The Emergence of Phygital Natives a new consumer segment for Industry 6.0

Prof. Saurav Kumar
Senior Faculty, Corporate Secretaryship Department,
K.B Womens College, Hazaribag, Jharkhand, India.
Email : saurav1980kumar@gmail.com
ORCID iD : 0009-0001-4667-0136

Abstract:
Marketing strategies have evolved to become more sustainable, digital, and social to cater to the increasing influence of millennials. However, it does not stop there, as marketers are expanding their efforts to engage with even younger generations: Generation Z and Generation Alpha. Consumers are seeking these types of experiences similar as being in a video game where artificial intelligence blends with role playing where the consumer is the center of the experience. These new marketplaces are being developed in high traffic cities where young consumers seek to experience brands in new ways. Digital native brands as well as traditional ones have been implementing this alternative mode of entry and being a new phenomenon, it has not taken the attention of scholars. Interest in the application of phygital marketing to retail commerce has increased in recent years. Implicit in this excitement is the notion that physical experiences provide unique value above and beyond what can be offered via digital means, and therefore that combining the two can galvanize sales. However, the specific sources of this marketing potential remain undertheorized and the factors determining the appropriateness of such implementations remain unclear.

Research Objective: The paper equips both academics and practitioners with a better and more scientific understanding of the practical dimensions of phygital commerce and lays a foundation for future enquiry.

Keywords: Industry 6.0, Phygital retail, Entry modes.

Introduction

In the last decade, marketers have favored Generation Y, or the millennials, as a focus audience due to their sheer size and high purchasing power. Consequently, marketers have adjusted their strategies to adapt to Generation Y's key characteristics, such as a strong focus on sustainability and tech savviness. Modern marketers have created more campaigns highlighting ecofriendly products or socially responsible operations. For example, fashion brands such as Patagonia and Everlane have tapped into the millennial mindset by focusing on recycled and sustainably produced materials and becoming the antithesis of the fast fashion industry. Marketers have also leveraged digital marketing tactics such as social media and search engine marketing to reach Generation Y. Even luxury fashion groups such as LVMH and Kering, traditionally known for investing heavily in offline experiences, have shifted half of their marketing budget to digital media. This shift toward digital marketing has allowed these brands to reach a wider audience of millennials. Technology has changed dramatically how new business are born and consumers access goods and services worldwide (Fiestas and Tuzovic, 2021). Particularly, these changes have been rapidly increasing in the last twenty years as infrastructure of communications has been improving such as the internet speed and data capacity, the advent of smart devices, and the expansion of them on worldwide. As with innovation, early adopters have been initially multinationals and firms with large resources to implement these advances. Technological advances have opened new avenues for small and medium sized enterprises, and entrepreneurs to expand globally (Dabic´ et al., 2020; Coppola, 2022). Benefits have been observed in the areas of inventory control within the organization, a more efficient sourcing process as well in the delivery process, internally and toward customers. Recently, Big box retailers have started using their stores as warehouses for online sales and for customer pick up. It has become more customary to see omnichannel integration from company’s websites, mobile phone applications and expand to third party digital retail marketplaces. In the last decade, traditional and new digital born companies have used retail marketplace platforms such as Amazon, Alibaba and Baozun to sell their products domestically and internationally (He et al., 2021; Qi et al. 2020). As consumers feel more comfortable purchasing online and using mobile apps, companies that are not present on these channels miss part of the segment consumption and losing market share. On the other hand, there are digitally born companies that only sell on social media such as Instagram, Facebook and TikTok as well as the other known digital marketplaces and do not have a physical presence. By only using these digital marketplaces, firms might incur in poor customer experience as consumers are more sophisticated and expect multichannel service quality (Patten et al., 2020). When firms limit themselves to distribute their goods only through digital platforms, they increase their operating risk over marketplace disruption (Kucheriavyi, 2022) in host platforms. Disruption might come by intangible threats such as hacking, ransomware, and others that affect the cloud hosting and technological interconnections. These threats require a robust cyberthreat protocols, reliable third-party partners, or internal departments to address these issues. In addition, other unexpected events (Rosado-Serrano and Navarro-García, 2022a) such as pandemics and others that are weather created, can hinder their operations and on some occasions, bring them to bankruptcy. Recent tendencies in buying behavior indicate consumers favor having new experiences that are not related to the traditional store format. Now, consumers use a hybrid product evaluation process between online and offline (Fiestas and Tuzovic, 2021; Singh and Jang, 2020) as they are interested in touching, feeling, and trying out products. Similarly, as part of their evaluation phase, consumers do their purchasing across multichannel (Patten et al., 2020). Native digital companies as well as traditional ones look to engage with these consumers that seek sensory enhanced technology experiences that are unique and exclusive, while maintaining the convenience of availability of products (Jindal et al., 2021; Rosado- Serrano and Navarro-García, 2022b). The physical and digital interaction or «phygital» has gained acceptance by young and technology savvy consumers (Rosado-Serrano and Navarro-García, 2022b). This creates an alternative mode of entry for digital firms to transition to the physical world; in addition, traditional firms may embrace this new phygital marketplace to engage with new and existing consumers. Based on this new alternative mode of entry where online and offline interaction occurs between consumers and digital brands, this paper aims to explore this new phenomenon as it affects how the retail landscape is being transformed, and in turn traditional and digital store formats.

Literature review Industry 6.0

Industry is defined as the production of goods and services through the transformation of raw materials and resources into valuable products. It involves the creation of finished products or services through various stages of production that may include manufacturing, processing, assembly, packaging, and distribution. Industries have played a significant role in the economic growth and development of nations throughout history. They have contributed to the creation of employment opportunities, the development of new technologies, and the improvement of living standards. Over the years, the industrial sector has gone through numerous changes, and each of these changes has been termed as an "Industry Revolution."

Industry 1.0: The Birth of the Industrial Revolution

Industry 1.0, also known as the first industrial revolution, began during the late 18th century and lasted until the mid-19th century. It was characterized by the widespread use of mechanized production, the utilization of energy sources such as coal and steam-power, and the emergence of the first factories. This revolution allowed for mass production to become possible and saw the emergence of the first industrial giants such as the cotton mills and ironworks.

Industry 2.0: The Era of Mass Production

Industry 2.0 was marked by the introduction of electricity and the invention of new technologies such as the assembly line. This revolution led to increased productivity, efficiency, and quality in the production of goods, as well as the emergence of new industries such as the automobile industry.

Industry 3.0: The Rise of Automation

Industry 3.0, also known as the digital revolution, saw the use of electronic technologies to create computer-based systems, robotic production lines, and automated factories. This revolution allowed for the emergence of the internet, as well as the development of new technologies such as 3D printing, big data, and cloud computing.

Industry 4.0: Automation and Digitization

Industry 4.0, also known as the fourth industrial revolution, began in the early 21st century and is characterized using automation and data exchange. This revolution has allowed for the development of the internet of things (IoT), artificial intelligence, and machine learning. It has also enabled the use of 3D printing, big data, and cloud computing.

January 2026, Volume: 04, Issue: 02 - E-ISSN: 2583-0546

The growth of Industry 4.0 is driven by several factors, including the need to increase productivity and efficiency, the emergence of new technologies such as artificial intelligence and machine learning, and the increasing use of the internet of things (IoT). The use of automation and data exchange allows for faster and more accurate data processing, as well as increased efficiency in the production of goods. Additionally, the development of new technologies such as artificial intelligence and machine learning allow for more efficient decision-making and problem-solving capabilities. Finally, the use of the internet of things (IoT) allows for improved communication and data-sharing between connected devices.

The Evolution of Industry 5.0: Humans and Machines Working Together

Industry 5.0, also known as the Human-Tech partnership, aims to bring together the benefits of Industry 4.0 with the human touch. It emphasizes the importance of human creativity, innovation, and problem-solving skills, while also utilizing advanced technologies such as AI, robotics, and IoT. Industry 5.0 aims to create a work environment where machines and humans work in collaboration, with machines performing repetitive and dangerous tasks while humans focus on more complex and creative work. This approach is expected to lead to increased efficiency, productivity, and job satisfaction, while also promoting social responsibility and sustainability.

The need for Industry 5.0 is driven by the need to remain competitive in the global market, as well as the increasing demand for increased efficiency, productivity and quality. Additionally, the use of advanced technologies such as cognitive computing, artificial intelligence and machine learning allow for improved decision-making and problem-solving capabilities, as well as the potential for new business models.

Unique characteristics of Industry 5.0:

Collaboration: Industry 5.0 emphasizes the importance of collaboration between humans and machines. This means that humans and machines will work together to achieve common goals, with each one complementing the other's strengths and weaknesses.

Customization: Industry 5.0 is characterized by the customization of products and services. This means that products will be designed and produced based on the specific needs and requirements of individual customers.

Sustainability: Industry 5.0 places a strong emphasis on sustainability. This means that manufacturing processes will be designed to reduce waste and minimize the impact on the environment.

Decentralization: Industry 5.0 emphasizes decentralization, with a focus on distributed production and manufacturing. This means that production will be closer to the point of consumption, reducing the need for transportation and logistics.

Flexibility: Industry 5.0 emphasizes flexibility, with the ability to quickly adapt to changing market conditions and customer needs. This means that manufacturing processes will be designed to be easily reconfigured and adapted to meet changing demands.

Industry 5.0 is a revolutionary advancement in the industrial sector, with the potential to drastically improve productivity, efficiency, and quality across various industries. This revolution is characterized by using advanced technologies such as artificial intelligence, machine learning, and the internet of things (IoT). The prospects of Industry 5.0 are promising, as the use of advanced technologies and automation will continue to improve productivity and efficiency across various industries. Additionally, the development of new technologies such as blockchain, quantum computing, and advanced robotics will allow for the potential for new business models and the development of new products. Overall, Industry 5.0 is focused on creating a more sustainable, collaborative, and customer-centric manufacturing environment that leverages the strengths of both humans and machines.

Industry 6.0: Advancements and Challenges

Industry 6.0(Future Concept), also known as the sixth industrial revolution, is characterized by using advanced technologies such as quantum computing, and nanotechnology over the pre-built Industry 5.0 architecture. These technologies will enable more efficient and effective solutions to solve complex problems, as well as the potential for new business models.

The use of Industry 6.0 technologies will also provide the potential for advanced robotics, and increased safety and security in production and manufacturing processes. Additionally, the use of blockchain technology will enable secure and reliable data-sharing and communication between connected devices, as well as the potential for new economic models. Ultimately, the use of Industry 6.0 will continue to revolutionize the way we produce, manage, and consume goods, services, and information but as with any technological advancement, Industry 6.0 may also have some potential drawbacks or negative impacts.

Addressing the Drawbacks of Industry 6.0: Strategies and Solutions

The advent of Industry 6.0 presents a multitude of challenges that require substantial investment in the development of technological, social, and economic infrastructures to ensure their smooth integration into society. The development of new technologies and automation is likely to have a profound impact on employment, with many jobs being rendered obsolete or transformed. This may exacerbate existing inequalities in society and result in job displacement for many people, particularly those with lower levels of education or training. Additionally, the widespread adoption of Industry 6.0 technologies may also result in increased environmental degradation, resource depletion, and pollution, which could have serious consequences for future generations. To address these challenges, policymakers must take a proactive approach to ensure that Industry 6.0 is implemented in a socially and environmentally responsible manner. This may involve the implementation of new regulations and policies aimed at mitigating the negative impacts of automation and ensuring that the benefits of technological progress are shared equitably across society.

Potential directions for Industry 6.0 could involve advancements in areas such as:

1. *Biotechnology Integration:* Further integration of biotechnology into industrial processes, including bioengineering, biomanufacturing, and bioinformatics.

2. *Sustainable and Circular Economy Practices*: Greater emphasis on sustainable manufacturing practices, resource efficiency, and circular economy models to minimize waste and environmental impact.

3. *Quantum Computing and Quantum Technologies:* Utilization of quantum computing and other quantum technologies to solve complex optimization problems, enhance data security, and revolutionize computation capabilities.

4. *Advanced Robotics and Autonomous Systems:* Development of more sophisticated robotics and autonomous systems capable of handling complex tasks in diverse industrial settings.

5. *Augmented Reality (AR) and Virtual Reality (VR):* Expanded use of AR and VR technologies for training, maintenance, design, and collaboration in industrial settings.

January 2026, Volume: 04, Issue: 02 - E-ISSN: 2583-0546

6. *Advanced Materials and Nanotechnology:* Continued development of advanced materials and nanotechnology for applications in manufacturing, energy, healthcare, and other industries.

7. *Decentralized Manufacturing and 3D Printing:* Increased adoption of decentralized manufacturing models enabled by advancements in additive manufacturing (3D printing) and distributed production networks.

8. *Cyber-Physical Systems and Digital Twins:* Integration of cyber-physical systems and the widespread adoption of digital twin technologies for real-time monitoring, optimization, and predictive maintenance.

In summary, Industry 6.0 is a futuristic industry that transcends previous revolutions, emphasizing sustainability, intelligence, and holistic integration. Its impact will be profound, shaping the way we work, interact, and live in the coming decades.

Alternative modes of entry

Traditional entry mode literature focuses on foreign market entry from the perspective of multinational enterprises. Scholars have anchored their theoretical analysis based on transaction cost economics, resource-based view, institutional theory, and Dunning Eclectic Framework (OLI) (Lindsay *et al.*, 2017). Others had explored the internationalization decision in franchising for family business (Rosado-Serrano and Navarro-García, 2019; Rosado -Serrano, 2017) small and medium enterprises and multinationals and found firms decide to use non-equity and lower investment modes (Rosado-Serrano *et al.*, 2018; Rosado-Serrano and Paul, 2018) such as store in store (Rosado-Serrano, 2016; Rosado-Serrano and Navarro-García, 2022a, 2023), pop-up stores (Rosado-Serrano, 2016, 2017), food trucks and steel containers (Rosado-Serrano and Navarro-García, 2022a). Rosado-Serrano and Navarro-García (2018) indicate that strategic partnership theory could be used as an un-derpin to explore alternative modes of entry. Depending on which lens are used to explore the internationalization phenomena, there is no consensus on a particular theory to explain entry modes, and most specifically, alternative entry modes such as store in store, pop-up stores, and other temporary arrangements. The strategy of store in store and temporary/pop-up stores is not new in retail. Companies like Walmart, Macy's, El Corte Inglés, to name a few, have been hosting traditional brands and franchises due to the opportunity to have access to a large audience with a smaller footprint (Rosado-Serrano, 2016, 2017; Rosado-

Serrano and Navarro-García, 2022a, 2023). Alliances in the retail sector when space is shared, has been proven to increase sales for both retailers such as the store in store of Subway franchises inside Walmart (Kumar *et al.*, 2017) and their value (Pasirayi, 2020). In occasions, the decision is based on cost reduction, in others because is it requires lower resources and permits to enter foreign markets with a recognized and experienced host location. By using a preferred entry mode such as store in store firms reduce their complexity and facilitate international expansion (Swoboda *et al.*, 2015). Temporary stores are designed to engage consumers in a different form that other entry mode strategies (Rosado-Serrano and Navarro-García, 2022a, 2023). They provide memorable experiences (Taylor *et al.*, 2018) that resemble if consumers are seeing a theatrical play (Pomodoro, 2013) and creating their own new stories engaging with all their senses (Overdiek, 2018). These temporary or itinerant stores can be part of a special event or a specific venue or destination (Overdiek, 2018). Pop-up stores can provoke an urgency to purchase and react as many of the products presented are unique, exclusive and might not be available later to purchase (Rosado-Serrano and Navarro-García, 2022a). The products offered can be trials, special productions, or a novelty that won't be available in the future (Niehm *et al.*, 2006; Alexander *et al.*, 2018). Adventurous consumers may experience instant gratification by engaging in these temporary stores. For companies, it can be an effective international retail strategy because it reduces risk while it provides local market knowledge (Alexander *et al.*, 2018) in high cost and high traffic locations (Overdiek, 2018).

Phygital retail

The concept of phygital retail has been an evolution of the retail experience mediated using technology, changes in consumer preferences, and a younger audience that seek adventure through the discovery process of new goods and services. Phygital retail is a new take on experiential retail as it extends the boundaries of the physical store retail. It can be said the physical store, including department stores and other formats are evolving their functionality in the retail landscape. People are still consuming goods although have shifted the channel they use. A study by Placer.ai compared department store visits in January 2020 and 2022 and found they have dropped 25 % in comparison with indoor malls and general apparel stores with a drop of 9 % and 12 % respectively (Rethink Retail, 2022). By the end of 2021, total retail sales in the US reached 6.6 trillion (Sabanoglu, 2022) and E-commerce and mobile shopping represented 19.6 % of retail sales worldwide and it is expected to be 25 % of global retail sales (Coppola, 2022). Retail sales are undergoing an adaptation phase where mobile shopping is gaining participation, still, digital retail development is bounded by the improvement of online access. Therefore, physical retail continues to be an important element in the channel structure. As some department stores have closed and others are rightsizing (Rethink Retail, 2022), many have been using strategies such as pop-up shops and store in store to maintain market share domestically and expand internationally (Rosado- Serrano and Navarro-García, 2022a, 2022b, 2023; Rosado-Serrano 2016, 2017). Similarly, department stores and new marketplaces formats are trying new and exciting designs that are centered toward experiential retail experience (Rethink Retail, 2022). New marketplaces are being designed where architectural firms are brought in to combine brands with cured spaces, corners, or shop in shops (Wilson, 2019; Minsait, 2022; Retail Digital, 2022) that integrate digital and physical worlds to attract audiences that seek the phygital experience. These new marketplaces are being developed in vibrant cities with high urban traffic such as Madrid and New York City where traditional shopping malls layout does not work. Consumers engagement with brands and their products involve different experiences and responses that may be affective, sensorial, and cognitive (Verhoef *et al.*, 2009). Some consumers try to obtain memorable (Taylor *et al.*, 2018), hedonic and theatrical experiences (Rosado-Serrano and Navarro-García, 2022a; Pomodoro, 2013). Novelty and exclusivity might be what consumers might desire experiencing (Rosado-Serrano and Navarro-García, 2022a) and pursue opportunities to grasp that unique and hard to find product. In occasions, temporary locations provide a unique find and with the use of social media and smart devices, consumers embark in the quest to create these stories and seek locations to do so. Now with smart devices, brand interaction extends between the virtual and physical worlds and consumers expect a seamless personalized interaction across both channels (Lemon and Verhoef, 2016). Virtual reality (VR) and other augmented reality (AR) experiences such as Metaverse, are being rapidly adopted and becoming part of the adventure of seeking new experiences and unique products. Retailers that integrate AR in their mobile app have experienced higher sales for more expensive products and for brands that are less popular (Tan *et al.*, 2022). Traditional brands like NIKE and digital brands such as HIMS (Clark, 2018) can now create a compelling storytelling and customer journey experience as they are physically connecting in the phygital marketplace. Phygital retail appeals for young consumers that strive for an experience and can be a new avenue for traditional brands to reach out to this market segment.

Phygital is the future for brands to interact with consumers

Forty-six per cent of the consumers in India worried that life would not be the same as it was before the pandemic. The pandemic, economic fluctuations, and local and global events in 2020-21 caused consumers to form new behaviours, attitudes and values. A report by Mintel Global Consumer Research recognised consumer shifts and shared predictions on how brands could prepare for upcoming evolutions in consumer behaviour. Sixty-three per cent of shoppers found grocery shopping at neighborhood stores 'fun'. Blending the best of physical and online spaces would be a key in creating spaces for brands to interact with consumers going forward. As per the report, food panic buying and homes becoming offices impacted consumer behaviour in a multitude of ways, including food becoming more than a source of sustenance, but also a source of reassurance. Three key trends that offered great potential for food, drink and foodservice brands were: In Control, Enjoyment Everywhere and Flexible Spaces. Eighty-four per cent of the consumers said that they were eating healthy all or most of the time. As per the report, in 2022, people would want to see trustworthiness and measurable progress on health, environmental and ethical commitments. It was stated that the shoppers would also consider how their purchases contributed to protecting their health and or the health of the planet and everything on it. The report highlighted that companies would be expected to provide updates on progress or admit to missed targets related to long-term or transitional policies. Even more trust would be won by providing verified information, such as claims certified by third-party organisations. Forty-three per cent chocolate consumers ate chocolates to treat themselves, improve mood and reduce stress. Eighty-six per cent consumers agree that brands should show their impact on the environment on food or drink labels (e.g. carbon footprint, Eco-Score). Heng Hong Tan, Mintel food and drink analyst, APAC, said, "Consumers want more control over their wellbeing with eight in 10 Indians saying they are eating healthily all or most of the time. Food and drink brands have the complex task of conveying clear and reliable guidance so that a product will meet consumers' health priorities. They can empower consumers to make the right health choice by giving clear on pack detail linked to dietary requirements."

January 2026, Volume: 04, Issue: 02 - E-ISSN: 2583-0546

"Consumers will expect more transparency about a brand's climate-friendly and ethical commitments. Brands can win trust with third-party verification or measurements via rating systems which, in turn, can also help consumers make informed choices," Tan said. As per the report, 'Enjoyment Everywhere' explored the notion that consumers wanted to break out of their confines and will have a newfound appreciation for occasions. This is when happiness, fun or playfulness could be found in everyday items and activities after enduring long periods of lockdowns. The report also highlighted that food and drink brands were well-positioned to offer experiences that cannot be replicated online.

Tan said, "Consumers will be open to food, drink and foodservice that engages more of the senses to trigger emotional connections. Food and drink that captivate the senses can appeal to the unexpected and the intriguing. At the same time, the metaverse offers a new arena for brands to engage with consumers." In India, 88 per cent of the consumers say that they have played games on a tablet, laptop or desktop. Brands can join the gaming trend and 'game-ify' everyday activities like cooking in the digital realm where consumers can connect or bond with another. 'Flexible Spaces' explored how consumers were forced to rethink their work and play spaces due to changing consumer lifestyles. It was also stated that the home would continue to be a sanctuary for many people in the next 12 months. Meanwhile, restaurants, retailers and branded pop-up shops would be venues where deeper connections between consumers and brands would be fostered. The report highlighted that legacy food, drink and food service could open new concepts like popup shops or online environments where they could connect with a more diverseand nuanced consumer base.

Tan concluded, "We will see retailers redefining their approaches to space and selling to accommodate a more diverse consumer base, facilitate deeper consumer-to-brand connections and unite those that share common passions in both physical and online environments. As technology becomes more advanced, these blended worlds will coexist more seamlessly."

Phygital Natives Getting Older Younger

The sophistication of the younger cohorts can be attributed to their accelerated maturity. The phenomenon of kids getting older younger (KGOY) is increasingly apparent as younger generations adopt behaviors and preferences usually associated with older age groups. This includes teenagers dressing up, wearing makeup, engaging in mature conversations, and entering romantic relationships earlier than previous generations. Furthermore, children start using technology products, such as smartphones and tablets, and consuming mature content across media platforms at a younger age. But the faster maturity goes beyond emulating the looks and purchases of older generations. People typically go through four life stages: fundamental, forefront, fostering, and final—each takes approximately 20 years: The fundamental stage focuses on learning and identity formation through education and social relationships. The forefront stage involves transitioning from learning to work, taking risks, and exploring life while building a career and engaging in romantic relationships. The fostering stage is characterized by settling down, building a family, nurturing others, and contributing to society. Lastly, the final stage revolves around adapting to old age, managing health and relationships, enjoying meaningful activities, and imparting wisdom to younger generations. Generation Z and Generation Alpha experience accelerated life stages, adopting mature mindsets at younger ages. They demonstrate a greater willingness to take risks and learn through hands-on experiences, effectively going through the fundamental and forefront steps simultaneously in their development. Usually appearing during the fostering stage, the desire to contribute to society and achieve work-life balance is already present in many Generation Z in their mid-20s. This KGOY trend stems from multiple factors. Firstly, younger generations have easier access to information through the Internet and its digital content. Moreover, brands targeting younger audiences in areas such as fashion, food and beverages, consumer electronics, and beauty are introducing them to these product categories at an earlier age. Parenting style also has a significant impact on their behavior. For instance, parents from Generation X and Generation Y often encourage their children—belonging to Generation Z and Generation Alpha—to take on more adult responsibilities at home. All these factors lead to younger generations' faster mental and emotional growth.

Pragmatic Attitude and Decision Making

Generation Z grew up during the Great Recession (2007–2009) and witnessed their parents and older siblings' financial struggles. It leads to heightened financial awareness compared to Generation Y. Thus, they are interested in learning about personal finance, saving money, and investing for the future. This caution is also evident in the workplace. Generation Z workforce is more realistic compared to their idealistic Generation Y counterparts. They tend to prioritize job security over pursuing their dream job or high salaries, particularly considering the looming recession and widespread layoffs. As reported by Glassdoor, younger workers are increasingly drawn to larger, well-established companies, in contrast to millennials, who are often attracted to trendy start-ups. Generation Z is also more adept at making informed decisions and evaluating products and services from online and offline sources. As a result, they are sensible and understand value well—focusing on price and quality rather than solely relying on brand names. In terms of value, they put more weight on functional benefits than emotional appeal. Unlike Generation Y, which tends to spend more on materialistic products, Generation Z and Generation Alpha spend more on experiences such as traveling, gaming, wellness activities, live events and concerts, and community engagements. Rather than valuing possessions, these younger generations are more inclined to invest in themselves, placing greater importance on personal growth gained from experiences. This preference aligns well with the sharing economy, allowing them to access goods and services without the need for ownership through the likes of Uber and Airbnb. This value orientation also poses significant challenges for established and heritage brands relying on reputation and history to attract customers. The younger generations are less likely to be swayed by brand recognition and are more likely to seek novelty and new experiences that meet their specific needs. As a result, brands need to innovate customer experience to remain relevant.

Result & Findings

As an emerging phenomenon in practice and theory, there is a need to comprehend how phygital retail is positioned in the omnichannel literature as well as its effects on strategy formulation and results. Based on this we make the following research proposition:

Proposition 1: Phygital retail provides higher returns to digital native brands than to traditional brick and mortar brands.

Technology has also been changing store fixtures, their configurations and interactivity with consumers. From the perspective of store design and construction, with the integration of theatrical experience seeking, phygital marketplaces have been designed in conjunction with architectural firms and technology providers. The design of new retail stores that consider providing a phygital experience must consider the combination of third-party partners that have the capabilities in this niche industries.

Based on this, we provide the following proposition.

Proposition 2: Stores that are designed with high technology and creative architecture provide higher returns to traditional brands than to digital native brands.

Following the creative design approach, traditional companies may decide to use an inhouse creative department to have full control of all the intellectual property and minimize the risk of using an outside partner. Scholars may be interested to explore the use of architectural partners and if there is a difference for inhouse development of the design phase. Based on this we provide the following proposition.

Proposition 3: Companies may decide to outsource store design with architectural approach to outside companies if they can estimate cost/benefits over inhouse design.

Many companies have expanded internationally by using a franchising strategy. Some decide to use master franchisors or reputable local partners to develop foreign markets. The application of a phygital marketplace may be an alternative for brands that do not want to pursue a franchising strategy and want a lower risk entry mode in a phygital marketplace. Marketplaces provide the opportunity of exclusive product launches, low quantity, can provide access to young consumers and brand positioning. Based on this we provide the following proposition.

Proposition 4: Companies that want to go international with a low-risk entry mode may decide to do a store in store in a phygital marketplace.

Depending on the industry and ownership of companies there might be a difference on how these firms raise capital and the effect on the deployment and efficiency of the projects. Companies that are privately owned, family owned, publicly listed, or owned by a hedge fund, have different return expectations and tolerance to risk. Based on this, we propose the following proposition.

Proposition 5: Private controlled firms have more a possibility of implementing a phygital channel than publicly listed firms.

Native born companies start in an online platform and may transition to a phygital marketplace. These firms might experience higher growth while being fully online and when they transition to a phygital marketplace, hey experience lower returns. Based on this we propose the following:

Proposition 6: Native born brands experience higher growth when they operate only online than when in a phygital marketplace.

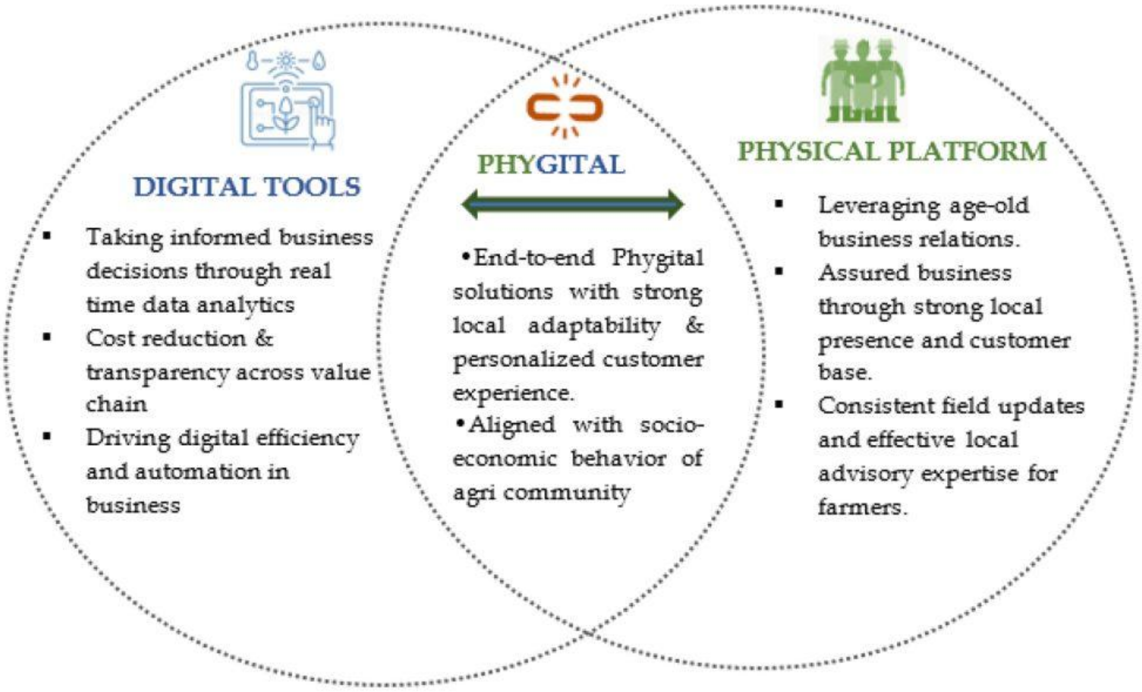

Figure 1: Strategic components of phygital platforms and its co-benefits

Conclusion

Today, marketers increasingly focus on Generation Z and Generation Alpha, true *digital natives* who grew up with the mainstream Internet. Generation Z, born between the mid-1990s to early 2010s, was born into the digital age and is highly adaptable to new technologies. Generation Alpha, the following cohort born after 2010, is expected to be even more digitally savvy due to growing up with millennial parents who are also tech-savvy. Together, they account for more than four billion people globally, making them a key market for brands. Although they share some similarities with Generation Y in digital savviness, some differences set Generation Z and Generation Alpha apart. Generation Y, experiencing the Internet later in life, often views it as a mere tool. In contrast, Generation Z and Generation Alpha, who have grown up with the Internet as a constant presence, consider it an integral part of their daily experience. They are connected continuously through multiple screens, even in social situations. As a result, these younger cohorts have a higher level of immersion in digital environments.

References

1. Alexander, B., and Blázquez Cano, M. (2020). Store of the future: Towards a (re)invention and (re)imagination of physical store space in an omnichannel context. *Journal of Retailing and Consumer Services*, *55*, 101913.
2. Alexander, B., Nobbs, K., and Varley, R. (2018). The growing permanence of op-up outlets within the international location strategies of fashion retailers. *International Journal of Retail & Distribution Management*, *46*(5), 487-506.
3. Benítez, J. (2022). Dimas Gimeno: No habría podido crear WoW si antes no hubiera estado en El Corte Inglés.
4. Chang, E. C. (2022). At the consumer's convenience- what the convenience store in Taiwan offers. https://taiwaninsight.org/2022/04/12/ at-the-consumers-convenience-what-the-convenience-store-in-taiwan-offers/
5. Clark, C. (2018). Neighborhood Goods Will be a New kind of Department Store. https://www.dmagazine.com/shopping-fashion/2018/10/neighborhood-goods-dallas-department-store/
6. Calabozo, A. (2022). Retail Design: The influence of Architecture on Brand image. https://www.re-thinkingthefuture.com/ article/retail-design-architecture-and-the-psychology-of-selling/
7. Cole, S. (2022). WOW concept's first physical store is an otherworldly experience.
8. Coppola, D. (2022). E-commerce as percentage of total retail sales worldwide from 2015 to 2025. https://www.statista.com/ statistics/534123/e-commerce-share-of-retail-sales-worldwide/
9. Curiel, M. (2022). La nueva megatienda de Zara en el corazón de Madrid. https://www. eldebate.com/espana/madrid/20220407/ zara-mas-grande-mundo-corazon-madrid. html
10. Dabic´ , M., Maley, J., Dana, L-P., Novak, I., Pellegrini, M. M., and Caputo, A. (2020). Pathways of SME internationalization: a bibliometric and systematic review. *Small Business Economics*, *55*(3), 705-725.
11. Fiestas, J. C., and Tuzovic, S. (2021). Mobile-assisted showroomers: Understanding their purchase journey and personalities. *Journal of Retailing and Consumer Services*, *58*, 102280.
12. He, Y., Xu, O., and Shao, Z. (2021). «Ship-from-store» strategy in platform retailing. *Transportation Research Part E: Logistics and Transportation Review*, *145*, 102153.
13. Jindal, R. P., Gauri, D. K., Li, W., and Ma, Y. (2021). Omnichannel battle between Amazon and Walmart: Is the focus on delivery the best strategy. *Journal of Business Research*, *122*, 270-280.
14. Kumar, S. (2023). Red Ocean Strategy: A Literature Review. *International Journal of Economics & Business Administration (IJEBA)*, *11*(4), 91-100.
15. Kumar, S. (2023). Customer Innovativeness An Effusive Perspective To Brand

Extension. *Business Excellence and Management*, *13*(4), 61-67.

16. Kumar, S. (2023). The The Red Queen Effect and How to Evade the Red Queen Effect by using Generative AI: Preparing Companies for Industry 5.0. *DME Journal of Management*, *4*(02), 44-53.
17. Kumar, S. (2023). A Study on Role of Women Entrepreneurs in G20 Countries. *DME Journal of Management*, *4*(02), 18-37.
18. Kumar, S. (2024). Great Suppliers Theory–(An Offer based Market Segmentation Framework). *Saudi J Bus Manag Stud*, *9*(3).
19. Kumar, S. (2024). Empowering Women Entrepreneurs: A Comprehensive Analysis of their Impact in G20 Economies. *Apex Journal of Business and Management*, *2*(2), 75-96.
20. Kumar, S. (2024). Growing Use of Next-Door Faces and Transformation to The Digital Age: A Study on Arrival of New Practices In the Indian Advertising Industry. *NOLEGEIN-Journal of Advertising and Brand Management*, *7*(1), 11-20.
21. Kumar, S. PROPOSITION OF STRATEGIES FOR BUSINESS MODELS THAT WORK IN SPORTS LEAGUE BUSINESS IN INDIA AND OTHER COUNTRIES. *SAMIKHIYA A Multidisciplinary Research Journal ISSN: 2583-827X (Online), Vol. 3 Issue 01, June 2024*, 102.
22. Kumar, S. (2024). Story of Top Tea Companies and Top Chai Startups in India: What Makes Them to Keep it Big. *Optimization: Journal of Research in Management*, *16*(1).
23. Kumar, S. Strategic Decision Making and Strategic Decision Practices in Intelligent Organizations: A Review.
24. Kumar, S. (2024). Advancing Sustainability: A Conceptual Review for 21st Century Corporates. *International Journal of Economics & Business Administration (IJEBA)*, *12*(2), 176-211.
25. Kumar, S. Changing Face of Authority Figures and Influencers in the New Age: A Study of New Emerging Practices in the Indian Advertising Industry.
26. Kumar, S. 44. A Case Study on Gujarat's New Generations Overcoming the Challenges of Third Generation Company.
27. Kumar, S. (2024). Breaking the Glass Ceiling Effect Chai Women Entrepreneurs of India. *Journal of Entrepreneurship*, *13*(04).
28. Kumar, S. A LOOK INSIDE THE SHOPPING BAGS OF THE NEW INDIAN CONSUMERS: WHERE IS THE FUTURE INDIAN CONSUMER HEADED?. *GWALIOR MANAGEMENT ACADEMY*, 22.
29. Kumar, S. (2001). *Red Ocean Strategy*. Clever Fox Publishing.
30. Kucheriavyi, B. (2022). Alibaba: Beijing strikes back. https://seekingalpha.com/article/4499046-alibaba-beijing-strikes-back
31. Kumar, V., Anand, A., and Song, H. (2017). Future of Retailer Profitability: An Organizing

Framework. *Journal of Retailing*, *93*(1), 96-119.

32. Lemon, K. N., and Verhoef, P. C. (2016). Understanding customer experience throughout the customer journey. *Journal of Marketing*, *80*(6), 69-96.
33. Lindsay, V., Rod, M., and Ashill, N. (2017). Institutional and resource configurations associated with different SME foreign market entry modes. *Industrial Marketing Management*, *66*, 130-144.
34. Massive. (2016). Tesco- Homeplus virtual store. https://www.youtube.com/ watch?v=NrLIldbBcu0
35. Minsait. (2022). WOW Concept: punta de lanza en Phygital. https://www.minsait. com/es/actualidad/insights/wow-concept-punta-de-lanza-en-el-phygital
36. Neighborhood Goods (2022). Our Story. https:// neighborhoodgoods.com/pages/about
37. Niehm, L. S., Fiore, A. M., Jeong, M., and Kim, H-J. (2006). Pop-up retail's acceptability as an innovative business strategy and enhancer of the consumer shopping experience. *Journal of Shopping Center Research*, *13*(2), 1-30.
38. Ntounis, N., Mumford, C., Loroño-Leturiondo, M., Parker, C., and Still, K. (2020). How safe is it to shop? Estimating the amount of space needed to safely social distance in various retail environments. *Safety Science*, *132*, 104985.
39. Overdiek, A. (2018). Exploring the pop-up shop for co-design research. In C. Storni, K. Leahy, M. McMahon, P. Lloyd, & E. Bohemia (Eds.), *Design as a catalyst for change - DRS International Conference*, 2209-2221.
40. Pasirayi, S. (2020). Stock market reactions to store-in-store agreements. *Industrial Marketing Management*, *91*, 455-467.
41. Patten, E., Ozuem, W., Howell, K., and Lancaster, G. (2020). Minding the competition: The drivers for multichannel service quality in fashion retailing. *Journal of Retailing and Consumer Services*, *53*, 101974.
42. Petit de Meurville, M., Pham, K., and Trine, C. (2015). How Tesco virtually created a new market on a country's lifestyle.
43. Pomodoro, S. (2013). Temporary retail in fashion system: An explorative study. *Journal of Fashion Marketing and Management*, *17*(3), 341-352.
44. Qi, X., Chan, J. H., Hu, J., and Li, Y. (2020). Motivations for selecting cross-border e-commerce as a foreign market entry mode. *Industrial Marketing Management*, *89*, 50-60.
45. Quach, S., Barari, M., Moudrý, D. V., and Quach, K. (2020). Service integration in omnichannel retailing and its impact on customer experience. *Journal of Retailing and Consumer Services*, *65*, 102267.
46. Quartier, K., Claes, S., and Vanrie, J. (2020). A holistic competence framework for (future) retail design and retail design education. *Journal of Retailing and Consumer Services*, *55*, 101914.

47. Retail Digital (2022). PHYGITAL, la tendencia que integra el mundo on line y el físico. https://www.retaildigital.es/2022/04/06/ tienda-fisica-o-ecommerce-no-tienes-por-que-renunciar-a-ninguno-asi-que-apuntate-al-phygital/
48. Rethink Retail (2022). The Department Store Isn't dead- It's evolving. https://www.rethink.industries/download/dept-store-evolving- 2022/
49. Riegger, A-S., Klein, J. F., Merfeld, K., and Henkel, S. (2021). Technology-enabled personalization in retail stores: Understanding drivers and barriers. *Journal of Business Research*, *123*, 140-155.
50. Rosado-Serrano, A. (2016). Store in store franchising strategy: The trend in franchising negotiation. *Neumann Business Review*, *2*(1), 20-37.
51. Rosado-Serrano, A. (2017). Franchising as strategy for internationalization of family firms: An exploratory study. *Neumann Business Review*, *3*(1), 145-165.
52. Rosado-Serrano, A, and Navarro-García, A. (2019). Family business in transition economies: an exploratory study of private business. *European Journal of Family Business*, *9*(1), 49-53.
53. Rosado-Serrano, A., and Navarro-García, A. (2022a). Alternative modes of entry and unexpected events in franchising. *Journal of Global Business Insights*, *7*(2), 94-108.
54. Rosado-Serrano, A., and Navarro-García, A. (2022b). Modos alternos de entrada en franquicias y tiendas propias: tiendas córner, pop up, móviles, autónomas y phygital. Book chapter on *Consumer-First Marketing: Cuidar al Cliente como Leitmotiv Empresarial* (pp. 209-224).
55. Rosado-Serrano, A., and Navarro-García, A. (2023). Alternative modes of entry in franchising. *Journal of Business Research*, *157*, 113599.
56. Rosado-Serrano, A., Paul, J., and Dikova, D. (2018). International franchising: A literature review and research agenda. *Journal of Business Research*, *85*, 238-257.
57. Sabanoglu, T. (2022). Total retail sales in the United States from 1992 to 2021. https:// www.statista.com/statistics/197576/ annual-retail-sales-in-the-us-since-1992/
58. Saha, K., and Bhattacharya, S. (2020). 'Buy online and pick up in-store': Implications for the store inventory. *European Journal of Operational Research*, *294*(3), 906-921.
59. Singh, S., and Jang, S. (2020). Search, purchase, and satisfaction in a multiple-channel environment: How have mobile devices changed consumer behaviors? *Journal of Research and Consumer Services*, *65*, 102200.
60. STIRpad. (2022). WOW's first physical store borrows features from the metaverse. https://www.stirpad.com/news/stir-news/ wow-s-first-physical-store-borrows-features-from-the-metaverse/

61. Solé, R. (2022). Informe Mercado del lujo España 2021. EAE Business School- Strategic Research Center. https://lnkd.in/dB_npUHg
62. Swoboda, B., Elsner, S., and Olejnik, E. (2015). How do past mode choices influence subsequent entry? A study on the boundary conditions of preferred entry modes of retail firms. *International Business Review*, *24*(3), 506-517.
63. Tan, Y-C., Chandukala, S. R., and Reddy, S. K. (2022). Augmented Reality in Retail and Its Impact on Sales. *Journal of Marketing*, *86*(1), 48-66.
64. Taylor, S., DiPietro, R. B., and Fung So, K. K. (2018). Increasing experiential value and relationship quality: An investigation of pop-up.
65. Taylor, G. (2019). Neighborhood Goods Brings 'Reinvented' Department Store to NYC. https://www.retailtouchpoints.com/features/news-briefs/neighborhood-goods-brings-reinvented-department-store-to-nyc
66. Valentini, S., Neslin, S. A., and Montagut, E. (2020). Identifying omnichannel deal prone segments, their antecedents, and their consequences. *Journal of Retailing*, *96*(3), 310-327.
67. Verhoef, P. C., Lemon, K. N., Parasuraman, A., Roggeveen, A., Tsiros, M., and Schlesinger, L. A. (2009). Customer experience creation: Determinants, dynamics and management strategies. *Journal of Retailing*, *85*(1), 31-41.
68. Wilson, M. (2019). Neighborhood Goods bring its multi-brand format to New York.