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Original Article (Qualitative)

Designing a customer experience model in the retail industry with an emphasis on 4.0 generation retail

Morteza Aalami¹, Abdullah Naami¹ , Farzaneh Bigzadeh Abbasi¹, Eskandar Abdolahi²

1- Department of Business Management, ST.C., Islamic Azad University, Tehran, Iran.

2- Department of Mathematics, Kerman.C., Islamic Azad University, Tehran, Iran.

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Abstract

The aim of this study is to design a customer experience model in the retail industry with an emphasis on generation 4.0 retail. The research method is fundamental and inductive in terms of its purpose and qualitative in terms of its implementation method, based on the grounded data method. The statistical population of the study includes 16 university professors and managers of chain stores. The sample size was conducted by a judgmental (purposive) and theoretical sampling method, and the interviews continued until theoretical saturation. Semi-structured interviews were used to collect information. Open, axial, and selective coding and the grounded data method were used to analyze the data using Maxqda software. According to the findings, the categorized concepts in the subcategories include: causal conditions (technological progress and value creation); contextual conditions (human factors and organizational factors); intervening conditions (general factors and market-related factors); pivotal phenomenon (customer experience); Strategies (implementation and deployment of 4G retail); and outcomes (building effective customer relationships).

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Corresponding Author: Abdullah Naami

Email: a_naami@azad.ac.ir

Extended Abstract

Introduction

In today's competitive environment, where customers have high expectations, retail businesses must deliver high-quality services and products to maintain their competitive advantage (Asante et al., 2022). However, small and micro businesses face ongoing challenges in understanding the needs of their target audience. Lack of proper planning and market intelligence is a major factor leading to small business closures (Sharma, 2021). Furthermore, small business consumers often struggle to express their preferences (Suef et al., 2017; Sharma, 2021). Apart from that, the retail industry is experiencing rapid transformations driven by various factors including technological advancements, intensified competition, and emerging business models (Caro et al., 2020).

Retail 4.0 technologies include artificial intelligence, IoT, cloud computing, mega-data analytics, and augmented reality (Sakrabani et al., 2019).

The COVID-19 pandemic accelerated the adoption of these technologies. People managed to shop online during the coronavirus lockdown, indicating that Retail 4.0 offers a seamless shopping experience that attracts customers. This left retailers with no choice but to implement these technologies (Tebaldi et al., 2023). The retail industry is one of the most important industries affecting the supply chain of any industrial and manufacturing company, and one of the most important features of the current retail industry environment is the increasing competition observed every day with the emergence and development of new competitors in this industry. The direct result of this situation is the necessity and serious attention to the application of effective mechanisms to maintain and improve customer satisfaction and, consequently, sales through quality services and greater value creation for customers. Given the increased competition in the retail market and the emergence of chain stores and supermarkets in the last few years, it is very necessary to examine and analyze the competitive situation between chain stores and predict the status of old and new competitors (Bahmani et al., 2016).

Kronheim et al. (2024) state that customer experience arises from interactions between customers and market companies through various interfaces, both human (such as employees) and non-human (such as Internet of Things technology) (De Keyser et al., 2020). Here, factors such as customer care, products, packaging, advertising and services come into play. These interactions occur at all stages of the customer journey through different touchpoints. Hoyer et al. (2020) examined the determinants of positive customer experience in technological environments.

Investigating the impact of Retail 4.0 adoption on customer experience can be a field for future research, as attracting and maintaining consumer loyalty in today's rapidly expanding digital world seems very difficult. Therefore, the main research question is: What is the customer experience model in the retail industry with an emphasis on Generation 4.0 retail?

Theoretical Framework

Customer Experience

Customer experience is considered as an engaging act jointly created between its creator and the customer himself and is where the customer perceives values and keeps it in memory. Customer experience should include interaction with people, processes or the organization's system (Alisheri et al., 2022).

4.0 Retail Industry

4.0 Retail started in 2010, but it is a new term for retailers around the world. Therefore, the adoption of 4.0 retail technologies is still low in developing countries. This scenario is even

worse in less developed countries. However, the Covid-19 pandemic accelerated the adoption of these technologies (Ernst & Young, 2020).

Tolooee et al. (2024) examined the presentation of a model of purchase intention and customer experience on customer behavior in virtual networks. The results showed that the dimensions of purchase intention and customer experience by affecting customer behavior, better understanding of mindfulness and experiential factors among banking systems can increase satisfaction, loyalty and also trust among customers of Ofogh Kourosh store. Also, the research model has a good fit.

Naalchi Kashi (2024) examined the relationship between customer experience components on customer commitment and engagement behaviors in the retail industry. Data analysis showed that there is a significant relationship between customer experience and customer engagement behaviors with the mediating role of customer commitment. There is a positive and significant relationship between customer experience components (cognitive, emotional, physical/sensory, and social) and customer commitment. In addition, there is a positive relationship between customer commitment and customer engagement behaviors. There is a significant relationship between customer experience components (cognitive, emotional, physical/sensory, and social) and customer engagement behaviors (acceptance, cooperation, feedback, helping others, and positive word-of-mouth). Therefore, by focusing on providing positive customer experiences that strengthen commitment, organizations can promote engagement behaviors and cultivate a loyal customer base.

Research Methodology

The research method is fundamental and inductive in terms of its purpose and qualitative in terms of its implementation method, based on the grounded data method. The statistical population of the study includes 16 university professors and managers of chain stores. The sample size was determined by judgmental (purposive) and theoretical sampling, and the interviews continued until theoretical saturation. Semi-structured interviews were used to collect information.

Research findings

Open, axial, and selective coding and the data-driven method were used to analyze the data using Maxqda software. According to the findings, the concepts were categorized into subcategories including: causal conditions (technological progress and value creation); contextual conditions (human factors and organizational factors); intervening conditions (general factors and market-related factors); pivotal phenomenon (customer experience); strategies (implementation and use of 4th generation retail); and consequences (establishing effective customer relationships.)

Conclusion

The present study aimed to design a customer experience model in the retail industry with an emphasis on 4th generation retail. The results of this study are in line with the research of Tolooee et al. (2024), Naalchi Kashi (2024), Behera et al. (2024), Blut et al. (2024), Banik & Gao (2023), Bavi & Kenarkordi (2023), Zadoon et al. (2023), Roustae Gholpaygani et al. (2023), and Alisheri et al. (2022). Naalchi Kashi (2024) showed that there is a significant relationship between customer experience and customer engagement behaviors with the mediating role of customer commitment. There is a positive and significant relationship between the components of customer experience (cognitive, emotional, physical/sensory and social) and customer commitment. In addition, there is a positive relationship between

customer commitment and customer engagement behaviors. There is a significant relationship between the components of customer experience (cognitive, emotional, physical/sensory, and social) and customer engagement behaviors (acceptance, cooperation, feedback, helping others, and positive word-of-mouth). Therefore, by focusing on providing positive customer experiences that strengthen commitment, organizations can promote engagement behaviors and cultivate a loyal customer base.

According to the research results, the following suggestions were made:

It is suggested that organizations use expected value analysis for the customer in determining the price of products and services, instead of focusing solely on the cost of production or the price of competitors. Understanding what the customer is willing to pay for what benefits and with what probabilities, helps in more accurate and customer-oriented pricing.

It is suggested that stores (both physical and digital) be designed in a way that conveys a sense of comfort, pleasure, human interaction, and visual beauty to the customer. The use of lighting, music, minimal and effective visual design, and inspiring images play an important role in enhancing the emotional dimension.