

# Physical Store Development in the Era of Digitalization – Experiential Learning in Collaboration with City Center Management

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**Purpose of the Study:** This study describes a teaching innovation introduced into a retail course assignment. The purpose with the innovation was to increase students' level of experiential learning by incorporating digital retail and collaborating with stakeholders.

**Method/Design:** A course assignment allows students in the final semester of a Bachelor Program in Retail Management to develop a business plan. An innovation introduced into the assignment required students to use knowledge on digital ideas and to collaborate with city center management.

**Results:** With the inclusion of digitalization, the students perceived the course to be more current and relevant. Collaborating with professionals allowed students to gain confidence. The course instructors and stakeholders benefited from an influx of new ideas.

**Value to Marketing Educators:** This course assignment is an easy way to engage students in a real-world context, and to link practical and theoretical knowledge. It also provides value by disseminating new knowledge among retailers, property developers and city center managers.

*Keywords:* retail digitalization, city center development, experiential

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## INTRODUCTION

With the digitalization of retail, new consumer behaviors and preferences, as well as new business models, are rearranging the market where traditional retailers operate (Verhoef, Kannan, & Inman, 2015). Due to this rapid transformation in the retail environment, students enrolled on retail programs need tools to understand how to use these changes to develop traditional retail businesses.

Digitalization means that digital technology is being used to an increasing extent in society, the term also implies that it is an ongoing process which is transforming people's and organizations' practices (Hagberg, Sundstrom, & Egels-Zandén, 2016). This transformation can both pose a threat and serve as an opportunity for traditional retail stores. One of the main issues is that, with the introduction of e-commerce, consumers are no longer being restricted in a geographical sense and can also bypass retailers by buying directly from producers. On the other hand, small and specialized retailers can expand their market beyond their brick-and-mortar stores using new omni-channel concepts. In many countries, the growth in retail is driven by e-commerce. However, there are an increasing number of examples of new retailers beginning with an online sales channel and then adding physical stores once they have attained growth; an

"internet-first, stores maybe" approach (Pauwels & Neslin, 2015; Treadgold & Reynolds, 2016, p. 114).

The aim of this paper is to describe a teaching innovation that was introduced into a course assignment in order to make students understand and utilize digitalization in retail. The purpose of the assignment was to pose a challenge which stimulates creativity by challenging students with a real problem at a physical site, where bricks-and-mortar retail businesses are struggling. According to research on creativity, the approach of challenging a group with a task which is more demanding than straightforward is a way of spurring creativity (Landry, 2008). The assignment is an example of applying experiential learning, which is guided by the notion of learning as a process, gaining knowledge from experience (Burgess, 2012; Kolb & Kolb, 2005). This way of learning has increased in popularity in marketing programs during recent years (Fischbach & Guerrero, 2018; Franco Valdez & Valdez Cervantes, 2018; Lee & Sergueeva, 2017).

## COURSE ASSIGNMENT DESCRIPTION AND INNOVATION NEED

The project assignment described in this paper was part of a course on creative business development and entrepreneurship. The project was conducted during

the last semester of an undergraduate program in Retail Management at a major university in southern Sweden. The course had two parts, the first of which consisted of lectures and seminars featuring literature on innovation, entrepreneurship, and consumer behavior, while the second was the project assignment that forms the subject of this paper. During this assignment, the students had to combine their knowledge of what they had learned on previous courses throughout the Bachelor Program, for example accounting or consumer behavior. The aim was to strengthen the students' confidence with regard to what they had learned. Research shows that a holistic and experiential approach to the curriculum has a positive effect on students' confidence and career development, leading to a higher degree of satisfaction (Caza, Brower, & Wayne, 2015).

It has been suggested that retailers are more passive adopters when it comes to innovations (Pantano, 2014); however, it has also been shown that their innovating processes are complex and not always detectable, being characterized by a collaborative process of co-creating value within a supply chain (Hristov & Reynolds, 2015). To reflect this collaborative and complex reality faced by the retail industry, a retail course assignment was designed which had certain aims. These aims were specified thus in the course handbook: "You are to develop a business idea and describe it in a business plan comprising 20 pages. It needs to include: service offering, customer value, target group, localization, merchandising, concept, range, competitive environment, segmentation and market positioning."

This project assignment was present, in modified forms, between 2006 and 2018. During this time, it had a clear focus on boosting retail business of city centers. Out-of-town malls have posed a threat, or been suggested as the reason for the decline in retail business in city centers. There has been competition between city center (main street) big-box retailing and out-of-town malls for decades in the European retail environment (Teller, 2008). This competitive situation increased in complexity with the introduction of e-commerce, truly putting both main street shopping and out-of-town malls to the test (Anselmsson, 2016). For this reason, the course assignment was redesigned to incorporate digitalization.

## **INNOVATING THE COURSE ASSIGNMENT**

In 2019, the assignment had three main modifications. The first of these was increasing the level of difficulty in order to further enhance the students' creativity. This was done by locating the assignment in an area which traditional retail businesses, such as chain-stores and department stores, have largely been abandoning over the last two decades. The second main modification was students having to include digitalization in their business ideas and developing a physical presence that embraced the digital world. The third new element of the assignment was to involve the stakeholders throughout the students' projects. The assignment was

set up in collaboration with city center management, an organization managed by city officials and serving as a platform where the retailers and service providers of the city interact.

Parts of the course handbook were changed to include digitalization and stakeholder collaboration. These changes are shown below by making comparisons between 2018 and 2019.

From the course handbook for 2018:

"Every year, the course has a specific location, which the students must relate to in their projects. This year, it will be the city center of Kristianstad. Kristianstad has an attractive city center and has been a popular retail destination for a long time, having a large number of stores of various kinds. However, a new mall outside the city has led to falling numbers of both visitors and stores in the city center. Your task now is to develop a retail business that contributes to and strengthens the city center as a retail destination."

From the course handbook for 2019:

"This year, your retail business should be located at the southern end of the city center of Helsingborg. We will cooperate with Helsingborg city center management, which is actively working toward developing this part of the city. Your business has to have a physical presence in the area, but you should use digitalization to improve your service and experiences. Your task now is to develop a retail business that contributes to and strengthens the southern part of the city center as a retail destination."

The area that was chosen for the course assignment is known as the "South End" of the chosen city. Historically, this area enjoyed a high retail profile until being marginalized by the growth of out-of-town malls and big-box retail stores. The area has also been subjected to different policy interventions on the part of the municipality, aimed at increasing its attractiveness and safety. This area can today be classified in terms of being on "the urban margin", featuring small and independent shops, as well as a local population with a high level of immigration and ethnic diversity. These types of areas can be found in many cities (Hall, 2011), and have often been overlooked in retail research (Findlay & Sparks, 2012). This provided an opportunity for students to make a contribution.

### ***Students' background knowledge and assignment material provided***

In the last semester of the three-year program, students should have a solid understanding of retail management. In addition to classical retail textbooks, which they have used during previous courses, new literature was also introduced. The main course book, dealing with technological change and retail management, is by Treadgold & Reynolds (2016). This was assessed via a written exam, and an oral presentation on market analysis. This market analysis provided the basis for the course assignment. Students used the tools learned in market analysis for the first stage in developing a business plan for their projects.

The students were also expected to use what they learned during the program in order to develop an idea; in addition, they also had specific literature on how to make a business plan, as well as recent research articles on multi- and omni-channel retailing. The students also had the opportunity to meet city management representatives and to ask them questions.

Upon embarking on their projects, the students were given a guided tour of their specific areas of the city center, together with a representative from city center management and the course instructor. Course instructors explained the retail history of the area while the representative showed examples of businesses and developments that their organization would like to expand into in the future. Certain rent guidelines for project budget plans were also explained for the area by the representative. The students were encouraged to walk around the area and to talk to the retailers.

Summing up how the students were to use digitalization, the key takeaway was putting the target customer center stage. One of the course books explains that the retailer's role is focusing on the customer and creating as many touchpoints as possible, in both the physical and digital worlds (Treadgold & Reynolds, 2016, p.40). Furthermore, the students had other examples to refer to, taken from another course book on the benefits of embracing things digital in the context of platform economics: For the retailer, one advantage of the increased level of digitalization is that there is no longer any need to keep a large inventory (Evans & Schmalensee, 2016, p. 196).

Few textbooks, including the ones mentioned, have hands-on guides regarding how to operationalize digitalization in retail businesses, which means that, during this part, it was largely up to the students themselves to carry out research in order to make their business plans work. However, this was actually an approach that worked well, since such hands-on guides would quickly become outdated. In line with experiential learning, students could then use their experience as 'digital natives'.

### ***Process of the course assignment***

After being introduced to the project assignment, and visiting the geographical site, 73 students divided themselves up into groups of 5-6. The 14 individual groups then started working on a business idea, concerning digitalization in retail, which was appropriate to the selected site. The students had five weeks of planned supervision during which to both complete a 20-page report, which included a business plan together with a budget, and prepare an oral presentation. Two teachers from the course acted as supervisors, one of whom was an expert in retail management and place marketing and one of whom was responsible for budgeting. Each student group had a total of three supervision meetings, lasting 60 minutes each. The meetings took place once a week, with the time being split between the supervisors in order for them to meet each group separately for 30 minutes. The supervisors met their students in classrooms next to

each other so that they could quickly coordinate any potential issues.

When finished, the group projects were initially presented on-campus, with 10 minutes being allowed for the presentations and an additional 5 minutes for any questions and comments from fellow students, supervisors and city management representatives. After this presentation, the representatives were given all of the reports and a week to choose five of the "best" business ideas. The authors of the five chosen projects were then invited to present their business ideas once again to an extended group of stakeholders from the district. These included local businesses, real estate owners and city planners. It was an evening event and was seen by the students as an honor to participate in; it did not affect how their work was graded.

### ***Learning outcomes and assessment***

Completion of their projects would ideally provide the students with greater knowledge of how to use digitalization in retail in order to develop new and creative concepts, knowledge of all the elements necessary to develop a business plan, the ability to gather relevant empirical material on the prospective market, and the skills to present a suitable business idea to potential stakeholders.

The assessment put special emphasis on how well the group had investigated the market of relevance to the given location, showing an understanding of its specific conditions. In order to pass, the group had to show a holistic way of implementing digitalization in their business plans. Just how well the proposed business idea had been advocated, using the relevant literature and the empirical material that had been gathered, was also of importance.

## **RESULTS OF THE TEACHING INNOVATION**

The majority of the retail businesses developed by the students were based on ideas where the aim of the physical store was to attract customers and encourage them to enter. This also contained an element of unpredictability that attracted footfall, whereby the consumer had to physically go to the area in question to make unique purchases.

Highly-rated projects typically gathered a critical amount of data and performed a thorough market analysis. These projects combined aspects of place marketing, enhanced service and experience in order to create a micro-destination within the city. In most of the planned stores, products were to some extent physically present in-store; however, a broader range could also be easily accessed online using click-and-collect, as described in the course book by Treadgold & Reynolds (2016). To protect stores from pure play online retail, the students put their faith in both the service encounter and the in-store atmosphere. Other projects were digital in terms of their marketing on social media, having pop-up businesses, events, limited editions and guest collections. Interestingly, two groups chose to handle digitalization by not adopting it. These groups went all-in for the classical food hall concept,

offering a complete experience for the senses that could hardly be replicated in out-of-town malls, and absolutely not on digital platforms.

Instructors and city center managers commented on students' projects. The representatives of city center management said that the students had up-to-date and usable knowledge of retail business development.

In order to analyze the success of the innovation, course evaluations from 2016 to 2019 were compared and used as an indication of the students' sentiments. Prior to the innovation, a common theme seen in course evaluations was students wanting to feel that their knowledge was sought after by retail industry professionals. For example:

"It would've been stimulating to get the chance to interact with and show professionals in the retail sector that we can contribute using our knowledge." (student, 2018).

In 2019, after the change, students seemed satisfied with the combination of physical store development and digitalization, and with the feeling of being able to contribute updated retail concepts to city center development. It can be mentioned here that students still wanted clearer instructions regarding budgeting plans, in addition to other detailed descriptions of the course assignment.

## THE BENEFITS TO THOSE INVOLVED

Following their presentations, several students said that they felt able to contribute to retail business development. These students realized that they could analyze recent trends in retailing, and that they had the skills necessary to take on complex business development tasks in both traditional and digital retail.

The students gained an enhanced learning experience when they applied classroom learning to a real-world context in the field, and when they interacted with stakeholders. Before doing their budget planning, the groups had to analyze their business ideas and modify them several times by collaborating with supervisors and professionals. The majority of the students were also motivated by the relative freedom they enjoyed. They were able to use their own experience as digital consumers to come up with ideas about concepts and formats. According to Kolb & Kolb (2005), with experiential learning, it is efficient to build on the student's previous experiences and to reflect upon these in the light of new ideas. As described by Caza et al. (2015) too, this increased sense of confidence could be positive for students' future careers.

The benefits to the instructors included papers and presentations being easier to assess than during previous years because there were more aspects to evaluate. The varied nature of the content of the business plans made assessment more enjoyable, also providing the instructors with updates on various retail trends that can be used as examples when teaching. Thus, there was a learning outcome for the course instructors too.

There were benefits to the stakeholders. Firstly, city management obtained input for its future development plans for the area in question, as well as up-to-date ideas and knowledge of retail challenges, from a more academic perspective. City management also gained the opportunity to market itself in terms of what the city was able to offer as regards students' future careers. Real estate owners were able to meet the students, in doing so gaining new ideas about how to implement digitalization.

## DISCUSSION AND CHALLENGES

The level of difficulty of the course assignment varied with the student. This provided the students who were more task-oriented with an advantage; however, the majority of the students on the retail management program were generally more suited to applied assignments than to writing theoretical essays. Some students were more comfortable with exact instructions and found increased independence stressful. These students have a hard time getting started and coming up with business ideas. Here, the group mix is important when it comes to these types of students being able to team up with more task-oriented students. Since the groups contained 5-6 students, the mix was usually not a problem. The supervisor was crucial in ensuring that the group had a fairly clear business concept by the end of the first supervisory meeting. One recommendation given to groups having trouble coming up with ideas was to research areas which had similar conditions and which enjoyed successful retail development.

The difference, compared to previous years, was that it had become clear that the course instructors had been holding on to their focus on traditional bricks-and-mortar a bit too long, under the misapprehension that involving digitalization would be too difficult. However, the special emphasis on physical stores embracing digitalization made the assignment more complete and natural to the students.

Part of the idea underpinning this project has been rotating locations in terms of which city center to choose, but always choosing one within commuting distance of the university campus. There were three main reasons for this: The first was that this spread ideas to different city centers; the second was that it increased the visibility of the educational program; and the third was that it would be more difficult for students to reuse previous years' examples.

The lack of text books in retail digitalization, together with the fast pace of the retail environment, demands that the course curriculum contain complementary material such as inspirational lectures, educational visits, and recent research articles. It is interesting that one student wrote in a course evaluation that one of the textbooks on retail digitalization was unnecessary:

"This book contains nothing new for those of us in our 20s". (student 2019).

This means that it is a challenge teaching retail digitalization since this empirical field is changing rapidly, with textbooks needing frequent updating. One

suggestion here would be to use industry reports and recent research articles as supplements.

## CONCLUSION

Innovating the course assignment worked well. The changes needed were small in relation to the benefits gained. Following this assignment, students are more skilled in developing omni-channel concepts in city centers. Having this assignment, of digitalization in retail at a real physical site provided students with opportunities to interact with professionals, something which is often regarded as an advantage on a business program.

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