

Transformative Retailing in Offline Stores

Strategic Retail Marketing Course



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Imagine which kind of brand opened this store



What product or service are you expecting from this store?



A?

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Gentle Monster (Eyewear brand)



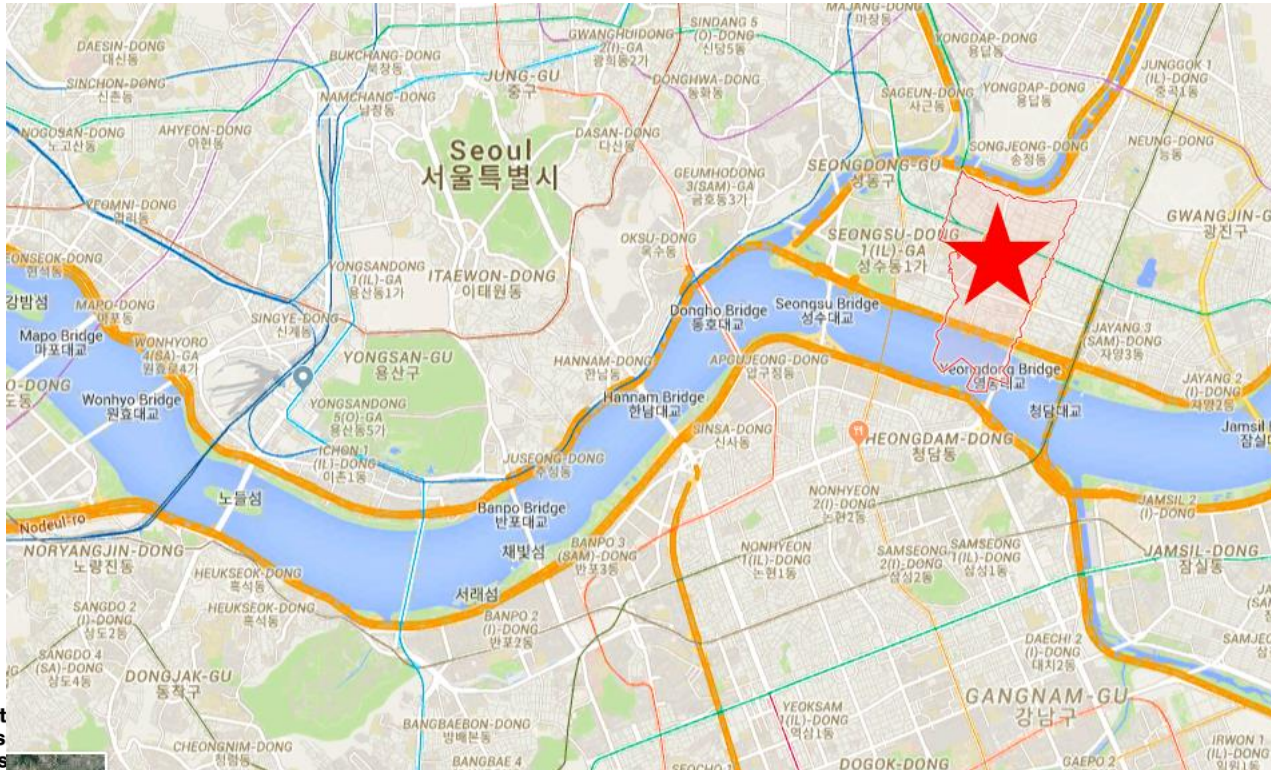
Imagine which kind of brand opened this store

What product or service are you expecting from this store?

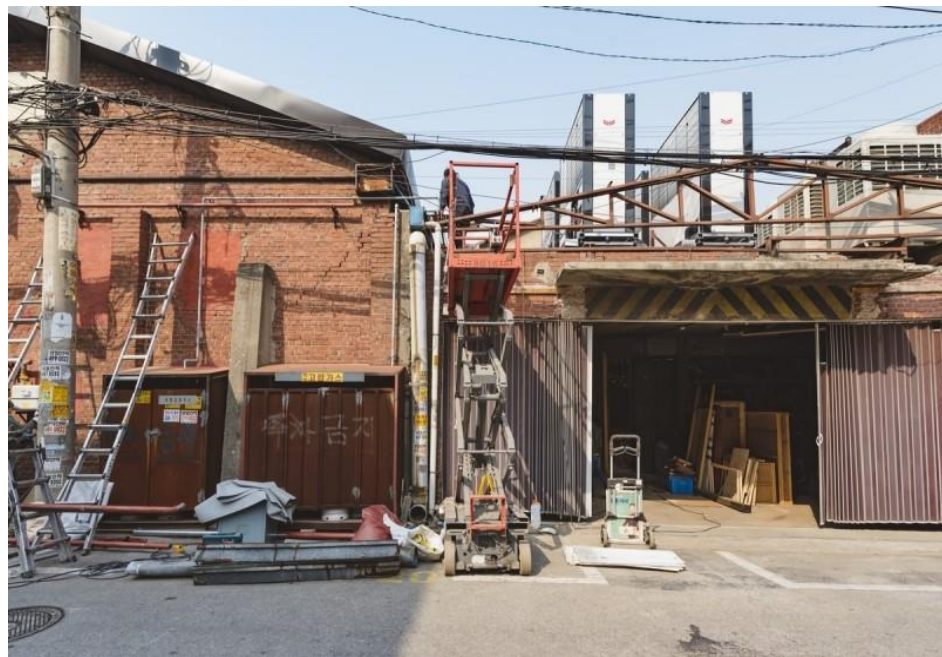




Pop-up store Mecca: Seongsu-dong, Seoul



Only a few years ago...



Now in Seongsu-dong, Seoul



Seongsu-dong became “pop-up store mecca”

- Hosting approx. 50 pop-up stores/week
- Daily traffic: 27,503 in 2023
- Real estate value: 45.2% increase (from 2021 to 2022)



Happening all over the world

“Meanwhile On: Oxford Street” project by City of Westminster



Marimekko pop-up in Milan during Milan Fashion Week 2024



Let's think about why brands are returning to offline?

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<https://www.menti.com/alsagrggiure>

**Let's delve into pop-up store
and think about how to devise
it as a strategic retailing tool.**

What is pop-up store?

Definition

- **Market-based Pop-up store (MBPU)**
 - Product-selling focus
 - e.g., Farmers' Market, Restaurant Day
- **Brand-based Pop-up Store (BBPU)**
 - “An innovative and **highly experiential marketing strategy** that marketers and retailers leverage to ensure their **customers receive the innovative and interactive experiences they crave.**” (Rudkowski et al., 2019, p. 1)
 - e.g., Experiential store opened by one brand (or collaboration of several brands)

What is pop-up store?

Definition

Store format	Aim	Retail portfolio	Type of customer	Duration	Product assortment	Aim for profit	Location	Atmosphere
Pop-up store	Generate buzz Gather market intelligence (can be transactional)	Temporary	Experiential	Temporary	Limited selection	Yes/No	Variable	Extraordinary/Ephemeral
(Themed) brand store e.g., Flagship store	Enhance the shopping experience	Permanent addition	Experiential	Permanent	Extensive selection of own-brand	Yes	Desirable	Extraordinary
Brand museum	Educate consumers	Permanent addition	Experiential	Permanent	Limited selection of merchandise entry tickets	Yes	Destination	Exciting
Showroom	Reduce friction in the consumer's shopping process	Temporary/Permanent	Task-oriented	Permanent	Extensive selection of own-brand	Yes (from online store)	Accessible	Ordinary

What is pop-up store?

Flagship store



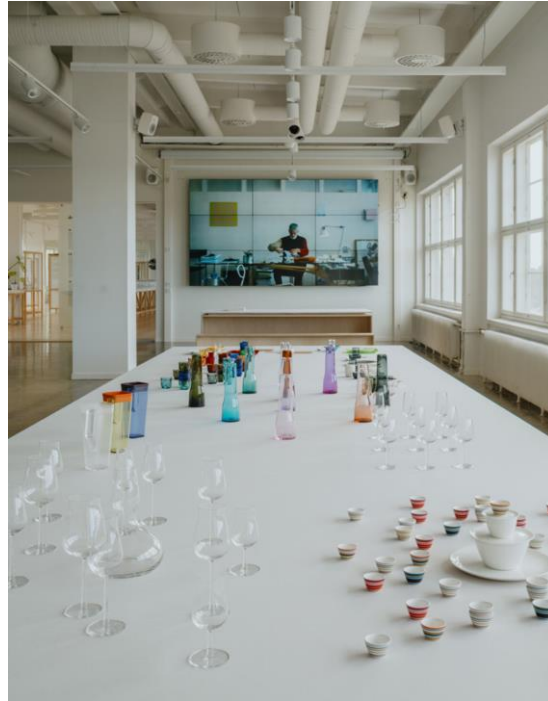
Nike Flagship store in New York City



Louis Vuitton Flagship store in London

What is pop-up store?

Brand museum (Iittala & Arabia Design Centre)



What is pop-up store?

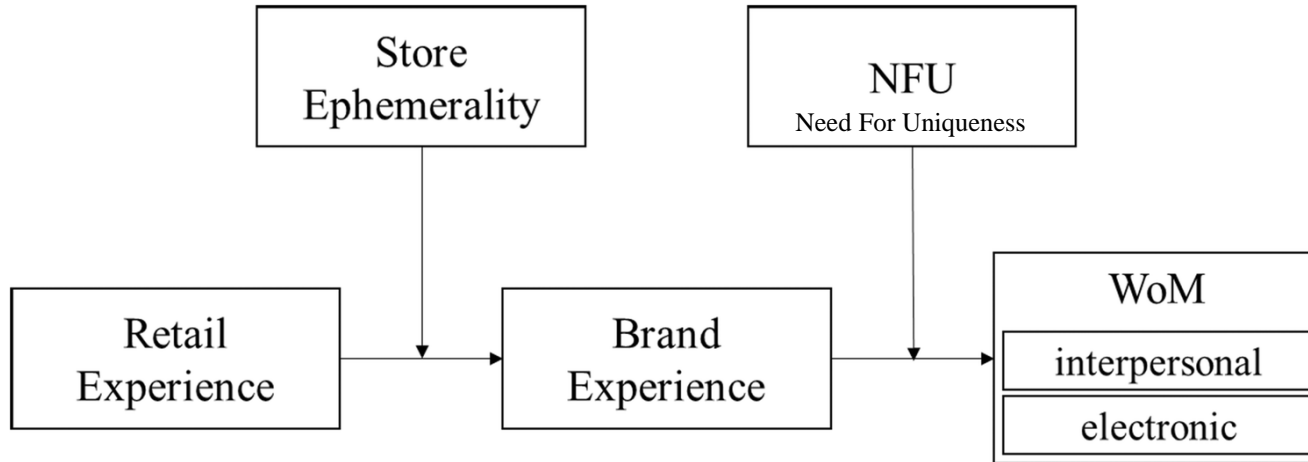
Showroom



Glossier showroom in New York City



Effect of pop-up stores



- Positive effect of an experiential store's temporal scarcity for consumers and brands—namely, an enhanced brand experience.
- For high-NFU consumers, brand experience translates into increased positive WoM when communicating with distant others. In contrast, when communicating with close others, the instinct of high-NFU customers to preserve their uniqueness does not affect positive WoM.

Effect of pop-up stores

The effect is not limited to ‘physical’ space.

Spillover effect (Market-based pop-up store)

- Pop-up store visits substantially **increased customers’ subsequent expenditure at participating retailers’ Tmall stores.**
- From a platform perspective we show that pop-up store **visits increased customers’ purchases at retailers that sell related products on Tmall but did not participate in the pop-up store event.**

Zhang et al. (2019)

Zhang, D. J., Dai, H., Dong, L., Wu, Q., Guo, L., & Liu, X. (2019). The value of pop-up stores on retailing platforms: Evidence from a field experiment with Alibaba. *Management Science*, 65(11), 5142-5151.

Then, how do brands set KPI for opening pop-up stores?

How to evaluate the effectiveness 'in practice'?

- Brand-based pop-ups' main objective is not to 'maximize sales'.
- How could we check the effectiveness of pop-ups with 'numbers'?

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Let's see how effectiveness of pop-up stores is evaluated.

Rebranding: Ghana Chocolate Pop-up Store

CHOCOLATE HOUSE

- Period: 14.04.2022-29.05.2022 (about 6 weeks)
- Location: Seongsu-dong, Seoul, South Korea
- Aim: **Rebrand** the old Ghana chocolate brand (i.e., friendly, cheap chocolate) → premium, high-end desert

“Ghana chocolate is PREMIUM.”

Ghana Chocolate House Pop-up



- DIY chocolate making class
- Desert paring bar
- Collaborated with famous chefs → newly developed chocolate desert

Effectiveness of Pop-up store

1. How much “buzz” generated through pop-up store? Combination with influencer marketing

- Through XX Instragrammers

- XXXX impression*
- XXXX likes
- XXXX replies

* The number of times the content, whether a post or a story, was shown to users

- Through XX power bloggers

- XXXX impression
- XXXX views (mobile) / XXXX views (pc)

Effectiveness of Pop-up store

1. How much “buzz” generated through pop-up store?
 - Search rate was the highest in the first week
 - 25-39 years / female

Effectiveness of Pop-up store

2. Estimate the effectiveness of physical pop-up store on digital marketing

- Through XX Instagram ads
 - Average click rate: XX%
 - CPC (Cost per Click): ~~¥~~XX (€ XX)

Effectiveness of Pop-up store

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Effectiveness of Pop-up store

3. How about traffic? And sales?

04.14–05.19

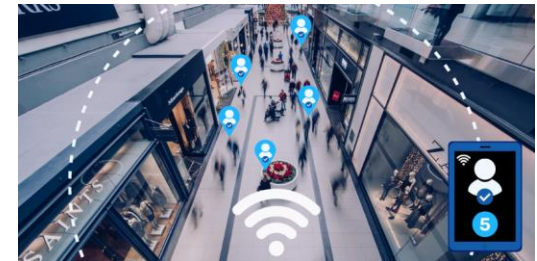
Number of passengers outside the store	Store-entry ratio	Number of visitors	Purchase ratio	Number of purchase	Sales

of visitors / # of passengers outside the store

of purchase / # of visitors

cf) just POS

* Traffic data was collected through a sensor in the store (the sensor captures unique wi-fi signals from mobile device)



Effectiveness of Pop-up store

3. How about traffic?

And sales?

- During pop-up period
 - 20.463 visitors
 - ~~W~~XXXX
 - (approx. €XXXX) sales



Daily traffic and sales data

Effectiveness of Pop-up store



New Product Promotion: Amazing Oat Pop-up Store

The background of the slide is a photograph of a pop-up store at night. The building has a textured, stone-like facade. There are four large, multi-paned windows on the upper level, all of which are brightly lit from within, casting a warm yellow glow. Below these windows is a large glass entrance area with a dark metal railing. The interior of the store is visible through the glass, showing people and interior lighting. The overall scene is dark, with the primary light source being the store's interior lights.

- Period: 08.10.2022-06.11.2022 (about 1 month)
- Location: Seongsu-dong, Seoul, South Korea
- Aim
Promote new product / **Change stereotype** on vegan drinks and food

“Vegan but DELICIOUS”

Amazing Oat Pop-up Store



- Vegan baking & cooking class
- Collaborated with bakery and chef

Effectiveness of Pop-up store

1. Buzz generation

- Through XX contents (Instagram) → XXXX impression

2. Digital marketing effectiveness

- Through XX ads
 - → Average click rate: XX%
 - → CPC (Cost per Click): ~~¥~~XX (€ XX)

Effectiveness of Pop-up store

3. Traffic & sales

- **XX% increase** of visitors (from 1st week to 4th week)
 - Constantly increased
- **XX% increase** of sales (from 1st week to 4th week)
 - Constantly increased

Rebranding: Lotty's Apartment



Pop-up store by Lotte
World, Amusement
Park (founded in
1989)

Field research - Experiments

We were curious about effectiveness of pop-up stores in **'non-numbered' way.**

- Visitors' characteristics?
- Intention to WOM?
- Relationship between visitor characteristics and visiting behavior?



Field research – Experiments

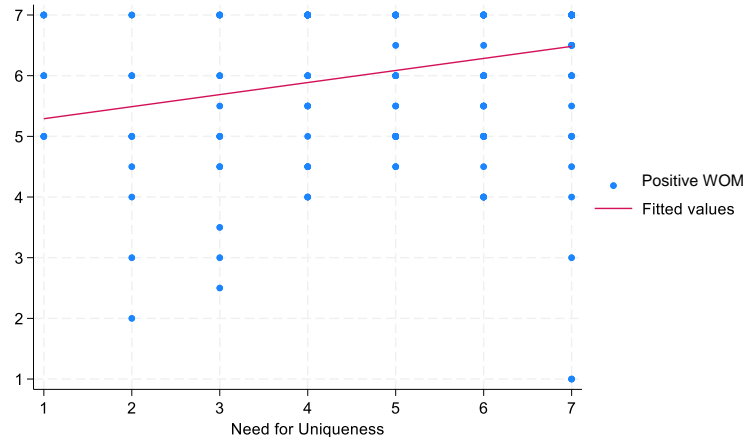
Hypotheses → test → analyze!

Hypothesis 1:

The higher NFU (need for uniqueness) → The higher positive electronic WOM (word of mouth) intention.

Result: **YES!**

[Relationship between NFU and positive WOM]



Field research – Experiments

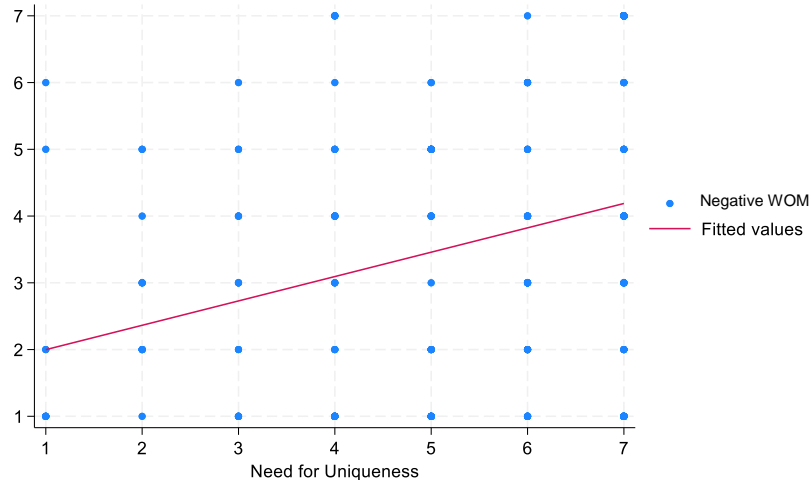
Hypotheses → test → analyze!

Hypothesis 2:

The higher NFU (need for uniqueness) → The lower negative electronic WOM (word of mouth) intention.

Result: **NO!**

[Relationship between NFU and negative WOM]



Field research – Experiments

Hypotheses → test → analyze!

Comparison between early vs. late visitors

- *Since pop-up store was opened for 24 days, the analysis compared early 8 days vs. late 8 days*
 - *To minimize the day-of-week effect, same weekdays were chosen for comparison*
1. How to visit pop-up store?
 - **Late visitors** visited pop-up store through **“Online review”** ($\text{Chi}^2(1) = 5.2989, p < 0.05$)
 - No difference between early vs. late visitors in other reasons for visit (i.e., recommendation by acquaintances, social media influencers’ contents, brand’s social media, by accident)
 2. WOM behaviour
 - No difference between early vs. late visitors
 3. Need for Uniqueness
 - **The later** the visitors → the **lower level of NFU** ($p = 0.06$)

Recap!

**Why pop-up store?
Just for providing “unique”
experiences?**

Why pop-up store?

Could be utilized to

- 1) Increase brand buzz
- 2) Increase word of mouth (personal, electronic)
- 3) Increase brand awareness, loyalty
- 4) Increase sales
(not only in physical stores)

Very good point by a student!

→ Change brand perception / product image (long-term effect)