

## The Small Concept Luxury Department Store: Exploring the Role of Experience Economy Strategies

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**Background.** Small concept luxury department stores (SCLD) began emerging in 2017 with the introduction of Nordstrom Local (Slaton et al., 2020). In subsequent years, the format has grown in popularity; in 2022, Bloomingdales introduced Bloomies, a SCLD showcasing a curatorial assortment with emergent collections (Wilson, 2022). Both retailers have demonstrated continued support for these formats through new store openings and expanded, exclusive product lines or services. SCLD builds on the existing organizational structure of a full department store. Slaton and Testa (2023) further defined the SCLD as “a retail format that is less than 30,000 square feet with a curated assortment of merchandise and focuses on experience, service, and convenience.”

**Significance of Study.** As this new format expands, it is imperative to understand the consumer shopping experience to maximize future opportunities and understand strengths and weaknesses. Current trends are emphasizing the importance of engaging experiences (Pine & Gilmore, 1999; Postrel, 2003), thus the movement of luxury department stores offering smaller formats to enhance the shopping experience for their customers. Past research has indicated that that a positive consumer response when there is an emphasis on experiential elements within a retailer’s strategy (i.e., Demangeot & Broderick, 2006; Jeong et al., 2009; Oh et al., 2007; Slaton et al., 2020).

Given the newness of this retail format, as well as the continued interest in creating smaller format retail stores, the ability of such stores to evoke pleasure and arousal within the shoppers must also be addressed. Pleasure refers to the providing a pleasing consumer experience and favorable feelings towards the experience (Ang et al., 1997). Arousal relates to a consumer’s excitement within the shopping environment. Thus, the purpose of this study was to investigate the realms of experience (Pine & Gilmore, 1999), including esthetics, entertainment, education, and escapism, within SCLD and their effect on the consumer emotional components of pleasure and arousal leading to overall patronage intention of the retail format. This study was the first to examine the experience economy in the context of this small retail format, or SCLD.

**Theoretical Framework.** The study was guided by a modified version of the Stimulus-Organism-Response (S-O-R) framework (Mehrabian & Russell, 1974). The current study suggested that the experiential elements, for 4Es, act as the Stimulus, the evaluation of pleasure and arousal act as the Organism, and patronage intention act as the Response. Thus, the 4Es is predicted to influence the consumer intention of patronage in a SCLD. The framework can be viewed in Figure 1.

**Methods.** Data was collected using an online survey, which consisted of demographic questions, reliable scales (Nunnally, 1978), screener questions, and attention checks. Qualtrics Research Services was used to collect the data and included luxury consumers over the age of 18 in the US. SPSS and MPlus software programs were used to analysis the data.

**Results.** After the conclusion of data collection, 270 completed surveys were received from Qualtrics Research Services. The response rate was reported at 19.7% as surveyed were rejected if consumers were not considered luxury consumers, did not pass the attention check, or did not understand the SCLD. Most respondents were white (65.9%), obtained a bachelor’s

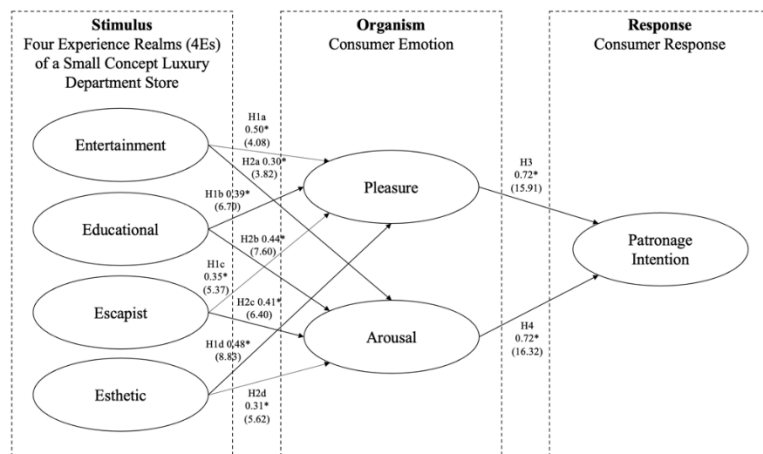


Figure 1. Latent model showing structural path coefficients. Standardized estimates shown (t-values in parentheses);  $p < 0.0$  for solid lines

degree or graduate degree (67%), and had an income between \$50,000-\$150,000 (55.5%). For the preliminary analysis, a principal component factor analysis with varimax rotation was performed. The factor loadings were above 0.50 (Kline, 1998), and alpha coefficients ranged from 0.88 to 0.96, supporting reliability of the measures. Variance explained totaled 69.22%. A measurement model was tested through structural equation modeling (SEM) using a maximum-likelihood estimation procedure with a covariance matrix as input to test the measures using

MPlus. The measurement model indicated good fit ( $\chi^2 = 2,436.564$ ;  $df = 1,059$ ;  $p = 0.0$ ;  $CFI = 0.9$ ;  $RMSEA = 0.071$ ;  $SRMR = 0.041$ ) based on cut off values suggested by Kline (2005). Each of the latent variables satisfied the suggested criteria for composite reliability ( $CR \geq 0.70$ ) and average variance extracted ( $AVE \geq 0.50$ ) (Nunnally & Bernstein, 1994). The hypothesized relationships were tested through SEM. The structural model revealed adequate fit ( $\chi^2 = 338.426$ ;  $df = 14$ ;  $p = 0.0$ ;  $CFI = 0.92$ ;  $RMSEA = 0.083$ ;  $SRMR = 0.075$ ). Based on parameter estimate t-values cutoffs of 2.00 (Byrne, 1998), all hypotheses were accepted (see Figure 1).

**Conclusions.** The findings of this study demonstrate the unique ability of the SCLD to engage consumers across the four realms of experience. This level of engagement is likely based on the integration of diverse product and service offerings that enable shoppers to browse products, learn of new brands, aesthetically immerse in their shopping experience, and engage the five senses. Each realm of experience significantly affected pleasure and arousal, demonstrating shoppers' favorable feelings and excitement in the shopping environment. The significance of pleasure as a mediator presents positive implications for the long-term favorability of the format among consumers since it is an enjoyable experience. In contrast, while it was also an arousing experience, arousal is a short-term measure of favorability, demonstrating the importance of constant renewal among SCLDs to maintain significance. Both pleasure and arousal positively and significantly lead to purchase intentions, demonstrating the overarching favorable impact of the store in creating an experience that leads shoppers to desire memorabilia, something to take home with them.

**Future Research.** This study demonstrated the positive and engaging customer experience within the SCLD. Future research may investigate specific aspects of engagement such as esthetics, education, entertainment, or escapism to identify additional opportunities for brands to build upon the customer experience. Additionally, the experience between the traditional department store and SCLD may be evaluated. This format is still new; thus, many additional research opportunities are likely to emerge.

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