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MOVING TOWARDS EXPLORATIVE SPACE **AS A STRATEGY FOR SURVIVAL**

WHITEPAPER – JANUARY 2016

SVT Branding & Design Group
and Stenden University Lecturers

Conducted by:

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BRANDING + DESIGN GROUP


Stenden

A NEW SORT OF RETAIL

In the fast changing retail branch we've observed the rise of a new sort of store; this paper is about stores which facilitate so-called explorative spaces that combine multiple functions and with merchants that function as curator of their own collection and product offer.

These are often meeting points for kindred spirits, they are engaging, and dynamic, and storytelling plays a big role. Their strength is that they always offer people a reason to visit their stores and webshops. Constantly unexpected relatively new elements such as people, ideas and suggestions are brought into this interaction space, which is organized so that it can facilitate such experiences. This uniqueness and likability are ingredients for spreading news of their existence via word of mouth. The experiences of such stores cannot be compared by content, but only by nature.

'The retailer who understands its contribution, and future contribution, in relation to an interactional space can anticipate future investments.'

Rapha Cycling Club is a good example for this new type of explorative retailer. Their stores, operating as meeting places for like-minded cyclists to come together and enjoy the sport, are based in key cycling cities around the world. Each Rapha Cycle Club has a bespoke retail design and is home to a retail space with the Rapha collection, a bike workshop and a café, where people have a drink pre- or post-ride or watch road races together. Cycle Clubs also regularly host exhibitions and events, which contribute to being a lifestyle brand for the like-minded. The enthusiasm, involvement and personal attention of the Rapha personnel is characteristic; from our own experience we know they remember names when people come back to the store and with their passion for the sport they try to give the best advice.

The shared interest of the personnel and customers creates a vivid ambiance and – in retail this is essential – one to one interaction. In addition, the Rapha brand also includes Rapha Travel, delivering unique cycling adventures in iconic and spectacular locations around the world. With its origin in designing stylish, comfortable performance apparel and accessories for road riders, the company has developed from a product webshop into a lifestyle brand: an international members' club of passionate road riders. This whitepaper favours the explorative space and sees this as a development towards the future of retail. The retailer who understands its contribution, and future contribution, in relation to an interactional space can anticipate future investments.

We first argue that a focus on explorative space evokes processes of serendipity and helps retailers and planners to anticipate future developments and steer investments. To evoke processes of serendipity in retail space requires consumers to discover unexpected findings and then to be able to explore those findings within a context. At first sight this might look quite theoretical, but when a customer finds a drone in a retail space, he or she somehow has several opportunities to integrate the drone within a lifestyle, such as photography or video recording. Secondly, we argue that moving to a multidimensional retail space leads to new exciting concepts. Explorative spaces contrast with one-dimensional spaces, which cater for one aspect of society, and provide interactions that are in potential, predictable.



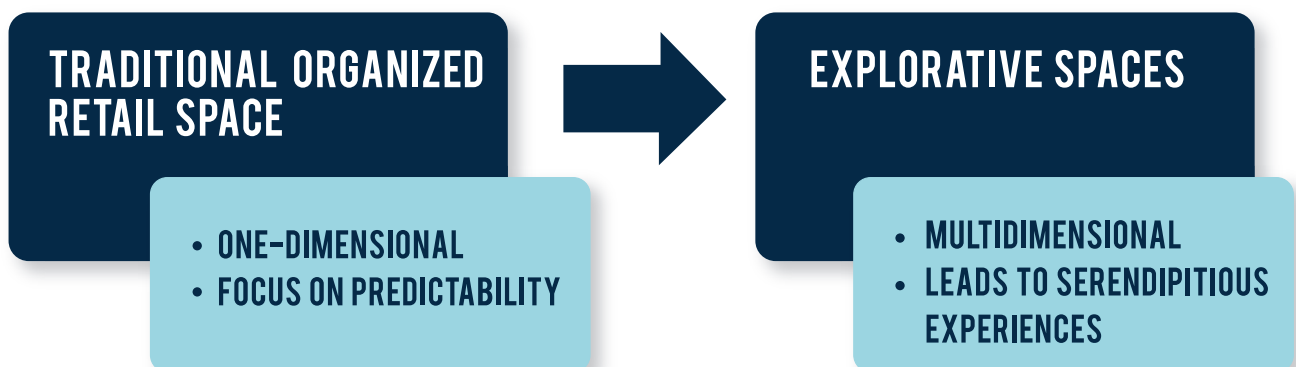
• Rapha Cycle Club New York

When customers enter such homogeneous spaces they know what to expect. An example is the unstaffed gas station, which only caters for retail, and within that particular aspect one function (providing gas), compared to a full-service gas station, which also offers restaurants, car services, accommodation, playgrounds, online pick stores, etcetera.

The model, 'Towards explorative space' by Grit, De Jong and Van Rooden, as shown in figure 1, visualizes the move away from a traditional organized retail space towards a multidimensional, explorative space. Figure 1 towards explorative space The model can help us to map out the dynamics of different interactions in retail, with regards to a consumer's desire to be entertained and a desire to explore.

This can be translated into addressing the potentiality of finding something unexpected and the development of this discovery. This exploring presupposes that: A. Something new must be there, so the space must have some surprise elements. B. There is an amount of freedom to explore, so the space must allow the consumer some degree of freedom.

This implies that the retail space becomes multidimensional whereby different spaces are combined. For example, leisure space with retail space, factory space with retail space, museum space with retail space, labour integration space with retail space, etcetera. The presumption also indicates that these combinations lead to serendipitous experiences. Which are explained later in this article.



• Figure 1: 'Towards explorative space'

RETAIL MIRRORS SOCIETY

‘People’s busy lives keep them in an active and ‘always-on’ mode’.

One of our observations which shows a quest for multidimensionality is the hunger that people have for being entertained: there are more tourists in the Netherlands than ever before, the museums in Amsterdam have a record number of visitors and concerts are sold out within hours. The number of festivals (this summer there were 140 different festivals in Amsterdam!) and sports events are growing every year, and still these seem not to be able to fulfill the desire for entertainment and experience.

Partly, this hunger can be explained by a growing consumer sentiment, which was low in the economical downturn between 2008 and 2014. Then the tendency was for people to lead more introverted lives and often chose (by need or by desire) to stay in their own houses. Most people were leading a more cocooned existence, instead of going out as they do now. As retail mirrors society, this tendency can also be identified in the retailers’ product offers. As an

example, the large lounge sofa was a popular choice to create a cosy atmosphere in one’s home or to sit comfortably when staying in with friends and family. Now there is a growing demand for smaller sofas, as can be seen at IKEA and the newest lounge collection of the Danish design brand Normann Copenhagen.

‘Making a purchase actually is a means of expression for an individual and a reinforcement of that individual’s social standing.’

With growing urbanization city dwellers are increasingly living in more confined spaces, which leads to the tendency to use spaces out of the home as an extension of people’s homes, and consequently brings smaller sofas back into favour. Furthermore, people’s busy lives keep them in an active and ‘always-on’ mode; next to working, parenting kids, sporting, socializing with friends, keeping themselves up to date with social media and education, that little free time is more often perceived as ‘empty’. To avoid boredom, people tend to search for new, external impulses to keep themselves occupied..

We believe that here lies a big opportunity – or actually it is more of a task – for retailers. People are still willing to go shopping instead of ordering everything online. But shops and high streets should become more engaging and multidimensional. Secondly, most people want surprise, excitement, engagement and a sense of belonging. People want to indulge themselves with meaningful stories and products and shared memories, that they can tell their friends and family about, to express themselves and underline their identity.



The new motto is: products you can buy anywhere, but in explorative retail you can experience – hearing, seeing, smelling, tasting and touching.

Making a purchase actually is a means of expression for an individual and a reinforcement of that individual's social standing. People are always – consciously or unconsciously – asking themselves

such questions as, “What does it say about me when I buy this, or that?”, “Does this brand give me the right status?”, “Is this the store where I want to be seen?” and so on. Through the brands and products they buy – and where they buy them–, they can demonstrate to the outside world who they really are, what their tastes are, what their limits are and where they belong. A (retail) brand therefore serves as an expression of style, or in fact, lifestyle.

This interactive, entertaining type of retail invites customers to stay as long as they want and opens the opportunity to connect to the shop owners.

With the quest for entertainment and belonging, people thus want to become explorers in the high streets and in the stores, to find out what they like and what their latent needs are, instead of order picking in functionally organized stores. As a third observation we see that this exploration for unique stores and stories has led to a new and growing type of independent retailer: stores that are comparable, but different from the independent specialty stores as we knew them, before the (international) chain retailers took over the high streets and city centres in the nineties.

The new motto is: products you can buy anywhere, but in explorative retail you can experience – hearing, seeing, smelling, tasting and touching. The craft is on the rise, as well as personal contact and a chat between the merchant and the customer. Actually, all those things are a countermovement of what disappeared in the last 20 years. These new specialty shops offer local or indulgence products – all with their own story, such as upcoming design brands,

handmade gifts and locally produced beers, and more often workspaces for creative freelancers and a coffee bar with specialty coffee are integrated. Also on a bigger scale retail is changing as urban centres are developing into entertainment areas, where working, living and shopping are combined. All times of the day there are people, and their mind-sets (and thus consumer needs) are continually shifting from professional to shopper. These areas anticipate this variety by offering plenty of coffee shops, lunch bars, restaurants, cultural institutions and stores.

In short, these are places where you go to dwell and spend your spare time for fun and a bite to eat. This interactive, entertaining type of retail invites customers to stay as long as they want and opens the opportunity to connect to the shop owners. The dynamics result in new communities, which are centred on the concept of organizing lifestyles. Here we see a strong connection between retail, tourism and leisure space. Regarding hospitality, processes of dynamic hospitality are very much alive and constantly shift between host and guest. By nature, retailers create hospitality spaces and thus they share similar characteristics with tourism and leisure spaces. Therefore these spaces are used as inspiration in our vision.

FACILITATING PROCESSES OF SERENDIPITY

‘Serendipitous movements are positive movements since they ensure happiness and innovation.’

Multidimensionality of the retail space is directly related to shopping experiences. The shopping experience is complex since they change depending on the purpose of the visit, mood of the shopper, character of the shopper, time of the day, weather, mood of the staff, intentions of the shopper etc. Of course, some convenience is required, and to what extent probably depends on the type of purchase. If people go out shopping for a day as entertainment, then the interaction space is different to if people come directly from their workplace and want to pay a quick visit to the supermarket. One important aspect of key interest here is the predictability of the interaction. When spaces are one-dimensional they offer rather simple interactions, which have predictable outcomes. There is no judgment in this statement; there is nothing wrong with this kind of space and they perfectly fulfill their shopping function.

In this section we develop the idea of predictability in interaction space a little further and introduce the concept of serendipity. The concept of serendipity as described by Andel (1994), defines true serendipity as the art of making an ‘unsought finding’ followed by a process of development, which he addresses as abduction. Grit (2014) in his co-authored book, ‘Disruptive Tourism and its Untidy Guest’ clearly distinguishes between the two phases: firstly the finding, and secondly the development of this finding.

Serendipitous movements are positive movements since they ensure happiness and innovation. Many of today’s products such as Viagra, penicillin and Rontgen have been discovered through a serendipitous process. Penicillin was discovered by Alexander Fleming when he saw that bacteria were being killed by mould in a spoiled sample. Alexander Fleming used this unsought finding to successfully develop a medicine for diseases. It is interesting in which way the principles of serendipity can work for retail space. We surely think they do. Firstly, we will take a closer look at the two parts underlying the process of serendipity. The first one is the unsought finding whereby the observer discovers something

unanticipated. In retail space the consumer finds something, which he/she did not expect. This can be a person, situation or thing, such as a book, idea or dress. The second step is that the client should be able to develop such findings within a context.

'The concept of serendipity as described by Andel (1994), defines true serendipity as the art of making an 'unsought finding' followed by a process of development, which he addresses as abduction.'

The idea is that interaction space becomes a space for exploring whereby the consumer can find unexpected 'things' and do something with them. For example in the 50/50 store: an initiative of the Salvation Army,

combining a number of new elements in a retail space. It is a trendy, very contemporary looking store which employs people with distance to the labour market, such as the long term unemployed and ex-prostitutes, in an attractive and 'hot' assortment with new and second hand clothing, art and food and beverages at prime locations within cities.

The 50/50 store is an explorative space since people can find unexpected things, such as an unexpected conversation with one of the 'not so ordinary' staff members about a second-hand Chinese army uniform, and they can also develop these findings in a context. For example buy the Chinese army uniform and consider using it for the marketing of a Tango weekend while sipping a cappuccino and conversing with an ex-prostitute.

Serendipity

*Finding something good,
without looking for it.*

ORGANIZING EXPLORATIVE SPACES

The need for exploring and serendipity can also be seen in tourism, considering the popularity of non-traditional forms of tourism such as Airbnb, whereby people do not stay in the usual hotel, but in a more private and personalised environment. The burning question however remains on the table of how to organize such dynamic interaction spaces.

In our opinion management style is of major influence on the experience of retail spaces. From the field of tourism Hyde & Lawson (2003), in their article, indicate that individuals from New Zealand are willing to leave familiarity and seek the novel, and that larger groups of travellers possess a desire to experience the unplanned. What is fascinating in their research is that for individuals who had the highest number of planned activities, they were least likely to action these plans.

The level of control thus correlates with the openness towards finding the unexpected and unsought. Therefore we have extended the model 'Towards explorative space' with the level of control in retail organizations. In this model (figure 2) the horizontal axis is defined as the variation of the offer, while the vertical axis stands for the level of control in the organization. Within this interrelation four typologies are defined.

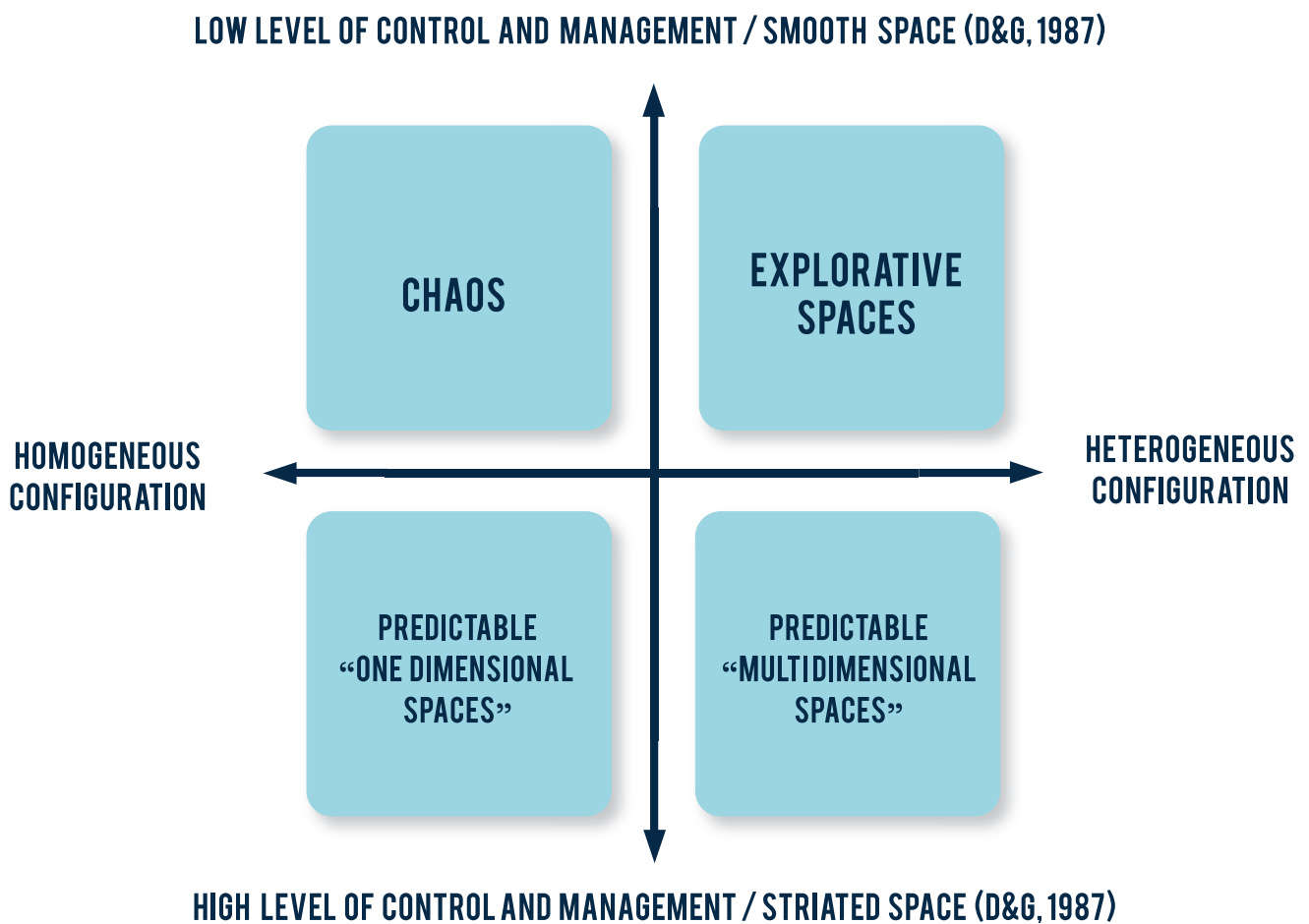
In the view of serendipity, Grit suggests that the first step to 'finding the unexpected' may well take place in the lower part of the diagram while in order to move to the second step, 'the developing the unsought finding', can take place in a more responsive space which is situated in the top part of the quadrant.



- *Serendipity in tourism and retail (Staying with Airbnb, traveling with Srprs.me, shopping at Hutspot)*

The first variation, traditionally organized retail space, is a rather predictable and one-dimensional space. This is the classical retailing situation, in which the interactions are expectable and highly organized. A good example of such a space is the Aldi supermarket chain. All interactions in the Aldi are predictable and the store, although hosting a variety of articles – mostly presented in easy-to-manage carton boxes on shelves (shelf ready packaging) –, offers only a homogeneous retail space since it remains ‘retail space’. This retail has been advocated in most retail management books.

Since the space has become so structured and focus is mostly on tangibles as product, price and service, such one-dimensional spaces leave the way open for other competitors, including e-business. New entrants can easily access the market and take over.



• Figure 2: Organization towards explorative spaces

A serendipitous interaction is rather unlikely to take place, in fact cannot take place, since the unexpected cannot be found and cannot be developed, because of the high level of management control. We don't tend to judge about this type of retail organizations nor their, quality and retail design. As mentioned earlier, the shopping experience has to match the purpose and mindsets of the shopper, which balances between convenience and experience. People would go crazy if all stores were explorative spaces. Besides, one-dimensional spaces are taking big leaps in their development in order to maintain their connection with consumers.

That counts for Aldi, and most certainly for its competitor Lidl. Both are promoting their high-quality wines, bread and fruits and vegetables. And H&M, which is a tightly controlled organization focusing on the production and launch of great, fashionable new collections and having neat stores, pushes their own and markets' boundaries every time: with high value retail design, shop windows that are not inferior to exclusive retail brands and their consciousness label and limited editions collections with the best fashion designers, such as Karl Lagerfeld and Balmain.

Fast fashions makes it possible for people to find new clothing every time they come to the store or webshop, however discovering unsought findings is hard, because the sort of products remain constant and planned (sweaters, t-shirts, trousers, bags,

shoes and accessories). Even the limited editions are launched every year at the same time, and broadly announced beforehand. There is also a second variation to predictable space and that is the department store, which offers a variety of products and functions.

Consequently the customer can find a number of unexpected 'things' in this multidimensional space. So in the light of a serendipitous process, the first step to find the unexpected is fulfilled. However the second step of the serendipitous process, the development of the unexpected discovery is still lacking. For example the London department store, 'Harrods' hosts a large variety of products and services including personal shoppers and museum products.

Consumers are offered a variety of opportunities to discover the unexpected. However the question remains in how far does the organization of space allow the development of such unexpected discoveries. Often the management of such department store spaces is strict and control is an important factor. So the second step of serendipity, the development and placing in a different context, would be hard to establish.

'Discovering unsought findings is hard, because the sort of products remain constant and planned. Even the limited editions are launched every year at the same time, and broadly announced beforehand.'



- *H&M and Balmain*

Homogeneous spaces and loose management style lead to chaos, a third variation in the diagram, because these environments are rather predictable and one dimensional in their offering while the management of the spaces has run out of control. Consumers do have many unexpected findings but there is no infrastructure to continue with the finding; there are no structures available for the consumer to place the ideas in context. We leave this type out of scope in this whitepaper when focusing on the future of retail. In that scope we believe that the fourth typology in the diagram is the one that will steer retailers towards the future. These explorative spaces combine multiple functions. They are engaging and dynamic, and are organized in a way so that it can facilitate dynamic and unexpected experiences.

The concept of explorative spaces enables us to speak of unpredictability in an interaction space and the possibility of unexpected outcomes and the development of these findings (serendipity). The quest for entertainment and belonging that we observe in human and consumer behaviour is a relevant one in this topic. Developing an entertaining space is possible, but involves scripts to maintain a constant quality, such as suggested by Pine and Gilmore (1999).

As a result the space becomes predictable and that doesn't leave much room for thorough exploration. For a demanding customer this experience can be fine once or twice, but becomes boring for the third time.

‘Creating successful explorative spaces may be easier said than done. Because how do you maintain the serendipity and expand that to all stores in the organization?’

An example of explorative spaces is The Cabriohoeve, that only sells and repairs second-hand MX5 cars, but combines leisure and tourism with a Mazda MX5 garage and a personalised service concept. While the car is being repaired the family is invited to become involved in leisure activities such as cooking with a host family and cycling within the area. Moreover guests can help in the garage and actively take part

in the repair of their car. What is multidimensional about the Cabriohoeve is explorative space since it offers a space where daddies can explore their father role in relation to their sons and daughters, while showing that father is able to change a brake pad. Or where people find out that the countryside has avant garde qualities as well, and decide to change their life by moving to the countryside and become a part-time ecological farmer. This magnifies the serendipitous nature. Creating successful explorative spaces may be easier said than done. Because how do you maintain the serendipity and expand that to all stores in the organization?



- *At the Cabriohoeve they combine leisure and tourism with a Mazda MX5 garage.*

CREATING SUCCESSFUL EXPLORATIVE SPACES

Many examples of explorative spaces are one-of-a-kind stores: concepts that arose from a personal dream, with entrepreneurship and ambition in every vane of the space and often we see that the entrepreneur runs the shop daily. So he or she has a big influence on the level of control and anticipation to interaction with the customers. When expanding and opening more stores within the concept, maintaining the personal touch and the room for serendipity becomes more difficult, because – at least partly – processes have to be set up to be able to run the business efficiently and successfully.

In the end, products have to be in stock and sales have to be made. At the other side of the spectrum are large retail organizations and their (inter-) national retail formulas. Contemporary management techniques that are used here are great in controlling the quality of space through scripts, procedures and management information loops, leaving little space for the unexpected and unsought findings.

To be able to create explorative spaces, we believe that having an eye for consumers and their mindsets is key. It is the task of the entrepreneur to anticipate them and to surprise and exceed their expectations. Being open-minded and entrepreneurship both are important qualities here, regardless of the size of the company. Secondly, all processes should not be considered the same, since this limits the options for opening up space for the explorer. This whitepaper suggests that the management needs to control some aspects of the space very strictly and other aspects much more loosely. A nice example of a company using different forms of control and management regarding interaction is IKEA: the set-up of the store is the same in all their locations: from showroom, to market hall to the warehouse. However, everywhere is anticipated to the local situation: the inspirational rooms represent the specific way of living, in layout and styling.



- *Ikea, Beijing*

IKEA in Hong Kong has a showroom with small apartments and smart solutions for storage and multiple usage of furniture, while IKEA Amersfoort offers inspiration to larger villas with gardens. The same assortment brought differently to the customers; a combination of control and flexibility. Besides, IKEA's kitchen department recognizes a number of different interaction options from just walking by, to having a consultation at an appointed time. This matches the mindsets of their customers along the customer journey: from orientation, inspiration to selection and purchase.

To become, or to remain, an explorative organization, we believe that it is most important to keep a good eye on consumers in order to know the context in which the organization is operating, as well as knowing the strengths and weaknesses of the company.

Four actions underpin the transformation towards explorative spaces in retail:

- 1: Investigate who the customers are and what their purchase intentions are per moment and situation?
- 2: Map out what is important for the retail organization:
 - a. The company's belief, norms and values.
 - b. The company's goals, ambitions and dreams.
- 3: Find out what is important to the customers? What are their values and dreams?
- 4: How to match-make both parties by creating added value?

CONCLUSION

In this article the move from a traditional organized retail space towards an explorative space is discussed. During this move the serendipitous nature of the space increases. Not only can the consumer find the unexpected, he or she can also develop the finding in an attractive context. We argue that a focus at the dynamic nature of the interaction helps retailers and planners to anticipate smart and successfully to the future with regards to the consumers' desire to be entertained and their desire to explore. People do have a reason to physically visit the store and follow their hunting and gathering instincts by exploring the space thus demonstrating that predictability becomes the force, which needs to be overcome.

The model provides a language, which enables the reader to participate and anticipates in current debates regarding new retail concepts. Therefore we looked both at practises, by observing daily life and cross-linking insights, and theory regarding different interactions within retail spaces, and above all we would like to start the conversation about this topic.

So, we invite you to think with us about new business models and retail concepts based on the concept of interactional spaces.

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ABOUT

ALEXANDER GRIT

Dr. Alexander Grit is Research Lecturer at Stenden University of Applied Sciences in Leeuwarden, The Netherlands, and works as senior research fellow at Leicester University. His fields of research are leisure studies, tourism, urban development, social innovation, HRM and innovative retail concepts. In his researches Alexander focuses on the vitality of interaction spaces, network organizations, art and the hospitality and serendipity of spaces. He has published about art, retail concepts, home exchange and hospitality, and he co-authored the book 'Disruptive Tourism and its Untidy Guests: Alternative Ontologies for Future Hospitalityes' (2014).

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Maaïke Boudina de Jong (1969) studied European Leisure Studies at Tilburg University and History of Hermetic Philosophy and Related Currents at Amsterdam University (Cum Laude). In 2014 she obtained her PhD in Administrative and Organizational Sciences at Utrecht University, in the field of Leisure, Tourism and Retail innovations. Maaïke is Researcher within the Sustainable Innovation in the Regional Knowledge Economy Research Professorship and Research Lecturer at Stenden University in Leeuwarden, The Netherlands. She has elaborate work and travel experience in China, the Middle East, Europe and the USA and her special interest is in trends and developments in the field of Cultural Industries and Creative Cities.

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Maaïke van Rooden is partner at SVT Branding & Design Group and co-author of the recently published book '1 to 1: the essence of retail branding and design'. SVT is, as one of the few, specialized in developing brands and strategies for retailers and designing retail formulas. The Amsterdam-based design agency develops customer environments that are a combination of the retailer's identity, the target audience and the opportunities that we observe in the ever changing society. The results are profound, holistic retail formulas. Our projects can be clustered into three sectors: food, non-food and service retailing. We have 25 years of experience and the retail dynamics continue to challenge us to create innovative solutions for questions concerning retail branding and design.



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