emotions are interconnected, the emergence of one of these emotions can affect another emotion of the cluster. The company, illustrates this by giving the example of an airline which saw its number of frequent flyers decrease. After investigating, they noticed their frequent flyers felt *neglected*. They found out this was due to the abolition of exclusive special offers given to frequent flyers but also to the implementation of self-check-in kiosks which reduced human contact. In order to react to this issue, the airline provided more people to assist frequent flyers during check-in. As a consequence, they noticed a decrease in the number of frequent flyers who felt neglected but also who felt *unsatisfied* and *disappointed (Shaw, 2007).*

The main causes which provoke the emergence of these negative emotions are lack of efficiency and bad quality service. We will come back to this in chapter three by showing how the implementation of Phygital on-site can avoid the emergence of these negative emotions.

5.3 Who is more readily attracted to customer loyalty?

Building up customer loyalty depends on the generation targeted by the brand. Boomers and Gen-X become more rapidly loyal than millennials and Gen-Z who are way more demanding. However, once Millennials and Gen-Z select their brands they remain deeply loyal.

According to KPMG (2017), to make Millennials and Gen-Z loyal, brands need to focus on the quality of their customer service. Younger generations expect more and more brands to be reachable through social media. Moreover, they expect a fast and personalized answer to their request. Besides adapting their customer service, brands can also increase younger generation loyalty by showing them content who is at the same time entertaining and informational. This will attract their attention and generate emotions. Finally, by playing on exclusivity and especially on limited editions this will create buzz and will also increase their loyalty.

CHAPTER 2: The Omni-Channel era

Nowadays, brands need to compete in a highly competitive retail context in which customers are connected and very well informed. In addition, the customer buying process has drastically changed because, as mentioned in chapter 1, customers are seeking brands which anticipate their needs and can serve them when, how and whenever they want.

In order to avoid customers switching to competitors, many brands understood they needed to implement strategies which enabled them to reach and to be reached by their customers through different channels. A channel can be defined as follows: *"A channel is a customer contact point or a medium through which the company and the customer interact" (Neslin et al., 2006, p.96).*

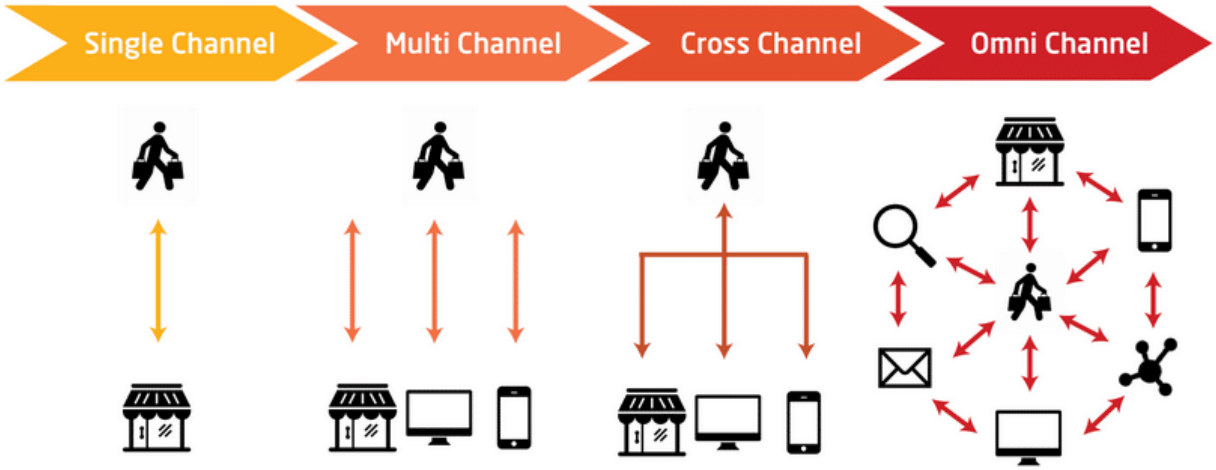
Before the emergence of internet, brands could only reach customers visiting a store, by phone or mail. The arrival of internet drastically increased the number of possible channels. Nowadays, some brands implement strategies via many different channels while others choose strategies with less channels but more synergy. This choice is made based on the size and structure of the company but also the type of industry, and so on.

Aside from multiple contact points, today's customer expects brands to create a synergy between their different channels in order to be aware of their activity on the different channels of the brand. According to Salesforce *(2019, p.4), "42% of consumers surveyed said it would be helpful if a physical store knew about the online research they did prior to getting there so they could receive better service."* The creation of synergies will enable brands to anticipate customer needs and deliver a relevant and tailored experience to their customers.

1. Multichannel, cross-channel, omnichannel

On the next page, the infographic represents clearly the different strategies a brand can adopt nowadays in order to reach and be reached by its customers *(Identic, 2017).*

Figure 7: The Different Marketing Strategies



Source: Identic, 2017

1.1 Multi-Channel

The adoption of a multi-channel strategy consists of using different channels in order to interact with customers. These channels can be used for the commercialization of a product/service but also to support customers during their experience or to communicate information. By having multiple channels, brands are able to reach a larger audience and increase sales. Multi-channel strategies are mostly used by brick-and-mortar who decide to extend their strategy by adding an e-commerce platform or by pure-players[2] who decide to open physical stores.

However, there are several drawbacks to this strategy. In a multi-channel strategy, the channels are completely independent, there is no synergy between them. Consequently, a loyal customer who often buys in-store will be considered as a new customer when using the mobile app/website for the first time. This lack of synergy goes against the wants of today's customer who expects all channels to be interconnected and can lead to internal communication problems which can result in a decrease in sales *(Digitiz, 2017).*

[2] "A company that operates only over the internet, and has no physical stores" (Cambridge Dictionary, 2019)

1.2 Cross-channel

A cross-channel strategy can be described as an update of the multi-channel strategy. With this kind of strategy, a link is created between the different channels, building a bridge between the physical and the digital channels. In a cross-channel strategy, the different channels are complementary and are not competing with each other like in a multi-channel strategy. The aim is to offer customers the possibility to switch from one channel to another during their experience. A clear example to illustrate a cross channel strategy is click & collect service. People make their order online and get it delivered offline, in the closest physical store *(Identic, 2017).*

1.3 Omni-channel

By implementing an omni-channel strategy, brands go even further. It enables them to erase completely the walls between the different channels by making them all perfectly complementary. Omni-channel brands interconnect their digital channels (website, e-commerce platform, mobile app, social media, e-mailing, customer service, and so on) with their physical channels (brick-and-mortar, events, billboards, and so on) offering a seamless, tailored and comfortable experience to their customers. *"It consists on providing customers with a fully-integrated shopping experience by uniting user experiences from brick-and-mortar to mobile-browsing and everything in between. Omni-channel retail focuses on every customer interaction and their overall experience of your product and brand" (Shopify, 2018).*

2. Why should brands go omni-channel?

2.1 The answer to the needs of today's customer

The implementation of an omni-channel strategy, enables brands to answer fully the expectations, needs and wants of today's customers.

First of all, with this kind of strategy, brands can serve customers when, where and how they want. A customer having to queue up at the pharmacy, will have the possibility to order new shoes through the mobile app rather than having to go on their laptop or in-store. This meets completely the need of today's customers for brand omnipresence and improves considerably the customer experience and as a consequence customer satisfaction which has a direct impact on customer loyalty. According to Demery *(2013, para. 2)*, *"companies with the strongest omnichannel customer engagement strategies retain an average of 89% of their customers, compared with 33% for companies with weak omnichannel strategies."*

Moreover, by implementing an omni-channel strategy, brands are able to reach a larger audience. "*Omni-channel retailing has created a buying method to suit any customer, whether they like to research online and buy in store, browse in store but buy on their smart phone, or browse in store but buy a different variation of that product online. It caters for the indecisive, the gadget-loving, the extremely busy, the keen high street shopper and the night owl internet surfer (Duval, 2013, para. 11)."*

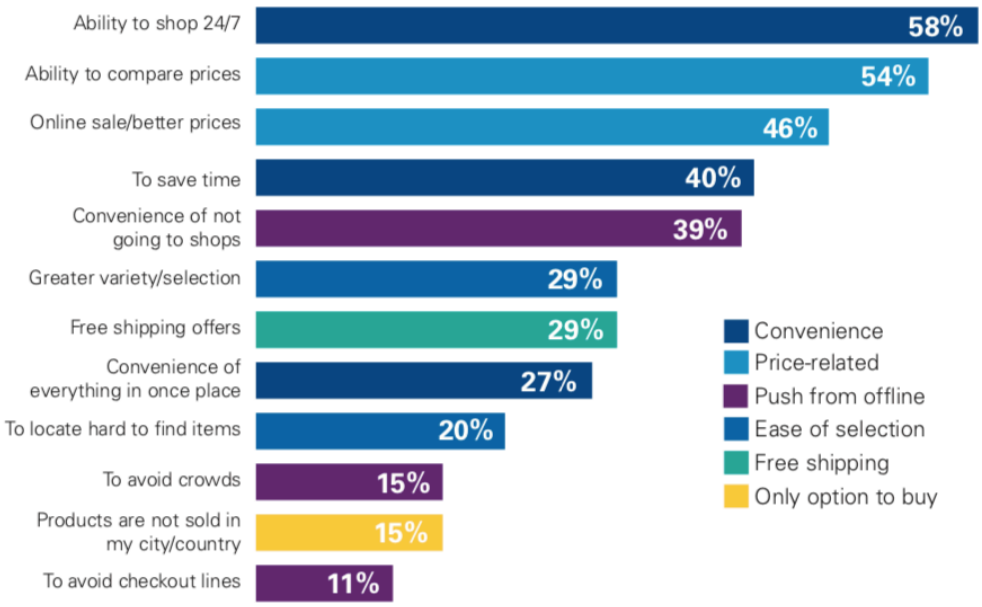
Finally, having a 360-degree view over all the activities of their customers is a significant strength for brands. By centralizing the data collected through all channels, brands can be aware of the issues customers have on one channel and the purchases they made on another channel. This allows them to anticipate the needs of their customers and serve them in a more efficient and personalized way, which satisfies their need for personalized service. This gives to customers the feeling they are valued and cared for. As seen in the previous chapter the emergence of these emotions leads to loyalty and as a consequence to better business performance.

2.2 The combination of digital and physical channels

By going omni-channel, brands mix digital and physical channels in order to offer a seamless experience to their customers. Today, there is a certain "rivalry" between the digital and the physical channels and especially between brick-and-mortar and e-commerce platforms.

The number of online sales is continuously growing year after year. In 2016, e-commerce represented 8.6% of total worldwide retail sales vs 10.2% in 2017 and Statista predicts 17.5% for 2021 (see Appendix 4) *(Statista, 2019)*. The big four company, KPMG did some research to find out the reasons for this growing popularity. They obtained the following results:

Figure 8: Reasons consumers shop online instead of in store



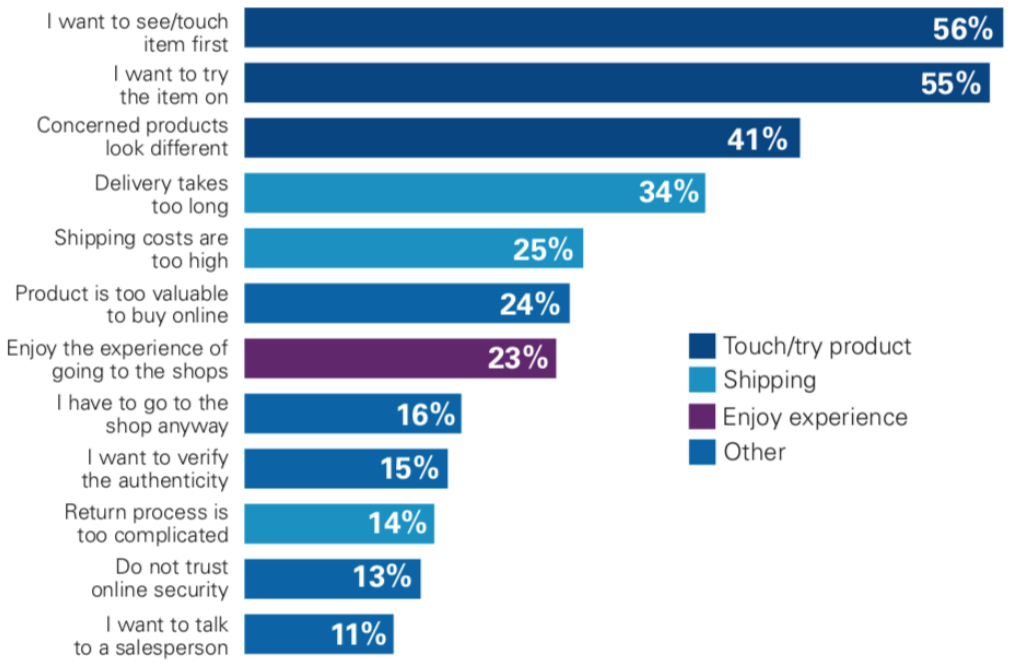
Source: KPMG, 2017, p.27

Convenience and lower prices, remain the two main reasons why customers shop online rather than in-store. Moreover, many customers also opt for digital channels in order to avoid the negative aspects of offline shopping such as long queues at check-out and the crowd *(KPMG, 2017).*

Despite the increasing number of online purchases every year, physical stores are definitely not dead. They are currently losing ground due to the fact that a majority of them no longer match the needs of today's customers but by changing their strategies they should be able to reverse this trend. In addition, the advantages of shopping offline are taking an increasing importance in the eyes of the customers and especially Gen-Z. KPMG did exactly

the same research for offline shopping, as they did for online shopping. They obtained the following results:

Figure 9: Reasons consumers shop in stores instead of online



Source: KPMG, 2017, p.29

The fact of being able to touch, feel and try products remains the main strength of the brick-and mortar channel. Moreover, today's customers are impatient. They do not want to wait anymore to get their purchases, they want them immediately. Finally, these numbers clearly show customers do not want to pay for shipping anymore.

The different statistics mentioned, demonstrate offline channels remain the favourite channels to make purchases. Nevertheless, the popularity of the e-commerce channel has been increasing over the years grabbing more and more sales from the brick-and-mortar channel. Both channels have their pros and cons. Hence, by adopting multiple channel strategies such as an omni-channel one, brands can take advantage of this complementarity.

The International Council of shopping centres, analysed the concrete effects of adopting a strategy mixing online and offline channels. According to them, creating a synergy between

online and offline channels is crucial if brands want to attain their strategic growth ambition *(ICSC, 2018).* Apart from the fact that it enables customers to benefit from the advantages of both channels, there are three additional advantages of having both marketplaces.

Firstly, having a brick-and-mortar in its channels has a positive impact on the retailer's web traffic and online sales. The ICSC call it the "Hello effect". According to them, the opening of a new physical store increases the retailer's web traffic on average by 37%. This number can reach 45% for emerging brands (less than 10 years old). They found out the opposite is also true. The closing of a physical shop has a negative impact on the web traffic. In some cases, brands experienced a decrease of up to 77% of their web traffic *(ICSC, 2018).*

Secondly, they claim that having a brick-and-mortar channel in a brand's strategy, dramatically increases brand awareness and decreases the cost of acquiring new customers. This is because new customers have more trust in offline than online businesses. When new customers arrive on the e-commerce platform of a Pure-Player they are often reluctant because they do not know who they are doing business with. On the contrary, a new customer who arrives at the physical store can analyse the environment and the different products at ease and talk directly to the staff. This will rapidly build trust and the customer will be less reluctant to make a first purchase *(ICSC, 2018).* Besides, having both marketplaces increases also trust of the existing customers. The ICSC found out (2018) that for 63% of Gen-Z, it is important that the retailer has a physical store nearby when buying online. It reassures them to know there is a shop where they can easily return their items in case of a damaged product, wrong size, and so on.

Finally, it is easier for a brand to get loyal customers if they have a physical store than if they are exclusively online. *"Brick-and-mortar stores are places where brands can make genuine connections with consumers who are considerably more informed today than they were yesterday" (ICSC, 2018, p. 23).*

2.3 A solution to the emergence of new buying behaviours

With the emergence of giant Pure Players such as Amazon, Walmart and Zalando, and the evolution of technology (smartphones), customers developed new buying behaviours to fulfil their needs and wants. Showrooming and webrooming are practices which are commonly used today by customers, in order to compare products and find the best deals.

2.3.1 Showrooming

Showrooming can be considered as the fact of going in-store in order to benefit from the advantages of offline shopping while making the final purchase online (often through a competitor). It is extremely popular nowadays in clothing retail and high-tech retail.

People like showrooming because they can physically see the product, try them out, ask vendors for advice, while purchasing it at a lower price from a Pure Player. This reassures customers and makes them proud because they have made a good deal.

However, showrooming represents a serious problem for brick-and-mortar businesses because they are becoming the showrooms of the giant Pure Players without any corresponding benefit. Fortunately, over time brick-and-mortar businesses have found several ways to protect themselves from showrooming.

Firstly, brick-and-mortar businesses should make their checkout as efficient as possible. Long queues and bad checkout systems are the best ways to discourage customers to buy at your shop and go online. Brick-and-mortar can increase check-out efficiency by increasing the number of check-out counters or by introducing self-checkout systems. Giving the customer the choice between a wide range of payment methods also encourages immediate check out *(Chalberg, 2018).*

Secondly, brands should offer a friendly and knowledgeable service to their customers. The worst thing a brand can do nowadays is to pay its employees based on commissions. This leads to pushy employees who annoy customers and which makes them flee. Having a team of friendly experts, who know what they are talking about and who show customers their priority is their wellbeing and not the transaction, creates a relationship of trust. This

encourages customers to buy the product right away instead of going online *(Chalberg, 2018).* According to the Timetrade state of retail (2017), 49% of customers are extremely likely and 39% are quite likely to buy a product when helped by a knowledgeable sales assistant.

Thirdly, to avoid showrooming, brands should sell products which are not easy to find elsewhere. This can be done by selling exclusive products or special bundles which make price and product comparison much harder.

Fourthly, implementing a price matching strategy can also discourage customers from buying the product at a lower price elsewhere. When a brand allows price matching, they agree to align their prices with competitors after receiving evidence from the customer. Nevertheless, brands need to pay attention when using this kind of strategy because it can have the opposite effect. It can encourage customers to visit competitors and compare prices even more. Hence, the choice of implementing a price matching strategy depends again on the size of the business, the number of competitors, the profit of the business, and so on *(Ellsworth, 2018).*

Finally, the implementation of an omni-channel strategy dramatically lessens showrooming. The e-commerce platform of the strategy will enable customers to complete their purchase online and the synergies between the different channels enable brands to offer free in-store deliveries or loyalty programs which also decrease showrooming *(Khan, 2018).*

2.3.2 Webrooming

Webrooming also called ROPO (Research Online Purchase Offline) is the opposite of showrooming. It is the fact of comparing products/prices online and going offline for the final evaluation and purchase. According to Salesforce *(2016, p. 3)*, *"More than 80% of consumers research a product prior to entering the store."* Hence, many customers have already determined what they want to buy before arriving on-site.

Webrooming emerged partially as a result of the showrooming problem and is today even more popular than showrooming. This demonstrates the physical store still has a promising future. There are several explanations for this phenomenon. First of all, more and more brands invest in the on-site customer experience (knowledgeable staff, nice

atmosphere, efficiency, technology, and so on). This attracts customers in-store since they are looking for brands which deliver unique experiences. Moreover, as said earlier, the advantages of offline shopping are taking on an increasing importance to the eyes of customers while some aspects of online shopping are discouraging them. Customers do not want to pay for shipping costs anymore, they want their products immediately and it reassures them they can return the product easily when buying in-store *(Khan, 2018).*

Like for showrooming, there are several ways Pure Players can prevent webrooming. The most effective one, is again the adoption of an omni-channel strategy. Nevertheless, Pure Players who cannot adopt this kind of strategy, should focus on erasing the aspects customers do not like about online shopping and emphasize the advantages of e-commerce. Brands should, for example, offer ultra-fast delivery, free shipping and return, a 24H/24 chat line customer service to increase trust, an even more personalized and comfortable experience and the lowest prices. This will increase customer satisfaction and encourage customers to purchase their product immediately online (*Khan, 2018).*

2.4 The Return on Investment

There are specific proofs about the effectiveness of implementing an omni-channel strategy. According to V12 *(2019, para. 17), "companies with extremely strong omnichannel customer engagement see a 9.5% year-over-year increase in annual revenue, compared to 3.4% for weak omnichannel companies."*. There are two major explanations for this increase. The first one is the fact omni-channel customers tend to spend more than single channel customers. According to Sopadjieva & Benjamin *(2017, para. 3), "Customers who use more than 4 channels spent 9% more in the store, on average, when compared to those who used just one channel".* This is due to the fact that, omni-channel brands offer a personalized, comfortable and seamless experience to their customers. This increases customer satisfaction and leads to the purchase of more products or more expensive products. Moreover, the omni channel customer will be very well informed and confident after using the different channels. This confidence will encourage them to spend more because they are convinced of making the right choice. Finally, as said earlier, omni-channel strategies encourage customer loyalty and can even lead to the creation of real brand ambassadors if customers feel pleased and

happy during the customer experience (Advocacy cluster). Brand ambassadors will convince their friends and relatives to become customers and this will result in an increase in sales and revenue.

3. Concrete cases

3.1 From Brick-and-Mortar to Omni-Channel

A typical example of a brand which has adopted an omni-channel strategy over the years is the French sporting retailer Decathlon. They started doing business by using only one channel, brick-and-mortar stores. However, with the emergence of giant Pure-Players such as Amazon who offer very competitive prices, they had to react in order to survive. Hence, they first decided to adopt a multi-channel strategy by creating a website with an e-commerce platform and a mobile app. Later on, they switched to a cross channel strategy by offering free in-store delivery and return. Progressively, they adopted an omni-channel strategy by creating increasingly more synergy between their different channels and by integrating Phygital channels into their strategy. These Phygital channels are interactive touchscreens installed in their stores. Their aim is to build the bridge between the physical world (store) and the digital world (mobile app/website) improving the global customer experience. These screens allow customers to get more information and compare products but it also enables them to order products which are not available on-site and to have them delivered in-store or at home. In addition, Decathlon is constantly seeking new ways to personalize the customer experience even more. For example, they invite customers to personalize their online account by indicating their favourite sports, their closest store, their preferred means of communication, and so on. This enables the company to personalize their experience online but also in-store through its Phygital channels and the tablets of staff members.

3.2 From Pure Player to Omni-Channel

There are also brands which have adopted an omni-channel strategy but in the opposite way. Unlike Decathlon, the American giant, Amazon started as a Pure player and over time

has added offline channels to its strategy. The brand was initially an online bookstore and has become over the years the biggest e-commerce retailer in the world. However, in September 2018, realizing customers value more and more the benefits of offline shopping, Amazon decided to change its strategy by opening its first physical store in New York. The store is called Amazon 4-star and aims to sell all the most popular products from amazon.com which received 4 stars or more as review. In order to keep customers interested and make them come back regularly, Amazon rotates its inventory on a weekly basis based on the popularity of the products over the weeks. The aim of Amazon by opening these physical shops, was first of all to enable its customers to benefit from the advantages of a physical store, reach a larger audience and create a real synergy between its different channels. They display the reviews given to a product on amazon.com on the shelves and they create shelves gathering "products often bought together" as they do before checkout online *(Thomas & Whitten, 2018).*

4. Should all brands implement Omni-Channel strategies?

After enumerating all the different benefits of adopting an omni-channel strategy, it seems obvious all brands should implement this type of strategy and interconnect their digital and physical channels. Admittedly, this type of strategy matches perfectly with the needs of today's customers but the implementation can be complex and all channels are not always suitable for all type of businesses.

According to E. Grant *(2018, para. 5)*, *"All businesses should advertise online and have an online presence, but only some can actually work as online businesses. Any kind of business that requires you to be physically present in a particular geographic location at particular times on a regular basis is not suitable to be operated as a purely online business."*

As well the integration of digital channels as of physical channels have their drawbacks. When having digital channels, customers expect the brand to be reachable 24/7 in order to serve them and solve their problems. If the brand does not provide this service, customers can be rapidly irritated and switch to a competitor. Hence, before integrating digital channels, brands need to ask themselves if it is worth it and if they will be able to provide that service on the long term. The integration of offline channels also has its drawbacks and difficulties.

Opening a physical store has a considerable cost. There are premises to pay for, parking costs, charges, and so on. Moreover, in case of bankruptcy, a brick-and-mortar will lose much more than an online business *(Grant, 2018)*.

Finally, adopting an omni-channel strategy requires a lot of time and has a considerable cost. It is no longer about strengthening and managing one channel but 4-6 channels. Since they are all seamlessly interconnected brands need to focus on each of them. This can rapidly be overwhelming and expensive. Implementing an omni-channel strategy also requires a complete restructuration of the business. Additional staff need to be hired, several departments need to be merged or work together and others disappear. This can lead to many organizational issues.

Hence, before adopting an omni-channel strategy, the company needs to ask itself several questions: Is this kind of strategy suitable for my business size and sector? Does the implementation of an omni-channel strategy really bring added value to the customer journey? How will this transition impact the structure of my organization?

36.

CHAPTER 3: The integration of Phygital Channels in an Omni-channel strategy

1. Definition of Phygital

To determine the role and opportunities of Phygital in a digital omni-channel strategy, and in order to accomplish the mission of creating a relevant inspirational, informative and interactive platform, it is important to have a good understanding of the concept "Phygital". The term "Phygital" was used for the first time in 2013 by Momentum, an Australian marketing agency. For most people, the concept is still unknown or unclear because it is a new and emerging concept. The problem with this kind of concept, is that everyone has their own definition because clear boundaries have not been established yet.

Many people think "Phygital" is the simple fact of merging the physical world and the digital world. This is true, but it is way more than that. This very basic definition is too broad and brings confusion to the concept. When reading it, people might think a screen displaying advertisement in a museum is an example of Phygital, but it is not. Phygital will be considered as follows in this thesis:

"Phygital" is the merging of the digital and the physical world, creating a highly personalized and engaging experience on-site in order to generate enduring customer loyalty."

When talking about Phygital, professionals often talk about Phygital channels or Phygital "experiences" because thanks to Phygital, customers will live a veritable engaging experience they will remember. In order to be considered as "Phygital", the experience must necessarily satisfy four criteria. Firstly, the experience must take place in a physical location (inside a venue, in the street, on public transportation, and so on). Secondly, it must engage the customer. This means the experience must occupy, attract or involve the customer during their journey. Thirdly, the experience must use one of the following technologies or a combination of them: Touch technology, mobile technology, object, face, voice recognition,

gesture technology and AR[3], VR[4]. Finally, the experience must personalize the customer/visitor experience.

2. The Power of Phygital

2.1 Its capacity to answer the needs of today's customer

By integrating Phygital channels into their omni-channel strategy, brands are able to meet even better the needs of today's customers. At the beginning of this thesis, three main customer needs have been enumerated. Let us see how Phygital answers to each of them.

First of all, Phygital fully meets the first need which is their need for unique experiences triggering emotions. One of the characteristics of Phygital experiences is their engaging aspect. Phygital engages customers in different ways depending on the type of experience chosen by the brand. It can be through a gesture recognition game on-site, through the use of interactive totems, through smart mirrors displaying additional information, and so on. These Phygital experiences dramatically improve the customer experience and give them, in certain cases, a unique character. Concerning emotions, these experiences generate plenty of them which results in great memories for customers they will be able to share.

In addition, it meets the customer's need for personalization. By integrating Phygital channels in their omni-channel strategy, brands are able to deliver an even more tailored experience to their customers. All the data gathered through the different channels can be used during the Phygital experience in order to offer customers an extremely personalized experience.

Finally, regarding the customer's need for brand omnipresence, the integration of Phygital channels has less impact. It is the omni-channel strategy as a whole which ensures the brand is omnipresent to serve the customers. However, it extends the number of possible contact points the brand has with its customer. As a consequence, it increases brand omnipresence.

[3] Augmented Reality
[4] Virtual Reality

2.2 The creation of on-site added value

Thanks to Phygital channels, brands are able to deliver a unique, memorable and tailored experience to their customers which makes it worth it for them to be on-site.

Let us take the simple example of a stadium experience. Nowadays, supporters can watch all the games at home on their TV. With the evolution of filming, supporters often have an even better experience at home than in the stadium watching the game. Hence, it is a challenge for stadiums in general and especially for the organizers of the World Cup, to imagine an innovative stadium experience that attracts supports on-site. Nowadays, when supporters come to the stadium they expect much more than "just" being able to see the game. They expect real added value which will make them remember their experience. Possible implementations of Phygital in stadiums could be AR wayfinding, a mobile app connecting all supporters in real time, an engaging game during the break, and so on.

The same problem occurs with many other types of venue such as museums, tradeshows, retail, public institutions, and so on. Thanks to Phygital, brands are able to attract customer back on-site by delivering added value.

2.3 The key to loyal customers

In chapter 1 of this thesis, the importance of having loyal customers nowadays has been demonstrated. Moreover, a link had been established between the emergence of certain emotions and loyalty. This had been done by using the Plutchik's wheel of emotions but principally by using the different clusters developed by Shaw (2007). The creation of Phygital experiences can be a good shield against the destroying cluster. It consists of eight negative emotions which decrease customer loyalty if provoked during the experience. For each of these eight emotions, Shaw (2007) gave several possible causes that could make them emerge *(Shaw, 2007)*.

First of all, Shaw C. claims efficiency/ speed is the cause that provokes the most negative emotions of the cluster and especially *stress*, *frustration* and *hurry*. They mention *"long lines,*

inefficient processes, customers being oppressed, employees not taking time to listen to the customer and customers not getting what they want" as being causes of these emotions. Hence, by implementing Phygital channels such as self-service check-in and check-out counters, customers are able to do their check-in or check-out by themselves at their ease and employees might have more time to answer customer questions *(Shaw, 2007)*. Moreover, Customers searching for information, or ordering a meal at a self-service kiosk, are more likely to get what they want directly, as opposed to having to ask someone *(LG Amazing Display, 2018)*.

Moreover, the quality of the service is often found to be a cause of *stress*, *irritation* and *disappointment*. They mention *"Being treated exceptionally badly by members of the staff, treating the customer as a transaction, service declining over a period of time and sending customers to different departments with no one taking responsibility" (Shaw, 2007, p. 57-59)* as being causes of these emotions. Here again, Phygital can be used particularly to avoid bad employee attitude and unfriendly service which are the two main reasons (see Appendix 5) that make customers switch to competitors *(Kinghorn & Clarke, 2018).* The implementation of any kind of self-service kiosks will avoid any negative experience with staff. In addition, by using Phygital on-site it dramatically improves the customer experience and will maintain the experience at a high standard in the long-term. Finally, the installation of interactive kiosks at the entrance of the venue will redirect customers directly to the right person/place without wasting time.

Finally, customers feeling *neglected* by the brand also makes them switch to competitors. Shaw *(2007, p. 53)* mentions, *"ignoring the customer and asking the customer to repeat information already provided"* as being causes of this emotion. By using an omni-channel strategy and especially Phygital, brands can deliver an extremely personalized experience to their customers by using the data collected through all the channels of the brand's strategy. The customer will feel *cared for* and it will eliminate any feeling of being *neglected.*

2.4 Data Collection

As mentioned at the beginning of this thesis, one of today's customer needs is to receive a personalized service. In order to meet this important need and get insights, brands are constantly collecting more and more data about their customers, also called Big Data. This includes data about their age, gender, social status, personality, interests but also data about their activity on digital channels, and so on.

Without the integration of Phygital Channels, this data collection remains largely limited to the digital channels. Collecting data on-site is more complex due to the difficulty of customer identification. However, many brands have been implementing loyalty programs to get a better insight, but this remains limited in data.

Thanks to the implementation of Phygital on-site, companies are able to get data about all the activities of their customers on-site. In museums for example, interactive walls can be installed to inform the visitors. Thanks to these screens museums will be able to know how many interactions there were and the time visitors spend in front of the wall. Furthermore, they could integrate eye tracking technology in these digital walls and analyse the content that catches visitor's attention, and so on. This way, museums will have an idea of the popularity of the different areas/content and will be able to optimize the performance of their venue. In retail, the collection of data about the behaviour of customers in-store can be even more useful to increase business performance. Possible applications could be smart shelves, the use of WIFI technology/ Beacon technology to track the journey of customers in-store, and so on.

This additional data will enable brands to understand their customers even better, anticipate even more their needs and improve/personalize the entire customer experience accordingly.

3. Four different types of Phygital Experience

Throughout this thesis, a clear distinction will be made between four different types of Phygital experience: informational, transactional, entertaining and supportive Phygital experience.

The informational Phygital experiences can be used in any kind of venue and aim principally to provide the customer/visitor with additional information that could enrich their customer experience. Concrete examples of these type of experiences are object recognition tables, interactive totems, vocal assistances and so on *(Goethals, 2017)*.

Transactional Phygital experiences, on the other hand, ease and stimulate the customer during their buying process and are mostly used in retail. Self-service check-out counters and the sending of coupons through beacons, are examples of transactional Phygital experiences *(Goethals, 2017)*.

The third type, are the entertaining Phygital experiences which entertain customers/visitors in an engaging way. This type of Phygital experience is mostly used during campaigns and often have a short-term-duration (duration of the campaign). These experiences consist mainly of interactive games using VR, AR, gesture recognition technology but can also consist of AR advertising in a mall *(Goethals, 2017)*.

The last type, are the supportive Phygital experiences. Their main aim is to add value to the on-site customer experience by assisting the customer/visitor during their journey on-site. The best example to illustrate this kind of experience is AR wayfinding.

These different types of Phygital experience are not exclusive they can be combined. Hence, a Phygital experience can be at the same time entertaining and informational which can be great in educational venues (gamification); it can also be transactional and informational which is the case of smart mirrors in stores, and so on. All these different experiences improve the customer experience and as a consequence customer loyalty which leads in turn to higher customer spending and an increase in revenue. However, the entertaining Phygital experiences have an additional effect. They provoke plenty of positive emotions which results in the creation of memories customers/visitors will share with their friends and relatives. This will increase dramatically brand awareness.

4. The different technologies available to create Phygital Experiences

In order to create a Phygital experience, brands have the choice between several technologies. In this thesis, the eight technologies below are considered as convenient to create an experience fulfilling the four criteria of a Phygital experience established in section 1.

Figure 10: Technologies available to create Phygital Experiences

4.1 Touch technology

The most used technology is without any doubts, touch technology. Nowadays, people use touch every day, on their smartphones, tablets, car dashboards, and so on. Hence, they are very familiar and comfortable with it and they will not hesitate to engage with touch technology on-site. A positive aspect of this technology, is that companies can target a wide proportion of the population since children are also familiar with touch technology.

4.2 Mobile technology & Beacons

Mobile technology is more and more used to create Phygital experiences on-site. Almost everyone has a smartphone in their pocket today and especially millennials and Gen-Z. Brands have to take advantage of all these smartphones to engage their customers and interact with them. By using customers' smartphones rather than installing interactive kiosks on-site, increases the probability the customer engages with the brand since customers are more willing to engage with their own smartphones than with unknown technology *(Cushman, 2019)*.

Nevertheless, some brands are reluctant about using Mobile technology for two reasons. Firstly, they do not have full control over the quality of the experience. The visitor/customer

might be out of battery, have a damaged screen or have a slow phone. This can deteriorate the customer experience. Moreover, if some customers have an obsolete phone or no smartphone at all, they will not be able to take part to the experience and this can lead to a high level of frustration.

The use of Beacons to reach the customer/visitors on-site is also widely used nowadays. Since its introduction by Apple in 2013, beacon technology has evolved and has become a popular way to interact with customers/visitors on-site. It consists on small transmitters installed inside the venue which use low-energy Bluetooth technology to connect with the smartphones of the visitors/customers. This technology enables the sending of information to smartphones and back end systems which are close to the transmitter. Many shops already use them to send push-notifications to people who pass near their shop. The notification can be a message announcing special in-store promotions, the arrival of a new product, discounts, and so on, in the hope that people stop and enter their shop *(Cushman, 2019)*. Beacons are mostly used in retail but they could have a promising future in many other markets. Beacons could for example be used during events and tradeshows but also to trigger automatic payments. According to Cushman R. *(2019, para. 6)*, *"Forecasters predict more than 400 million beacons deployed by 2020"*. Its popularity is mostly due to its low cost of implementation.

However, some brands are less confident about the future of Beacon technology. Its main weakness is that the customer needs to download the app of the brand in order to catch the message of the beacon. Making people download the app and conserve the app, is a real challenge for brands. Furthermore, Beacons only work when Bluetooth is enabled on the customer's/visitor's smartphone. The problem is that nowadays, people are very likely to switch off their Bluetooth in order to save battery. Accordingly, an increasing number of brands use WIFI technology rather than beacons. Finally, brands need to pay attention to not overwhelm customers with messages when using this kind of technology. The customer can feel rapidly irritated and this can have a negative impact on the brand image *(Wagstaff, 2018).*

4.3 Object, face and voice recognition

Object, face and voice recognition are three different types of technology that allow brands to engage customers/visitors by creating highly personalized Phygital experiences. These three technologies are possible thanks to artificial intelligence. *"Artificial intelligence (AI) is the simulation of human intelligence processes by machines, especially computer systems. These processes include learning (the acquisition of information and rules for using the information), reasoning (using rules to reach approximate or definite conclusions) and self-correction (Rouse, 2018, para. 1)."* AI is completely transforming our everyday life and has a promising future in nearly all industries.

Object recognition enables brands to engage with customers by giving them more information about an object or product. This can bring real added value to the customer experience. By using this kind of technology, brands can make the visitor experience more interactive and collaborative. The installation of an object recognition table for example, can be extremely beneficial during tradeshows or corporate events. Customers/visitors are able to put certain products/objects on the table and get instant comparisons between products or additional information.

The use of face recognition is more than ever on the rise. It has evolved over the years to become extremely fast and accurate today. Face recognition is used in many different sectors and for many different purposes. People use it every day to unlock their phones, airports use it to assure security and China uses face recognition for their social score system. However, only a few brands use it for business purposes. This technology could be used to easily identify customers/visitors who arrive on-site and show them relevant information or engage them in a personalized way. It could be used for example, at the entrance of a shop in order to welcome the customer by name and show them relevant promotions based on their activity on the different channels of the brand. This will enable brands to offer a more personalized experience to customers while collecting huge amounts of data.

Voice or speech recognition is another way to create Phygital experiences. Voice recognition is currently not very widespread but people are getting more and more used to it

thanks to vocal assistances like SIRI and Amazon Echo. An example of a Phygital experience using voice recognition, is the medical assistant Deloitte Assist. The Prince of Wales Hospital in Sydney, reimagined the way in which patients ask for medical assistance. They replaced the binary call button system by a virtual assistant. Now, instead of pressing a button, the patient can make its request vocally. Thanks to voice recognition and artificial intelligence, the system can analyse the different requests from patients and classify them in order of priority. Moreover, by collecting data continuously, Deloitte Assist creates detailed reports of each patient based on the requests they made during the day. This technology enables hospitals to optimize their global performance and reduce response time for critical incidents *(White, 2018)*.

4.4 Gesture technology

Concerning gesture technology, brands use it mostly during campaigns. People love gesture recognition when playing games or interacting with advertising. Nevertheless, in certain parts of the globe, when people have to use these technologies publicly, they are more reticent. In America, people are more comfortable using these technologies publicly whereas, in Europe people will be more likely to think people will judge them if they play a gesture recognition game in the middle of a mall. Hence, this shows brands need to really understand their target audience before creating a Phygital experience.

4.5 AR & VR

The use of AR (Augmented Reality) and VR (Virtual Reality) technology is also on the rise. There is a clear difference between these two technologies. With VR, the user is immersed in a simulated environment through the use of a headset. Whereas with AR, the vision of the user is not replaced but virtual items are added to it.

The popularity of AR is constantly increasing because people love this merging of the real and virtual world. An example that proves the popularity of AR, is the “Pokémon Go” phenomenon. It is an AR game that consists on searching for Pokémon’s close to your real

location. The mobile game was launched in 2016 and has rapidly become one of the most successful mobile games in history. It has been downloaded more than 800 million times generating more than $2 billion in revenue *(Chamary, 2018).* Since this worldwide success, many brands bet on AR to dynamize and improve the customer/visitor experience. Ikea for example, launched an AR app that enables people to see in augmented reality how furniture fits into their homes and Snapchat totally relies on its AR filters to differentiate itself from competitors.

Regarding VR, this technology is more used to completely immerse people in an environment. This can be great for games, virtual visits, 360° games, and so on.

4.6 RFID

Radio Frequency Identification or RFID, consists of wireless communication between an RFID tag (equipped with an antenna and a ship containing information) and an RFID reader which collects information from all the different tags and sends it to a back-end system. Nowadays, RFID is mostly used by companies to improve the efficiency of their internal operations (supply-chain, security, inventory, and so on) rather than to engage customers on-site. However, according to several specialists it has a promising future to reinvent the traditional venue. RFID technology is for example, currently used by the luxury retailer, Neiman Marcus to create its magic mirror experience. It consists on an interactive mirror containing the RFID reader which recognizes the product the customer is trying on thanks to the tags which are in the clothes. Customers can change the colour of the product add AR accessories to their look and so on *(Bianchi, 2017).*

5. The different implementation steps

Figure 11: The different implementation steps of a Phygital Experience

Source: Goethals, 2017, p. 5-6

In order to maximize the Return On Investment, brands should implement Phygital technologies in four steps. The first step consists of identifying their audience and understanding the problems the customers are actually facing when coming on-site. An easy way to find this out is by asking them to complete a survey. Through this survey they will be able to express their frustrations, mention the aspects the brand could improve, and so on. In addition, brands should map the entire customer journey in order to have a visual overview of all the tasks the customer goes through during the entire journey. For each task they should list the expectations of the customer and the emotions that could possibly emerge. Thanks to this, brands will be able to identify the tasks where Phygital could bring added value in order to improve the global customer experience *(Goethals, 2017).*

The second step, is the definition of the brand's vision, the short and long-term objectives and the selection of relevant KPI[5]'s. Clear business objectives will enable brands to be more

[5] Key Performance Indicators

effective and to get the most benefits out of their Phygital channels. Moreover, the selection of KPI's is also an important step. These key performance indicators will enable the brand to measure the success of its digital transformation and make some adjustments if necessary. Some examples of KPI's a brand could use are the number of interactions with the Phygital channel, connection time, number of shares, most popular features and so on *(Goethals, 2017).*

The third step is the selection of the right technologies and content based on step 2. Before choosing the specific technologies, the brand needs to determine the kind of experience they want to create for their customers. As seen in section 3, Phygital experiences can be classified in three different groups: informational, transactional and entertaining. Once, the type of experience has been selected, brands need to choose the right technology. As seen in section 4, there are eight different technologies brands can choose in order to create Phygital experiences *(Goethals, 2017).*

Finally, the last step is to test, implement and optimize the experience. Before engaging customers by using the Phygital experience, brands need to try out the experience themselves in order to ensure it works perfectly. A Phygital experience working badly can really frustrate customers and have an impact on the brand image and the customer experience. Once done, the brand can implement the experience. During the implementation, brands have to assist and guide their customers, since people are often reluctant about using something they are not familiar with. Hence, brands have to promote their Phygital experience by demonstrating its added value and show customers how they can use it. Once implemented, brands should regularly check data collected by the experience, such as the number of interactions, content most displayed, and so on. This way, brands will be able to optimize the experience and increase ROI.

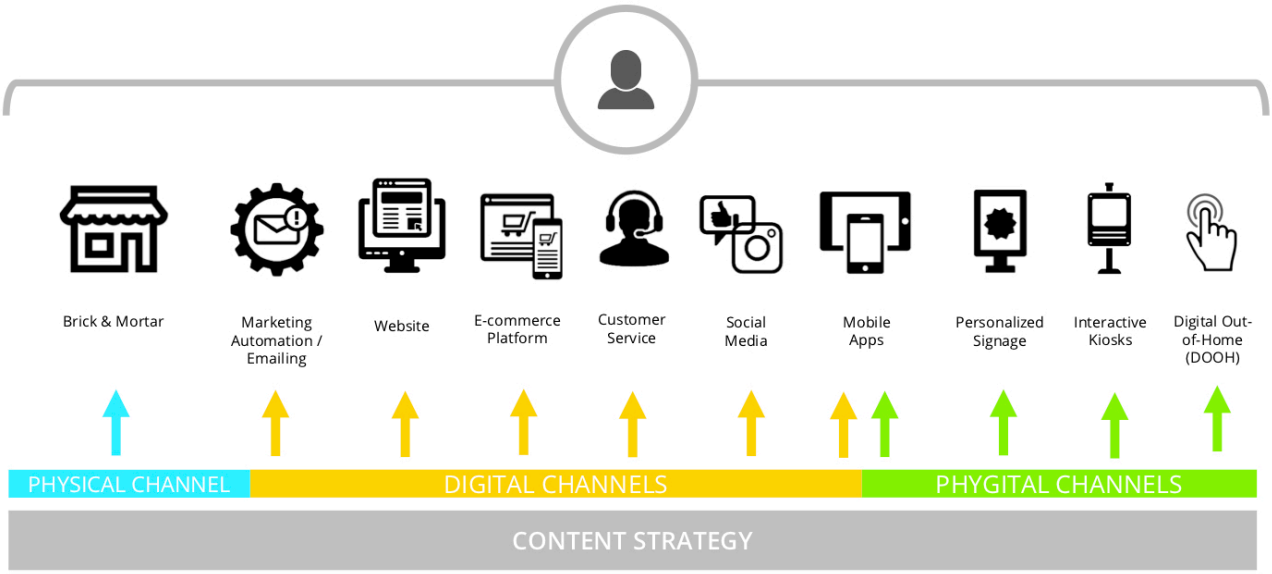
6. Phygital channels in an Omni-channel strategy

As mentioned in Chapter 2, implementing an omni-channel strategy has many benefits and matches the needs of today's customers. The specificity of this type of strategy is the fact that all the different channels are interconnected. However, there is still a missing link between the digital channels and the physical channels.

The integration of Phygital channels into a brand's omni-channel strategy, enables the creation of a bridge between the physical and the digital channels of the strategy. This link allows brands to meet the needs and expectations of their customers even better and as a result increase their business performance.

As said earlier, nowadays, companies hold huge amounts of data about customer's identity, preferences and behaviour. Without Phygital channels, the use of this data is only restricted to the digital channels. By adding Phygital channels to their strategy, brands are able to identify more easily customers who are on-site. Based on this, they can offer them a very personalized experience using all data they hold. The same applies to the collection of data. In the past, data collection was mainly done through digital channels. Thanks to Phygital, brands are able to collect data about the behaviour of customers on-site and use this data on their digital channels. This strengthens considerably a brand's omni-channel strategy.

Figure 12: Phygital, the missing link in the Omni-channel strategy



Source: Deloitte Digital, 2019, p.6

To illustrate the added value of Phygital channels in a brand's omni-channel strategy, let us look at the example of a flight experience. The experience starts with a customer receiving *an email* in their mailbox regarding special promotions for flights this summer. The customer clicks on the link, arrives on the *website* of the airline and books their flight through *the e-commerce* platform. A confirmation *email* is sent to their mailbox to confirm the booking. Two days before the flight, the customer calls *customer service* to edit their booking (add luggage, change seat, order a specific meal). The day before the flight, the customer downloads the *mobile app* of the airline in order to manage the check-in. Once the check-in is completed, the app encourages the customer to personalize their account by indicating preferences. It is finally the day of the flight, the customer arrives at the airport. Through the use of beacon technology, they receive the latest information about their flight on their smartphone (check-in counter, boarding time, gate, and so on). When arriving at the check-in area, the customer uses an *interactive kiosk* to print the boarding pass. Once printed, the customer receives a notification from the *mobile app* suggesting the use of the AR wayfinding to guide them to the gate. Before going through security check, the airline encourages the customer to take part to its *VR flight simulator* in order to have the chance to win loyalty miles. Once the simulation is done, the customer wants to share this experience with friends and relatives and posts a picture on *social media*. After passing the security check, the customer arrives in the duty-free area and receives special discounts on their smartphone related to their final destination.

Afterwards, while walking to the gate, digital signage shows personalized content that matches their interests and travel destination. The customer finally boards the plane. The crew welcomes the customer by name. Once, the customer takes his/her seat, he/she discovers a fully personalized entertainment system welcoming them by name, suggesting movies and meals based on their preferences.

This example clearly shows how all the channels can be seamlessly interconnected and how brands can maximize the use of the data they collect in order to offer an amazing experience to the customer.

7. Phygital in different type of venues

One of the main strengths of Phygital is that it can be implemented in almost all type of industries. Brands can change many parameters in order to create the experience that perfectly fits their needs. This thesis will focus on the implementation of Phygital experiences in retail but also in tradeshows and cultural venues.

7.1 Phygital in Retail

As seen throughout this thesis, brands can no longer exclusively rely on having the best prices and the best promotions. They need to reinvent themselves continuously in order to meet the ever-changing needs and expectations of their customers.

As demonstrated in chapter 2, despite an increasing number of online sales over the years, the physical store has still a promising future. However, customers expect the in-store shopping experience to be as dynamic and personalized as the digital one. Numerous brands have already tried to dynamize/personalize the on-site experience by creating loyalty programs or by installing screens looping the same content over and over. Unfortunately, this gives very little added value to the in-store experience.

Thanks to the integration of Phygital Channels into their omni-channel strategy, retailers are able to dynamize and provide the same instantaneousness of information in-store as on

their digital channels. Regrettably, very few brands have already made this integration. T. Sumner, CEO of Perch states that the current retail store is the same as going on Amazon.com without being able to search a product in the search bar, put filters, click on products to get additional information, check reviews, videos, and so on. According to him, the physical retail store should include all those different features in the coming years and this will only be possible through the use of Phygital.

The American grocery chain Kroger, can be considered as one of the early adopters of Phygital in its domain with the implementation of dynamic shelves. Today people want to know the origin and the composition of the food they buy. Kroger meets the needs of its customers perfectly by displaying nutritional information on its screens. Furthermore, they also display price, discounts, advertising, and so on. These screens can be considered as Phygital because they engage the customer through the Kroger app. Before arriving on-site, customers can indicate their preferences, dietary needs, allergies and create their personalized shopping list on the app. Once they walk through the aisles of the supermarket, the different products they need are highlighted and customers are noticed if they pick up a product containing allergens. This example shows perfectly how Phygital can ease the customer journey and reinvent grocery shopping (*H. Peterson, 2018).*

7.2 Phygital in Tradeshows

Tradeshows have always been a popular and effective way for brands to increase their visibility or to launch a new product/service. This was especially the case before the emergence of internet because brands were far more limited in the number of means available to reach customers/competitors. Since then, many brands have given up tradeshows in favour of other marketing strategies such as digital marketing. By advertising on social media, brands increase their visibility in a shorter period of time and at a lower cost. However, it cannot be considered as a perfect substitute to tradeshows, because there is not the physical and relational dimension which are the two main strengths of tradeshows. Consequently, even if the popularity of tradeshows has slightly decreasing over recent years, it remains an important networking hub for many industries where they can meet prospective and existing clients and competitors and demonstrate physically their activity. Moreover, face-

to-face communication remains an important way to build trust with prospective and existing customers and enables the brand to have instant feedback on what they are demonstrating. Nevertheless, tradeshows need to keep pace with the changing needs of visitors and the evolution of technology. With tradeshows becoming larger and larger, welcoming hundreds of brands presenting the same large number of items, brands need to find even more innovative ways to attract the attention of visitors and differentiate themselves from competitors. Here is where Phygital can intervene and revolutionize the tradeshow industry.

Many different implementations of Phygital are possible at tradeshows designed to engage visitors, trigger emotions and increase brand/product awareness and loyalty. Brands can attract visitors into their hub by sending them information through Beacons or WIFI technology. They can invite visitors to take part to an immersive experience by using gesture recognition technology, touch technology or VR. They can promote networking and interaction with visitors by installing large collaborative tables allowing object recognition and they can increase awareness by creating a Phygital experience that encourages visitors to share their experience on social media mentioning the brand.

Hence, tradeshows still have a promising future. The implementation of Phygital experiences will give real added value to the visitor journey and visitors will live an experience they will remember and share with their friends and relatives.

7.3 Phygital in Cultural Venues

Access to information has never been so easy in today's highly connected world. People can effortlessly find the information they want while staying at home. Hence, cultural venues have to react in order to compete against their online rivals. Museums, libraries, exhibition centres, and so on have to reinvent the way they deliver information in order to attract visitors back on-site *(Goethals, 2017)*.

As illustrated earlier with the example of the stadium experience, people will come on-site only if they know there will be significant added value. Hence, cultural venues will have to create a visitor's journey composed of personalized, engaging and relevant content. Nowadays, it is tough for brands to attract and keep the attention of visitors during the entire

customer journey, especially, in museums and exhibition centres. More and more, people expect to see content that is only relevant for them and rapidly become bored. Consequently, in this kind of venue, it is even more important to provide the customer with the "wow" effect so that they feel the added value of coming on-site.

Reinventing the experience in cultural venues by bridging the digital and physical world could be a solution to fulfil the needs of the visitors. Placing engaging experiences at different stages of the customer journey will have considerable benefits. *"However, it is important the institution selects the right technology and puts it at the right place in the customer journey, in order to convey the most relevant message to the right person at the right time" (Goethals, 2017, p. 5)*.

There are three main benefits of creating Phygital experiences in cultural venues. The first added value is the dynamic character the Phygital experience will give to the customer journey. By engaging and interacting with customers, they will stay focused and they will receive and remember more information. This can be done in several ways. The museum of science and medicine in Boerhaave (NE) wanted to change the way people learn sciences by making them experience it. They created a Phygital experience that invites customers to take part to immersive surgery (see Appendix 8). Customers have to put their arm on an interactive table and live surgery will then be projected on their arm. Besides, The Guggenheim museum in NY engages customers during their visit by using beacons technology. When approaching a certain piece of art, people receive relevant information (text, audio & video guides) on their Guggenheim smartphone app.

Furthermore, Phygital experiences will trigger emotions. As a consequence, customers will be likely to share their experience with their friends and family on social media and this will have a positive impact on the popularity of the museum. A museum that has understood this perfectly is the digital art museum in Tokyo. They completely reinvented the traditional museum experience by emerging customers in a fully digitalized and innovative environment. The result is noteworthy (see Appendix 9).

Finally, by creating Phygital experiences, cultural venues attract younger generations and especially Gen-Z. It's a real challenge for venues in general to attract and keep their attention, since their attention span lasts on average 8 seconds, as seen in chapter 1. By implementing

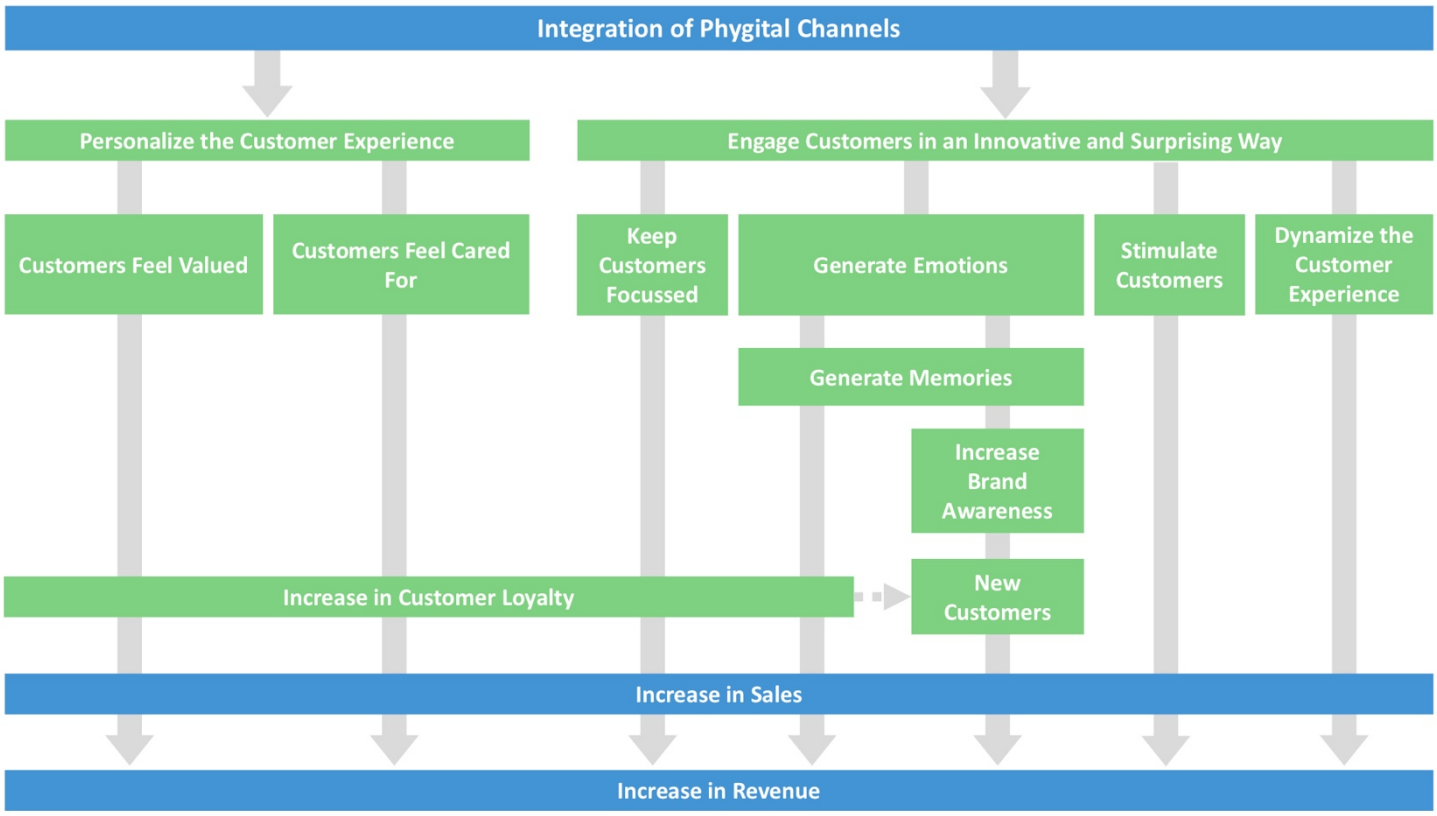
Phygital experiences combining information and entertainment, younger generations stay focussed longer and assimilate content in an original and fun way. The same technique is used in more and more schools by installing smart boards in classrooms. It enables teachers to teach in a more dynamic way and keep students focused.

8. The Effectiveness & ROI of Phygital experiences

Throughout this chapter, many examples are given to illustrate how the integration of Phygital channels can reinvent traditional venues and enable brands to serve today's customers even better. However, little proof has been given so far concerning the effectiveness and ROI in implementing Phygital experiences on-site.

In order to have a clearer idea of its ROI, a diagram has been created below summarizing all the effects the integration of Phygital Channels into a brand's omni-channel strategy has on the customer experience.

Figure 13: The Effectiveness of Phygital Channels



A Phygital experience offers a personalized experience to customers and engages them in an innovative and surprising way.

The personalized character of the Phygital experience provokes the emergence of two different emotions. The customer will feel valued and cared for. According to the recommendation cluster developed by Shaw (2007), these two emotions strengthen the relationship between the brand and the customer and increase customer loyalty. If the Phygital experience delivers an experience which is way above customer expectations, loyal customers can become veritable brand ambassadors who will attract new customers.

By engaging the customer in an innovative and surprising way, brands create several effects. Firstly, it keeps customer focussed which also results in an increase in customer loyalty according to Shaw (2007). Secondly, it generates plenty of emotions depending on the type of experience. This leads to the creation of positive memories which increase customer loyalty and which customers are likely to share with their relatives/friends. The fact of sharing a picture of the experience on social media, increases brand awareness and attracts new customers. Thirdly, offering an engaging experience to customers stimulates them and gives a dynamic character to the customer journey. This has a direct positive impact on customer spending according to the attention cluster developed by Shaw (2007).

As seen in chapter 1, the increase in loyalty provoked by the Phygital experience will result in higher revenue for the brand since according to Saleh (2015), loyal customers spend 31% more on average compared to new customers and their spending increases over time (see Appendix 3). In addition, loyal customers are also 50% more likely to try out new products compared to new ones. Moreover, the Phygital experience increases on-site footfall and attracts new customers through brand ambassadors and the increase in brand awareness. These new customers, also contribute to the increase in sales and global revenue of the brand.

Even if Phygital experiences are initially created to engage customers on-site, meet their needs and improve their customer experience, brands also benefit from it.

Implementing Phygital experiences enables the brand to get more insights about the behaviour and identity of its customers on-site. Thanks to this additional data, brands will better understand their customers and will be able to anticipate their needs and offer a more personalized experience. This will lead again to a stronger relationship with the brand, loyal customers, increase in sales and a higher revenue for the brand. Furthermore, according to Kinghorn & Clarke *(2018, p. 3), "63% of U.S customers surveyed say they'd share more information with a company that offers a great experience"*.

Moreover, by implementing Phygital experiences on-site and especially in retail, brands increase their business performances. By engaging customers through RFID technology for example, brands can benefit from it to boost store productivity. RFID technology enables the brand to reduce shoplifting but also to significantly increase the efficiency of inventory management and have better control over their supply-chain. This can be very beneficial for retailers having a robust omni-channel strategy *(Bianchi, 2017).*

9. Are people ready to engage with Phygital experiences?

To determine if people are ready to engage with Phygital experiences, let us have a look at several pieces of research. Obviously, it is important to note that the degree of engagement will differ based on the type of venue (retail, museum, hospital, and so on) and the audience targeted.

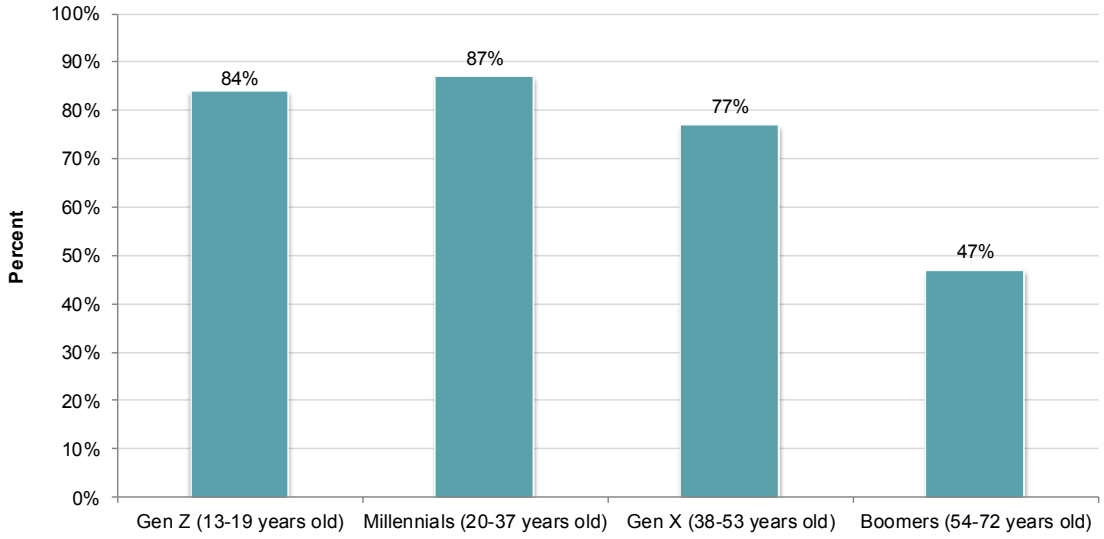
The first piece of research that demonstrates people are ready to engage with Phygital experiences, is a survey carried out by SOTI in 2018. This survey shows clearly that people want more technology in-store and more autonomy during their shopping experience. According to this survey, 73% of shoppers were in favour of the installation of self-service technologies such as self-checkout counters and self-assistance kiosks in order to make their experience more convenient, quicker and reduce interactions with store personnel. This represents a 10.6% increase in only one year. The fact shoppers want to engage with technology rather than with humans does not mean they want all store personnel to be replaced by machines. They just want digital to infuse their entire shopping experience while

keeping human assistance in case they need additional help. Today's customers do not like imposed human interactions such as at the check-out counter. They want to be able to choose between engaging with humans or with technology based on their mood of the day *(O'Shea, 2019).* Besides, their desire for more self-service technologies in-store, means respondents also encourage brands to equip staff with technology. According to the same SOTI survey *(2018, para. 6), "more than 85% of 2018 survey respondents said they liked the idea of store associates having handheld or fixed tools to help them check inventory and prices."* This represents an increase of almost 51% in one year.

From this first survey, it can be concluded that today's customers are definitely ready to engage with Phygital experiences in retail. This survey demonstrates clearly their need for convenience, autonomy and technology during their journey. Consequently, the deduction can be made that they are likely to engage with Phygital in the other types of venue such as in public institutions, convention centres, hospitals, and so on.

The second piece of research selected to demonstrate people are ready to engage with Phygital experiences, is research conducted by The International Council of Shopping Centres (ICSC) who analysed the in-store use of smartphones based on generation.

Figure 14: In-Store Mobile Device Users by Generation



Source: ICSC, 2018, p.3

Surprisingly, Millennials are the ones who use their smartphones the most (87%) when they are in-store. The primary reason why they use them is to compare prices followed by availability/inventory check (see Appendix 6). Regarding Gen-Z, they use their smartphones a little less (84%) than Millennials when being on-site and the primary reason here is to text, chat with friends/family in order to ask for advice followed by price comparison. Gen-X are also important in-store smartphone users (77%) and they use them in the same way as Millennials to compare prices. Finally, almost one in two Boomers (47%) use their smartphones when in-store to compare prices *(ICSC, 2018).*

This second piece of research confirms the conclusions made after analysing the SOTI survey, today's customers have a particular need for digital use on-site. However, this survey gives more information about the generations which are most/least likely to engage with Phygital in retail. As a result of this research it can be claimed, the four generations and especially, Gen-X, Millennials and Gen-Z are likely to engage with Phygital in-store because they are currently creating Phygital experiences themselves by using their smartphones *(ICSC, 2018).*

This survey, which is very retail oriented, does not demonstrate that the above-mentioned generations are likely to engage with Phygital experiences in other type of venues. However, it shows customers and especially the younger generations are constantly connected to their smartphones. Hence, the creation of Phygital experiences using mobile technology could increase the probability of customers engaging in these types of venues.

Finally, the consumer financial service company, Synchrony made an in-depth study (2018, p. 8) about the behaviour, interests and preferences of the Z-Generation. According to their report *"75% of Gen-Z prefer shopping in stores with engaging in-store experiences".* This quote confirms what has been demonstrated through the two pieces of research mentioned above.

10. Possible obstacles to Phygital

10.1 The large data collection

As said at the beginning of this chapter, implementing Phygital experiences will enable brands to get more insights by gathering data about the on-site behaviour of its customers. However, this collection of data can be the source of certain issues.

Data collection and management is not an easy task for brands. Nevertheless, data is crucial for them if they want to survive in today's competitive market. Collecting data is mainly based on trust. The more brands have a transparent relationship with their customers, the more customers will trust them and the more data they will receive.

However, certain customers are more difficult to convince. The older generations such as the Boomers and Gen-X, will be more reluctant about sharing their personal information with brands. Hence, they might engage less easily with Phygital experiences. On the contrary, Millennials and Z-Generation are way more comfortable with data collection. They do not mind sharing their personal information with brands if it enables them to get a more personalized experience. However, they expect their personal data to be protected *(Echoworx, 2019).*

The collection of data might be a tough task for brands but keeping the data save once collected is another burden. Many brands fail to manage their data in a satisfactory and secure way. This can have fatal consequences for brands. If they do not pay sufficient attention to data protection or if they use data for the wrong purposes, they expose themselves to high risks. If customers realize it, particularly members of Gen-Z, they can lose all trust they had in the brand and rapidly switch to a competitor. According to Echoworx data *(2019, para. 11), "over three quarters of Generation Z consider leaving brands after a data breach."*

This is typically what happened in the Facebook Cambridge Analytica Scandal in 2018. It was one of the largest and most serious data breaches in history. Over 87 million Facebook users had their personal data illegally harvested by the British firm Cambridge Analytica. This had a terrible impact on the image of Facebook and the trust customers had in the brand. According to Butow D *(2018, para. 1)., "Facebook users' confidence in the company has plunged by 66 percent since the data breach"*. In order to increase trust, CEO M. Zuckerberg

did a public Mea Culpa but unfortunately it did not have the desired effect. This shows clearly, it is very hard for brands to get customers back once they have lost their trust.

Hence, when implementing Phygital experiences which collect data, brands need to inform the customers/visitors and especially older generations about the data collected, what they plan to do with this data and the steps they take to avoid data breaches. This transparency will strengthen the relation with the customer/visitor and they will be less reluctant to participate in the Phygital experience. Regarding data management, money spent on data maintenance and protection should represent an important part of the brand's revenue if they want to keep the trust of their customers and avoid data breaches.

10.2 The cost

As explained throughout this thesis, implementing an omni-channel strategy containing Phygital channels is a great way to meet the needs & desires of today's customers. Nevertheless, as developed in chapter 2, there might be several obstacles and more particularly financial obstacles to the implementation of an omni-channel strategy. This also applies to the integration of Phygital channels. High costs can arise from the four implementation steps of a Phygital experience. Analysing the target audience and designing/developing the Phygital experience, can be extremely time consuming. Regarding the choice of technology, costs can vary a lot. A brand using a giant interactive screen to engage visitors during a tradeshow will not have the same costs as a brand using Beacons to engage visitors. Finally, the costs of maintenance and data management can also escalate rapidly. However, it depends on the scale of the experience.

This financial obstacle might discourage brands who are hesitant about integrating Phygital channels into their strategy, despite the fact that there are significant economic benefits to be gained from providing Phygital experiences for customers/visitors.

10.3 The impact on human interactions

A possible obstacle to the implementation of Phygital is the fact that it might reduce social interactions on-site. However, not all Phygital experiences are concerned, it depends on the type of experience and the technology used. Self-checkout counters at the grocery store, for example, will reduce interaction with staff. However, the use of WIFI technology to send customers personalized coupons will not.

The decrease of human interactions can be considered as an obstacle for two reasons. First of all, people expect more human interactions on-site in the future. According to the report published by Kinghorn & Clarke *(2018, p. 12)*, 75% of customers worldwide, indicated *"they will want to interact with real person more as technology improves"*. When analysing the results in more detail (see Appendix 7), China (66%) and Japan (53%) have the lowest need for human interaction and in Germany (84%) and in the US (82%) this need is the highest. Furthermore, by replacing employees by machines, customers might feel neglected by the brand as illustrated in chapter 1. This will result in a decrease in loyalty according to the destroying cluster developed by Shaw (2007).

However, in section 9 has been claimed customers want more technology in-store and more autonomy during their shopping experience. Consequently, the assumption can be made customers want more human interaction on-site to assist them during their journey (ask for advice, give additional information, and so on) but they do not want imposed human interactions anymore such as at the check-out counter. They want to have the possibility to choose. Hence, it is crucial brands compensate for automation by putting the same number of employees in store to assist customers.

64.

Part II: PROJECT PART

During our 2nd year master degree in business engineering, I had the opportunity to do a three-month internship at Deloitte Brussels in the Digital experience department. Before starting my internship, my supervisor Francois Goethals suggested doing a project master thesis related to the emerging concept of Phygital. I accepted directly for three reasons. First of all, I wanted to do a final master thesis including a concrete project with a real utility. Moreover, I am very interested in innovation and new technologies such as Phygital. Hence, working on this project was a great way to develop some solid knowledge on the subject. Finally, the topic is fully related to the major of my master degree, “Marketing strategy for connected brands”.

1. The problem the company is facing

Deloitte acquired “Brandfirst”, a company specialized in Phygital in 2018 to integrate it into their Digital Experience service offering. The current problem the company is facing is that Phygital is quite a new concept, which is still unclear or even unknown for most people. This is due to the fact there are not clear boundaries to the concept yet, everyone has a bit their own definition. Moreover, there is almost no information available about the effectiveness of implementing Phygital in traditional venues. Consequently, brands and institutions are still reluctant to create Phygital experiences for their customers on-site.

2. Solution to the problem faced by the company

Our internship supervisor suggested doing a project master thesis about Phygital in order to clarify the concept and increase its global awareness. The solution we found is the creation of the “Phygital Factory”. It is an online platform, with the goal of becoming the worldwide showcase of Phygital. This platform will contain different features such as a portfolio gathering interesting Phygital projects realized all around the world. This will be a real source of inspiration for Deloitte but also for other people interested in Phygital. Besides this portfolio,

there will be an informative part defining clearly the concept and a forum that will encourage members of the Phygital Factory to interact.

3. Methodology

3.1 The three pillars of the Phygital Factory

The first step of this project was to define clearly the scope of the Phygital Factory. To do so all the different features that were wanted on the platform were written down. Based on this list, the emergence of 3 main pillars was noticed.

INFORM

The first pillar of the Phygital Factory is to inform the visitors. As said earlier, Phygital is quite a new concept. Consequently, it is important to define clearly Phygital and establish boundaries to the concept on the landing page of the platform so that the visitor directly knows what we are talking about. Moreover, the platform will include a forum where members of the Phygital Factory can post interesting papers about Phygital, share their experience, ask the community questions and finally, publish statistics which demonstrate the effectiveness of implementing Phygital channels. This has as aim to engage the members of the platform and make the concept of Phygital evolve.

INSPIRE

Besides informing, the platform will also aim to inspire visitors. They will be inspired through the “Phygital Project Portfolio” which will gather Phygital projects which have been realized all around the world. The selected projects will be classified based on type, location, industry and technology used. All visitors to the platform will have access to this portfolio and will be able to comment the different projects. Nevertheless, in order to keep a certain control

over the portfolio, only a few members will have access to the back-end part of the portfolio to ad projects.

UNITE

Finally, by creating the "Phygital Factory", we will create a strong community of people (professionals, sponsors, students, and so on) interested in this new emerging concept. Visitors will be able to sign up and become members of the platform. This will allow them to have access to additional features and contribute to the platform by posting content and by interacting with the other members of the platform. Furthermore, a newsletter will be sent out regularly containing the latest updates to the platform and news about Phygital. Finally, when we have reached a considerable number of members we could imagine the organization of events in order to increase even more the awareness of Phygital and in order to stay up to date regarding the emergence of new technologies.

3.2 Desk Research

Once the scope had been determined, we started our desk research in order to find content for the inspirational and informative parts of the platform. Ultimately, we worked on the "unite" part of the platform.

As said earlier, the inspirational part consists of a Portfolio, "The Phygital Project Portfolio", gathering Phygital projects from around the world. Despite the fact Phygital is a relatively new concept, some companies have already used Phygital experiences to engage their customers. Consequently, we had to establish certain criteria to select the most relevant projects.

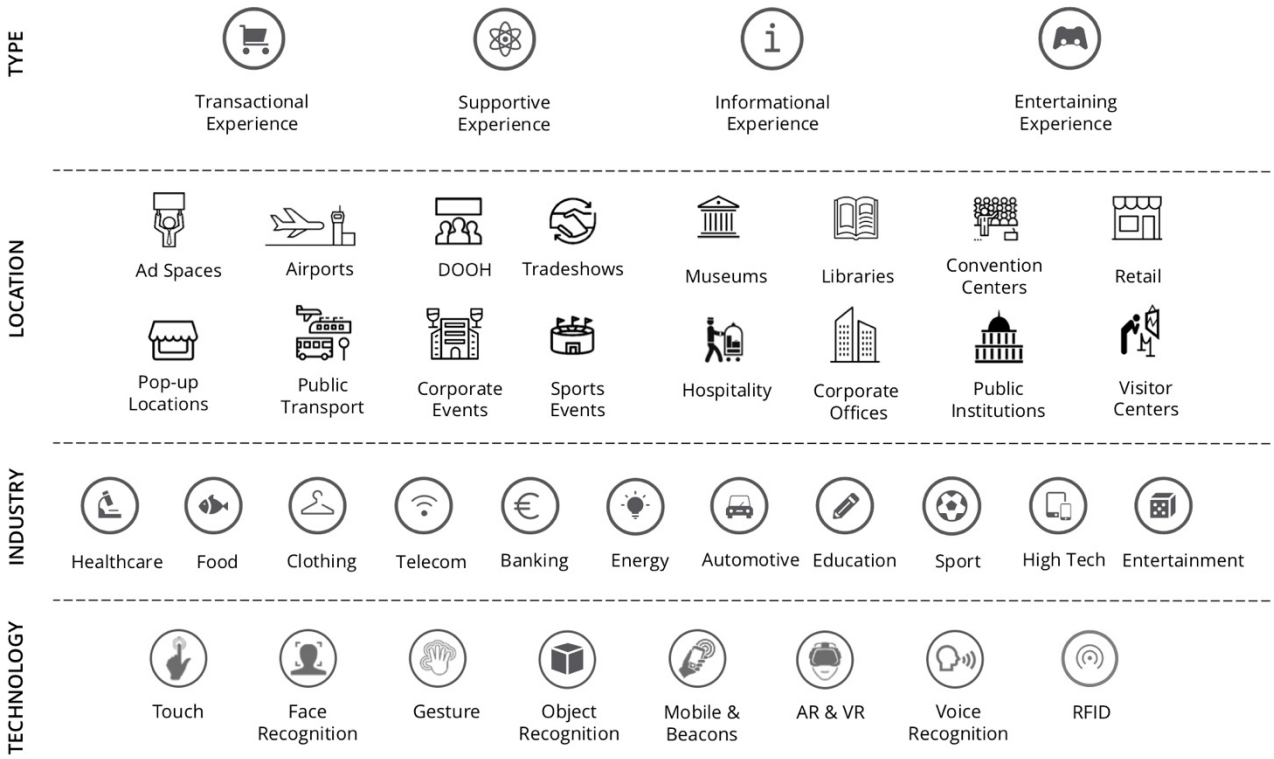
The selection of the projects was done in a methodical way. We first checked if the project answered the conditions[6] of a Phygital experience we defined in chapter 3. Moreover, we

[6] To be considered as Phygital, the experience must take place in a physical location, must be engaging, must use one of the technologies developed in chapter 3 and finally, the experience must personalize the customer/visitor journey.

selected the projects based on several criteria. Firstly, the year of the project. If we encountered projects using the same technology, in the same kind of venue and for the same industry, we chose the most recent one. Secondly, we tried to select the most innovative and original projects which gave a real added value to the customer/visitor journey. Finally, we wanted a strong diversification in our portfolio. Hence, we paid attention of having approximately the same number of projects for each type of technology, Phygital experience, location and industry.

To ease implementation on the platform afterwards, we directly classified all the projects we found into different folders. The classification was done in four different steps.

Figure 15: Classification of Phygital Experiences



We created four big folders, for the four different types of Phygital experience. Like in the theoretical part of this thesis, we made a distinction between the transactional experiences, the supportive experiences, the supportive experiences and the entertaining Phygital experiences.

Afterwards, we classified the projects based on the location of the Experience. We selected sixteen locations who can possibly suit for the implementation of Phygital experiences.

After classifying the project based on the type and the location, we identified the industry of the company which decided to create the Phygital experience. Finally, we identified the technology used to implement the Phygital experience.

While doing our desk research for the inspirational part, we also worked on the informative part of the platform. We sought statistics and papers which demonstrate the effectiveness of implementing Phygital experiences and the impact they have on a brand's revenue. This research was quite hard because as said earlier, Phygital is an emerging concept. Hence, little research has been done on the subject. Nevertheless, we found statistics which demonstrate the importance and the ROI for a brand, of focussing on customer engagement, customer experience, personalization and emotions. This helped us to demonstrate the strength of Phygital.

3.3 The creation of the platform

Once, we gathered a considerable number of projects, statistics and papers, we could finally think about putting all this content online by creating the platform. Before starting its creation, we took the time to list all our requirements concerning the platform.

First of all, as demonstrated in the theoretical part of this thesis, today's customers are looking for brands which offer personalized and engaging experiences generating emotions. Consequently, it was essential for us to put all these different customer needs into the "Phygital Factory".

Moreover, through our literature review, we noticed the importance of creating a seamless experience for the visitor. A website with high lag time for example will make visitors switch directly to another website. Hence, it was one of our priorities, to deliver an obvious and continuous navigation to visitors of our platform in order to make their online journey comfortable.

Finally, we really wanted to set up the platform ourselves without external help. Having very little in the way of coding skills, we decided to choose an automatic website builder. After doing some research, we found there were plenty of them: Wordpress.org, Gator, Wix, Weebly, and so on. We analysed the pros and cons of each of them and we finally chose Wix because it is the one that matched our needs best. After watching several tutorials, we could finally start to build the platform.

We created the Phygital Factory in different steps. First, we started with the building of the landing page, followed by “The Phygital Project Portfolio”, “The Phygital Forum”, The member section and finally we designed the mobile version of the platform.

Throughout the development of the platform, we asked designers to give their opinion about the layout of the Phygital Factory, the user experience, and so on. This really helped us to make the right modifications in order to deliver an efficient platform.

3.4 Go live

When we had finished the development of the platform, we switched to Wix Premium in order to connect the platform to our personal domain. We bought a domain name a few months ago, in order to ensure its availability. The domain we chose is the following: **www.phygitalfactory.eu**

3.5 SEO

After putting the Phygital Factory online, we needed to optimize our platform so that search engines would show the Phygital Factory in their results when people search for information about Phygital. To make our platform appear in the search results we had two options. We could opt for Search Engine Optimization (SEO) or Search Engine Advertising (SEA). The difference between these is simple. SEO is the optimization of a website to make it appear in the first organic results of the search engine. Google for example, ranks the websites they consider as most relevant at the top of the organic results. SEA on the contrary, works

on the basis of paying to put your website at the top of the ad results. The more money you allocate to SEA, the more the search engine will make your website appear in the ad results.

Even if SEA can be extremely effective in increasing traffic in a short period, we chose to opt for SEO because it is free. Admittedly, it will take more time for our platform to have a good ranking in the organic results but if referencing is done correctly it can go quite fast. Moreover, in the long term, SEO has a higher ROI than SEA because people tend to trust organic results more than ad results.

In order to have an efficient SEO we adopted a few techniques. First of all, we created an SEO plan through Wix. It enabled us to improve our SEO in two different steps. The first step had as aim to get our platform listed on Google. To make this possible, we had to complete certain tasks such as making our site mobile friendly or connecting the Phygital Factory to Google Search Console, and so on. The second step, concerned the optimization of the different pages of the platform. This consisted of writing descriptions about the content of the pages. Once the SEO plan had been accomplished, we focussed on the SEO of each project in the portfolio. By choosing the right keywords and by writing a brief description of each project, the probability of getting a better Google page rank increases.

4. The added-value of the literature review

Thanks to the literature review we conducted, we were able to increase our knowledge on the subject and define clearly the concept of Phygital. This knowledge was crucial in order to select the right content and deliver a reliable and consistent platform. Moreover, the literature review enabled us to identify the needs of today's customers and to build our platform accordingly.

In order to fulfil their need for personalization, we created the member section of the Phygital Factory. Once visitors sign up to become members, they receive personalized notifications and emails about certain projects, posts they liked, and so on. To go even further in the direction of personalization, we introduced a badge system to reward active members. There are four different badges. When signing up, new members get the "Phygital Novice" badge. Once they post five comments they get the "Phygital savvy" badge and when they start

posting content on “The Phygital Forum” they get the “Phygital Expert” badge. To get the highest badge of “Contributor”, and be able to add projects to the portfolio, the member needs to fulfil specific criteria.

To make their experience on the platform more engaging, we invite members to contribute to the Phygital Factory by posting, liking and commenting on content but also by designating some members as contributors.

Moreover, by adding illustrative content to each project and especially videos, emotions are generated and it increases loyalty of the visitors/members.

Finally, we created a mobile version of the Phygital Factory in order to fulfil their last need by enabling visitors/members to access the platform whenever they want and wherever they are.

5. Content of the platform

5.1 The Landing Page

We wanted to create an efficient and dynamic landing page which directly shows the visitor what Phygital is. On the desktop version of the Phygital Factory, the visitor is welcomed by a video of the Terrell place entrance hall in Washington. This aims to create a wow factor and make visitors impatient to scroll down in order to discover more about the concept.

When scrolling down, the visitor first gets a clear definition of what Phygital is according to us. In addition, we put some quotes from companies who are already creating Phygital experiences for their clients. Underneath, we explain the aim of the platform by briefly introducing the three pillars of the Phygital Factory. Just under this explanation, we created the access to the Phygital Project Portfolio. Visitors can see a preview of the three latest projects which have been added to the Portfolio. They can decide to click on one of the previews to access the portfolio or click on the “Access to Portfolio” button. When scrolling down a bit more, visitors can access “The Phygital Forum” in order to interact with the other members of the Phygital Factory. Here again, visitors get a preview of the three latest posts

(questions, experience, papers, statistics) which have been published on the forum. To access the forum, visitors can click on one of the previews or click on the “Access to Forum” button. At the bottom of the landing page, visitors will be able to subscribe to the newsletter of the Phygital Factory by putting their e-mail address. On the right side, we encourage visitors to follow us on twitter and Instagram through fast access buttons.

5.2 The Phygital Project Portfolio

When visitors arrive on the home page of the portfolio, they have different possibilities to find a project rapidly.

Visitors can scroll down and have an overview of all projects which are currently in the portfolio. On this page, all projects are presented by means of previews which include a picture of the project, the name of the project and a like button. Once visitors have found their project, they can click on the preview in order to get more information about it. Another way to find a project is via use of the search bar. Each project added to the portfolio includes several hashtags to make it easy for visitors to find the projects they are looking for. By entering one or two keywords related to technology, industry, location, and so on visitors can easily find inspiring projects that match their needs. The third research possibility, is to find a project based on its location. When creating the portfolio, we classified all projects based on their location. Hence, visitors can click for example on the category “Airport” and they will get Phygital projects created in airports.

Once visitors select their project, they arrive on the detailed page of the project. At the top of the page, visitors can see the title of the project followed by the date of publication and the different hashtags which characterize the Phygital experience. When scrolling down, visitors can find pictures and a video which illustrate the project. Just under the video, social share buttons are made available for visitors to share the project easily with friends and family. Under these buttons, the number of views of the project are displayed and on the right side there is a like button on which visitors can click to add the project to their favourites. Finally, at the bottom of the page, visitors can see the different comments posted by the members of the Phygital Factory.

In order to become a member of the platform and get access to additional features, visitors need to create an account, which is quick and easy to do. Visitors can create their account by connecting their Facebook, Google account or by signing up through the basic form. Once their account created, members can react to the different projects by putting a comment at the bottom of the page. In addition, they can decide to follow certain projects and be notified if someone posts a comment. Regarding the publication of new projects, only a few members of the Phygital Factory will be designated as contributors. They are the only members to have access to the back-end of the portfolio. This choice was made in order to keep some control over the different projects posted.

When contributors want to add a new project to the portfolio, they have to click on the "Create a post" button on the homepage of the portfolio. Afterwards, they are invited to put a name to their project, put hashtags to make project research easier for visitors, put a few pictures and finally, put a video link from YouTube, Vimeo to illustrate the project. Before publishing the project, the contributor needs to go in the post settings to select the corresponding category. Once done, the project can finally be posted.

5.3 The Phygital Forum

As mentioned previously, the aim of the Phygital Factory is also to create a community of people who exchange ideas about the emerging concept of Phygital. This community will include people interested in the concept but also professionals such as designers, developers, business developers, and so on. To make interaction between all these people possible, we created "The Phygital Forum". This area allows members to share their experience with Phygital, ask questions and publish interesting papers, statistics and articles related to the concept.

Visitors can access the Phygital Forum from the landing page of the platform. Once they arrive on the forum, they can directly select a category related to what they are looking for. It can be a question, a paper, people who shared their experience with Phygital, statistics about the effectiveness of Phygital, and so on. They also have the possibility to do research by

entering a few keywords in the search bar or just to scroll down in order to see all posts of the forum.

In order to be able to contribute and interact within the forum, the visitor must be a member of the Phygital Factory. As in The Phygital Project Portfolio visitors can only see and share the posts but nothing else. Members, for their part, are able to publish in the different categories of the forum, they can like and react to the posts of other members and they can decide to follow certain posts so that they are notified whenever new comments are posted.

If members want to post something on the forum, they can click on the “Create New Post” button. Members can write articles, post papers, ask questions by putting pictures from their own device, videos found online, files, and so on. Once editing has been done, members have to choose the category that corresponds to their post. Afterwards, the project will be posted

In order to encourage interaction between members, we allow them to express their opinion regarding certain posts in many different ways. They have the choice between writing something down, send pictures, GIF’s, video links and they can also share files.

5.4 The Member Section

As said earlier, members of the Phygital Factory can benefit from additional features compared to visitors. Members can log in thanks to the button in the upper right corner of the platform.

Once signed in, members can choose to navigate through the platform or they can access their personal pages. To access their account, members need to click again in the upper right corner of the page. A menu will appear and show four different options: My Account, Notifications, Settings and Log out.

By clicking on “My Account”, members arrive on the page containing all their personal information. On this page, they can manage their profile, add a profile picture and update their personal information. On the left side of this page, members can see their avatar with their name and badge. Moreover, they can see their number of followers and the number of people they’re following. Underneath this content, a menu gives them access to pages which contain information about their activity on the platform. The first one, “Blog comments”, gives

a global overview of all the comments have written on projects/ posts. The second one, “Likes” enables them to easily find all the projects/posts they liked. The third one, “Forum posts” resumes all the content posted on The Phygital forum and finally, “Forum Comments” gives an overview of all the comments made on posts. The members with the contributor badge have access to an extra activity page, “Blog posts”, this enables them to have a look at all the projects they posted and edit them if necessary. Under this small menu, members can also click on the “All Members” button. This button redirects them to a page giving them an overview of all members of the Phygital Factory. On this page, they can search members by name, classify them based on their activity (n° of posts, n° of followers, and so on) or based on their status. In this database, they are able to see the badges assigned to all the members and the number of followers they have. By following other members of the Phygital Factory, members can be notified of the activity of others (posts, comments, likes).

By clicking again on their name in the upper right corner of the platform, members can also access their settings. On this page they can choose when they want to be notified. The settings are divided into two parts. The first part concerns all settings related to “The Phygital Project Portfolio” and the second part everything related to “The Phygital Forum”. They can decide to be notified by email when a new project is added to the portfolio but also when members like or comment their posts. In addition, they can manage the notifications for the projects/posts/members they follow.

For each notification, members receive an email in their mailbox but they are also notified on the platform. A small bullet appears on the bell in the upper right corner of the platform. If they click on the bell, they will have an overview of all their different notifications.

6. The Mobile Version

After demonstrating the importance of omni-channel strategies in this thesis, we could not imagine developing a desktop version without creating a mobile version of the platform. This will improve the accessibility by enabling people to access the platform whenever they want and wherever they are.

The mobile version is very similar to the desktop version. From a content point of view, “The Phygital Project Portfolio” and “The Phygital Forum” are exactly the same in both versions. The same applies to the different features. Users of the mobile version will also have access to search engines, the like and comment buttons, and so on.

Nevertheless, there are some differences. The landing page on the mobile version differs from the landing page on the desktop version. On the desktop version there is more content and the visitors are welcomed by a video. Furthermore, visitors will not be able to check their personal activity and change their notification settings on the mobile version. These two choices have been made to ease navigation between the different pages of the platform.

7. Maintenance

Since the launch of the Phygital Factory, we regularly check what happens on the platform. We check the content (comments, posts) published by the members on the different parts of the platform. We analyse which projects are the most popular and which pages generate the most traffic. This way, we can make modifications accordingly in order to improve the visitor experience.

Moreover, in the theoretical part of this thesis, we saw today’s customers are extremely likely to switch to a competitor if the brand does not innovate. It is the same with a platform like the Phygital Factory. If we do not add additional content, members will not visit the platform anymore. Consequently, adding regularly new projects to the portfolio and publishing papers, statistics in the Phygital forum is crucial if we want to maintain and increase traffic.

78.

PART III. CONCLUSION

This project master thesis aimed at increasing global awareness of the emerging concept of Phygital through the creation of the "Phygital Factory" and evaluating the effectiveness of Phygital by answering the following research question: *"The integration of Phygital channels into a brand's omni-channel strategy: an effective way to improve the on-site customer experience and increase a brand's revenue? "*

In order to accomplish the mission of creating a reliable, informative and engaging platform, and answer the above research question in a thorough and satisfactory way, an in-depth literature review was conducted. To ensure a clear structure within the literature review, research on three subsidiary questions was established at the beginning of this thesis. These questions were chosen to provide guidance and ensure that all the information needed was collected to fully accomplish the two objectives of this project master thesis.

The first subsidiary question concerns the actors who constitute today's context: "Who are today's customers and what are their needs and wants?" To answer this question, we started our literature review by analysing the differences in lifestyles, preferences and behaviour between the different generations. We noticed for example, Gen-X is the generation which makes most online purchases. Millennials are more price conscious and less loyal than any other generation and Gen-Z have a particularly short attention span of only 8 seconds and prefer by far shopping in-store rather than online for the "experience". Afterwards, we did some research on the needs of today's customers. We came to the conclusion they had three main needs. The need for brand omni-presence, the need for personalized service and the need for unique experiences triggering emotions. By focussing on these three needs, brands will considerably improve the customer experience which leads to an increase in customer spending and loyalty and, in turn, results in increased revenue. Moreover, by provoking some specific emotions, it is statistically proven brands can increase customer spending and loyalty even more.

The second subsidiary question is the following "What are the benefits of using an omni-channel strategy nowadays and what are the limitations? To be able to answer this question, we first started by comparing the different strategies a brand can adopt nowadays in order to

reach and be reached by its customers. Based on our comparison we can clearly state, adopting an omni-channel strategy is the best way for a brand to meet today's customer needs, especially their need for brand omnipresence. Through its implementation, brands increase the number of contact points with their customers and are able to serve a larger audience. Moreover, by creating a synergy between all their different channels, brands centralize all data which allows them to anticipate the needs of their customers and serve them in a more efficient and personalized way, which clearly satisfies their need for personalized service. Aside from meeting today's customer needs, the fact that this type of strategy combines digital and physical channels is a good way for brands to survive, especially in the retail industry. It enables retailers to face new buying behaviours such as webrooming and showrooming but also to increase brand awareness, customer trust and loyalty. However, there are some limitations to the implementation of omni-channel strategies. Admittedly, this type of strategy matches the needs of today's customers perfectly but it does not suit all types of business/industry. In addition, its implementation can be very time consuming and expensive and can lead to organizational issues. Hence, before adopting an omni-channel strategy, the company needs to check if it really brings added value to the customer journey and if this type of strategy is suitable for its business.

Finally, we gathered information to answer this last subsidiary question: "What do we mean by Phygital, how can it be implemented and what are its benefits/limitations?" In order to develop a clear definition of Phygital and establish boundaries to the concept, we compared the point of view of different marketers. Finally, we developed the following definition: *"Phygital" is the merging of the digital and the physical world, creating a highly personalized and engaging experience on-site in order to generate enduring customer loyalty."* Moreover, we established concrete boundaries. To be considered as "Phygital", an experience must necessarily satisfy four criteria: it must take place in a physical location; it must engage the customer; it must use specific technology and the experience must personalize the customer experience. Regarding the benefits of Phygital, it enables brands/companies to meet even better the three needs of today's customers, in particular, their need for unique experiences triggering emotions and their need for personalized service. Moreover, Phygital experiences create real on-site added value and enable brands to increase customer loyalty. Finally, by implementing Phygital, companies are finally able to get insights about the behaviour of their

customers on-site which enables them to personalize the customer experience even more on all their channels. However, certain obstacles have been found to the implementation of Phygital experiences on-site. Firstly, there is still a financial obstacle which might discourage small size businesses and brands who are hesitant about implementing Phygital. Secondly, in certain cases Phygital channels reduce on-site human interactions. This can be considered as an obstacle since customers expect more human interactions on-site in the future. Finally, the integration of Phygital channels enables brands to collect even more data about customer behaviour. However, poor management of this data can be fatal for brands.

Based on all the information gathered to answer the subsidiary questions, we are now able to build a reliable platform and answer the research question established at the beginning of this paper: *"The integration of Phygital channels into a brand's omni-channel strategy: an effective way to improve the on-site customer experience? "*

Implementing an omni-channel strategy has many benefits and matches the needs of today's customers. The strength of this type of strategy is the fact that all the different channels are seamlessly integrated. However, there remains a missing link between the digital channels and the physical channels. By integrating Phygital channels into their strategy, brands will create this link since data collected on the physical channels can now be used on the digital channels and vice versa. This allows brands to anticipate and meet the needs of their customers even better and improve the global customer experience. Furthermore, by meeting customer needs, especially their need for personalization, brands will increase their revenue, as Monetate (2019*)* showed, 93% of businesses with an advanced personalization strategy experienced revenue growth in 2018. Moreover, the fact of engaging customers through Phygital experience, triggers emotions which result in memories customers are likely to share (increase in brand awareness) and which increase customer loyalty. This leads again to an increase in customer spending, sales and revenue.

Concerning the second objective of this project thesis, the creation of the "Phygital Factory", the literature review enabled us to increase our knowledge on the subject and have relevant content for the informational part of the platform (Landing page). Moreover, the selection of the projects for the inspirational part of the platform (Phygital Portfolio) has been done based on the four criteria of Phygital experiences we defined in the literature review. Finally, thanks to the knowledge we have acquired throughout this project master thesis, we

will be able to select the right content to post on the platform in order to make the concept evolve and thus increase companies' awareness of it even more.

It must be recognized, we had to face certain limitations during this project master thesis. Since Phygital is quite a new and emerging concept very little scientific research has been undertaken around Phygital channels. Hence, to determine the role and opportunities of Phygital Channels we relied mainly on scientific papers demonstrating the effect of personalizing the experience, engaging the customers, triggering emotions, and so on. Moreover, in this project master thesis we demonstrated how the integration of Phygital channels increased a brand's revenue but we did not calculate the actual Return on Investment. Hence, this could be a possible direction for future research about Phygital.

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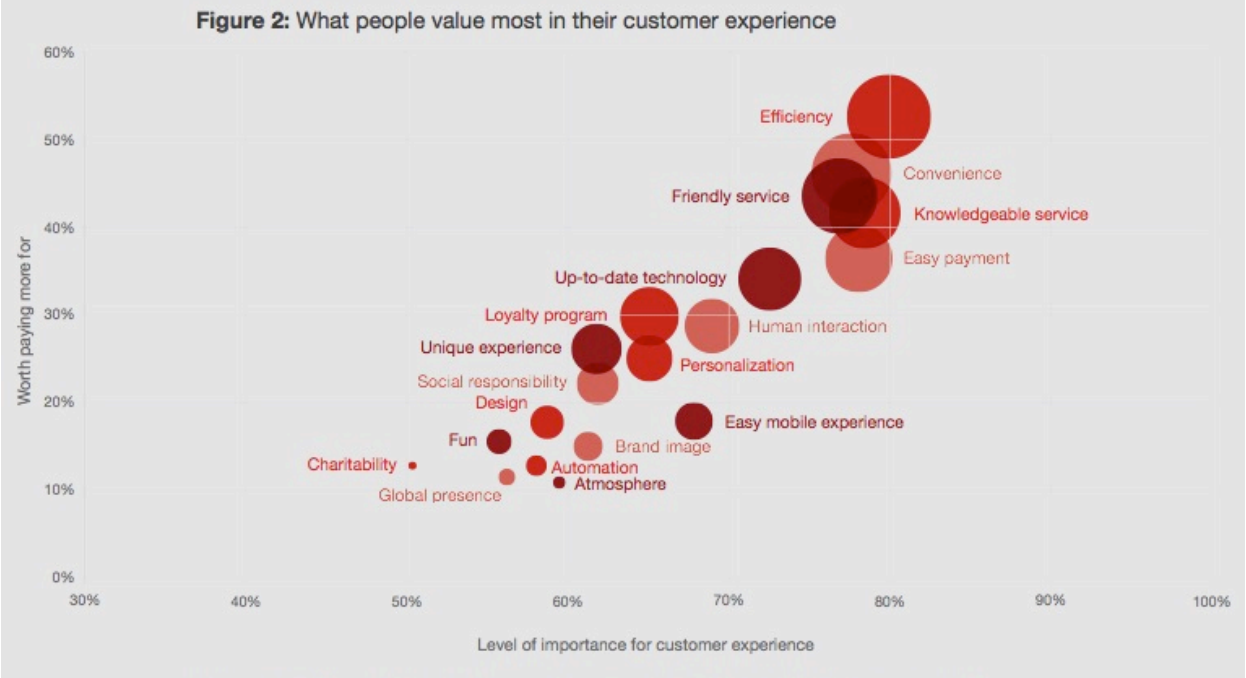
92.

APPENDIXES

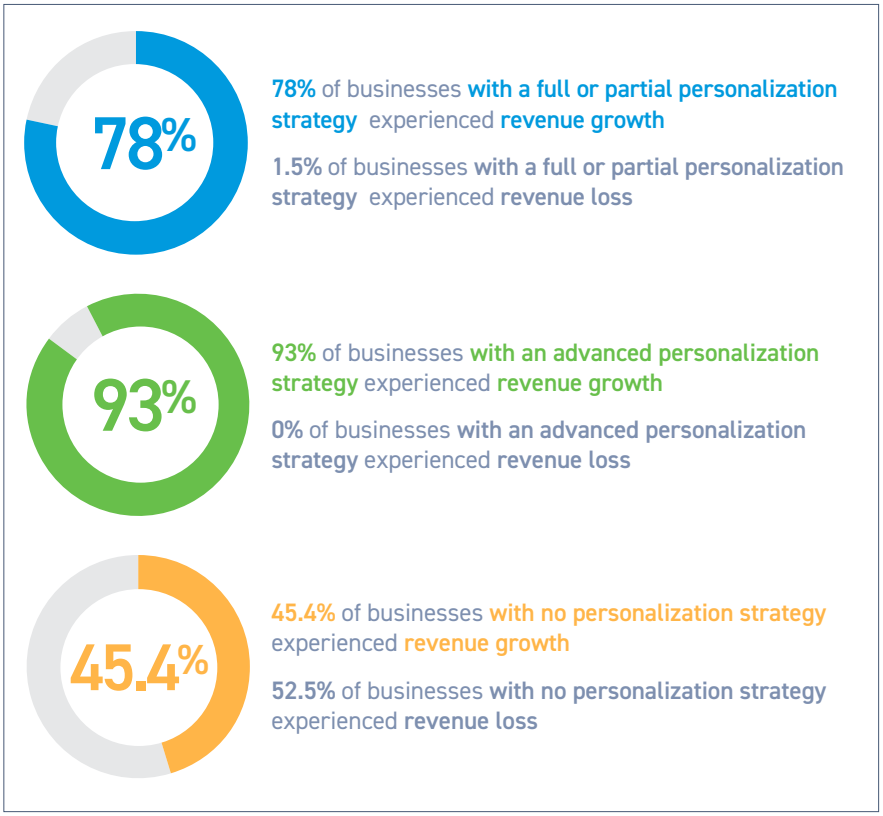
Appendix 1



Source: Kinghorn & Clarke, 2018, p. 6

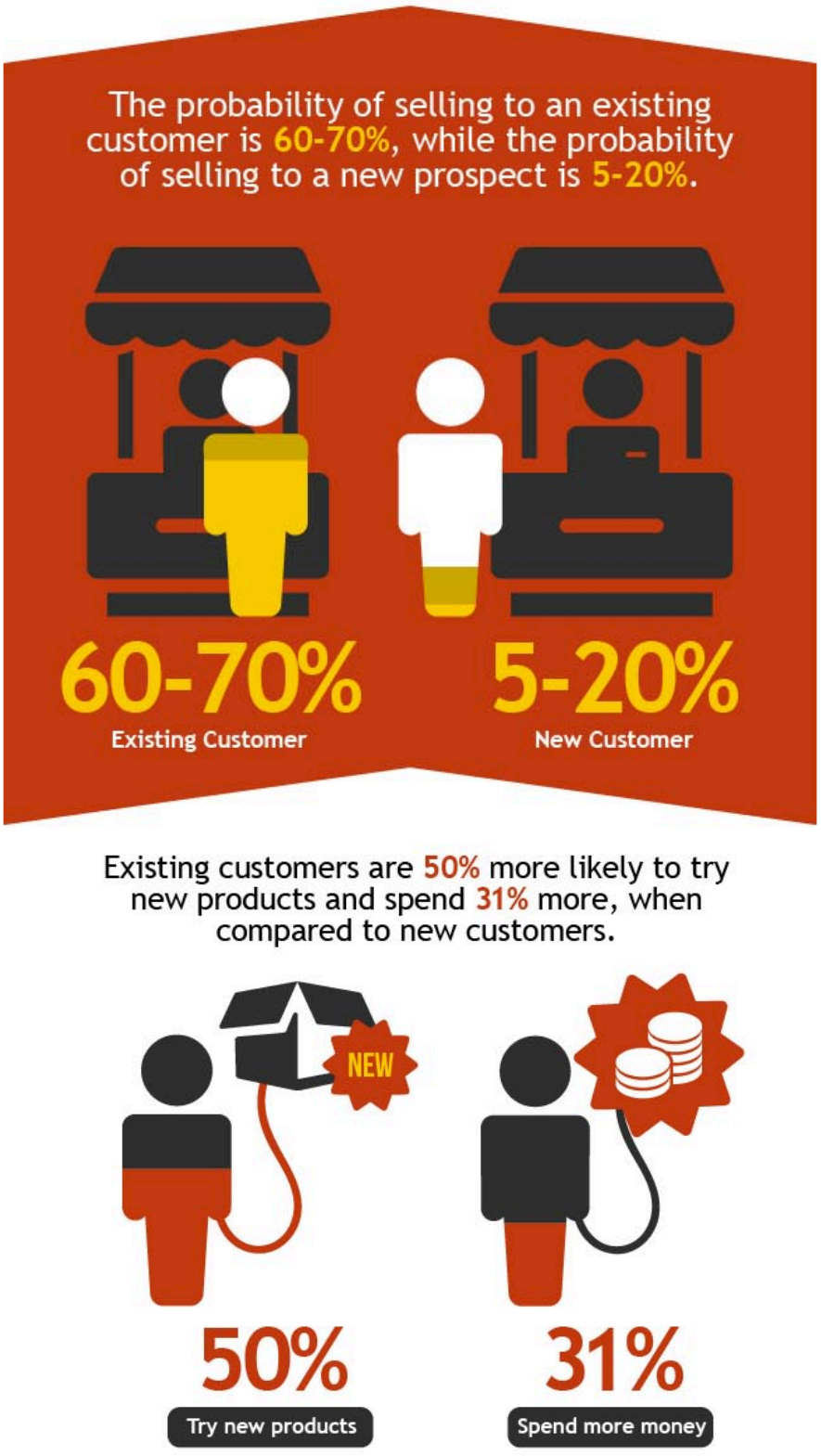
Appendix 2

Realizing ROI on Personalization Investments



Source: Monetate, 2019, p.3

Appendix 3



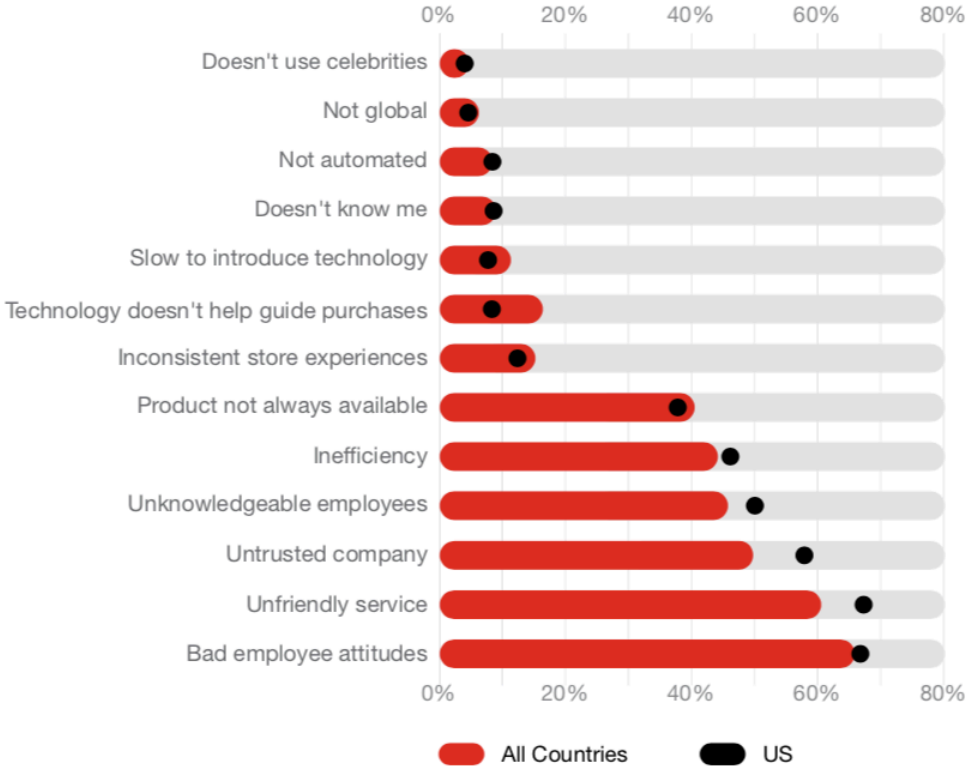
Source: Saleh, 2015, para. 1

Appendix 4

Source: Statista, 2019

Appendix 5

Figure 8: What drives people away

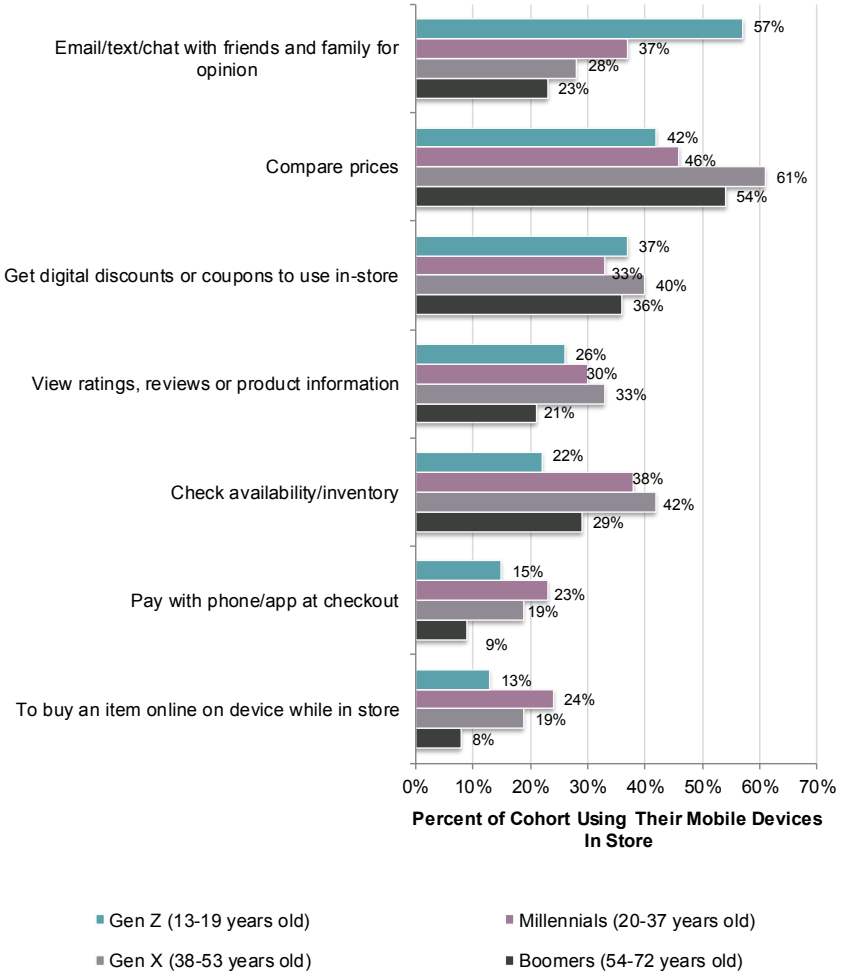


Q: Which of the following would stop you from doing business with a company?
Source: PwC Future of Customer Experience Survey 2017/18

Source: Kinghorn & Clarke, 2018, p. 13

Appendix 6

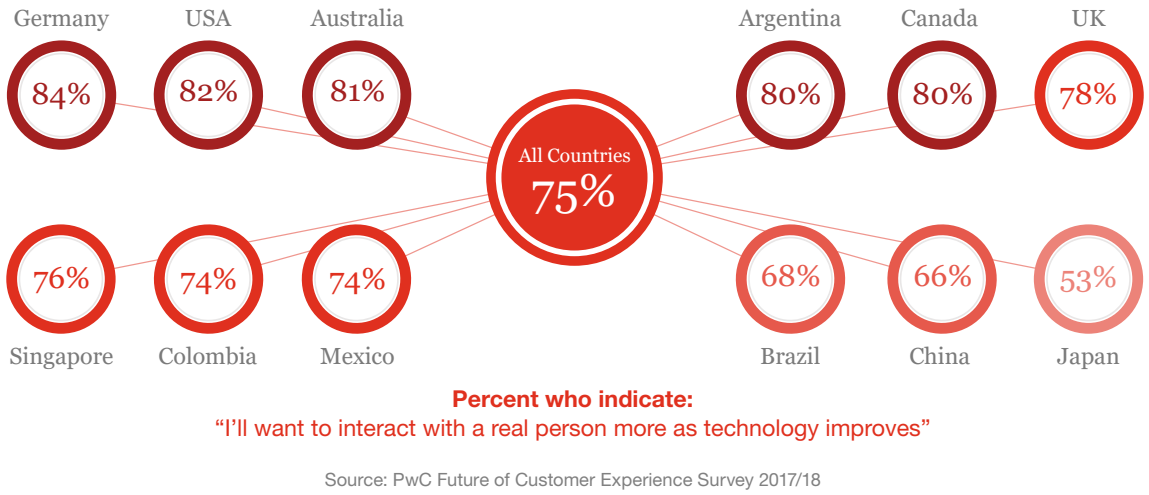
Chart 10:
Reasons for Using Mobile Devices In Store by Generation



Source: ICSC, 2018, p. 3

Appendix 7

Figure 7: Human vs. Automated Interaction



Source: Kinghorn & Clarke, 2018, p. 12

Appendix 8

Source: StudioLouter, 2018

Appendix 9

Source: Teamlab, 2019