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"IN-STORE EXPERIENCES THAT CAPTIVATE GEN Z IN GERMANY'S LUXURY FASHION SECTOR"

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Abstract

This master thesis aims to explore the evolving preferences of Gen Z within the luxury fashion sector, using Schmitt's (1999) Strategic Experiential Modules (SEMs) as a framework to analyze their shopping experiences. Through a combination of literature review and qualitative interviews, the research examines the role of the physical store in shaping Gen Z's interactions with luxury fashion brands. The study aims to provide insights into how luxury retailers can adapt their in-store strategies to better align with the expectations and behaviors of this emerging consumer demographic.

Keywords: *luxury fashion, Gen Z, luxury consumer trends, experiential marketing, in-store experiences*

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1 Introduction

1.1 Topic Introduction and Research Question

Germany has a rich history and enduring demand for luxury goods, with the market forecasted to reach a volume of €17.09 billion by 2029, led by the fashion segment contributing around €6.13 billion in 2024 (Statista 2024). Yet, in a fiercely competitive market where customer expectations constantly evolve, luxury brands must persistently find ways to captivate their audience. This challenge aligns with their core purpose: luxury goods are designed to sell dreams, transforming discretionary items into objects of desire (Kapferer and Bastien 2017). Maintaining this desirability, however, demands brands to respond to shifting industry dynamics and consumer expectations.

A key shift in these dynamics was triggered by the COVID-19 pandemic, which fundamentally altered the retail landscape and propelled e-commerce to the forefront (Mathradas 2024). Traditionally reliant on high-touch, in-store experiences, luxury retail faced stagnation in physical store development as online platforms surged. As Pierre-Yves Roussel, CEO of LVMH Fashion Group, remarked, "The Internet has increased the visibility of fashion, but the fundamentals of the industry haven't changed" (Sibony and Tochtermann 2014). This deepened the "Retail Apocalypse," with prominent retailers like Germany's KaDeWe Group filing for insolvency (Malsch 2024). However, Business of Fashion (BOF) Insights (2023) reveal that brick-and-mortar stores are making a comeback while online growth has slowed to pre-pandemic levels. Despite their renewed importance, stores must address years of stagnation by transforming these spaces into engaging environments that captivate modern consumers.

Central to this shift is Generation Z, the emerging driving force in the luxury market, projected to account for 25% to 30% of global luxury purchases by 2030 (D'Arpizio et al. 2024). Contrary to the misconception that Gen Z prefers online shopping, this tech-savvy yet experience-driven generation actively seeks in-store engagement, viewing luxury as more than just products – it's about emotionally resonant, immersive experiences (Ruben 2024). Balancing the allure of traditional retail with the evolving expectations of this demanding demographic presents a unique challenge for brands.

Despite these trends, research on luxury retail experiences remains fragmented, with studies primarily focusing on hospitality or utilitarian attributes rather than immersive in-store experiences (Gupta, Shin, and Jain 2023; Brakus, Schmitt, and Zarantonello 2009). This gap is particularly significant as Gen Z emerges as a key driver of luxury market growth, with little understanding of the factors motivating their in-store purchases or how brands can meet their expectations (Schüller, Dietrich, and Spielmann 2018). Moreover, luxury consumers, especially in Germany, represent a niche but valuable group that is challenging to engage (Condé Nast Germany 2023). Understanding how to create in-store experiences that resonate with Gen Z is critical for luxury brands aiming to thrive in this evolving market. Thus, this thesis addresses the research question: *"How can luxury fashion brands in Germany create in-store experiences that resonate with Gen Z consumers?"*

2 Literature Review

2.1 The Role of the Store in Luxury Fashion

Before the rise of e-commerce and digital experiences, luxury stores were essential in maintaining a brand's aura and preserving its key elements, such as exclusivity, rarity, and dreams (Kapferer 2012). They served as a space to shape the brand's identity through unique strategies, such as integrating art and museum-like elements. This connection to art was encouraged by the 1982 movement, as Okonkwo (2007) highlights, further reinforcing the store's role in cultivating a sense of rarity and prestige. Yves Saint Laurent, for example, was the first designer to have his work displayed in New York's Metropolitan Museum of Modern Art in 1983.

The artistic role of the luxury store remains significant, as Joy et al. (2014) demonstrate how such settings are evolving into art institutions. Louis Vuitton (LV) exemplifies this trend by integrating art into its identity through design, lighting, and collaborations with artists, such as the famous monogram multicolor range created with Takashi Murakami. Riot, Chamaret, and Rigaud (2013) found that such partnerships bring playfulness to traditionally formal store environments, altering client emotions and expanding their choices. Similarly, Dion and Arnould (2011) highlight how luxury retail uses art and architectural beauty to create a magical aura, often showcasing the creative director's vision through displays and design. For instance, LV's collaboration with Yayoi Kusama featured a contemporary art exhibition at its flagship store, blending artistic vision with the brand's identity (Tuzio 2023; Appendix 1). Together, these studies position luxury stores as museum-like spaces that are both impressive and designed to evoke dreams.

Despite the **rise of the internet**, physical stores remain central to luxury distribution, essential for maintaining brand exclusivity and consumer trust. Luxury brands have faced challenges balancing the exclusivity of their in-store experiences with the accessibility offered by online channels (Kapferer 2012). Reluctance to embrace online retail fully, as seen in Prada's delay in launching a corporate website until 2007 (Okonkwo 2009), reflects this tension. The struggle lies in expanding reach while preserving the perception of rarity and prestige (Hennigs, Wiedmann, and Klarmann 2012). Schüller, Dietrich, and Spielmann (2018) confirm that physical stores still dominate as primary channels, highlighting their unmatched role in building personal connections with customers and reinforcing brand trust.

Future debates about physical touchpoints highlight uncertainty regarding their evolving role in an increasingly digital world. Schüller, Dietrich, and Spielmann (2018) state that growing digitization has pushed marketers to integrate stores into omnichannel strategies, such as "buy online, pick up in-store" and "research online, purchase offline." Their research emphasizes that physical stores will prioritize brand experience as both a unique selling point and a sales driver in the luxury sector. Similarly, Chen (2020) argues that stores are transitioning from transactional hubs to spaces fostering loyalty, memorable experiences, and brand awareness. Chen (2020) identifies four key functions for the future role of physical stores: service touchpoint, community hub, immersive entertainment, and brand billboard. **Service touchpoint** emphasizes long-term relationships through sensory product interactions, while **community hub** blends transactional and emotional aspects via events. **Immersive entertainment** surprises customers with personalization and offerings like augmented reality or in-store food. **Brand billboard** repositions stores as acquisition tools, showcasing a brand's uniqueness. These roles are essential for stores to provide compelling reasons for customers to visit, engage, and purchase. Chen (2020) concludes that only stores offering the most compelling experiences will thrive. To do so, a brand must first understand how modern consumers shop. The next section will explore this further, focusing specifically on Gen Z shoppers.

2.2 Gen Z Consumer Behavior in Luxury

Younger generations are driving growth in the luxury market, with Gen Z's spending power set to increase as they gain financial independence and benefit from economic recovery (Nanda 2020). To leverage Gen Z's rising influence, luxury brands must tailor their offerings to resonate with their distinct values and shopping habits.

Certain consumer trends among Gen Z can be observed that impact the luxury market and force brands to adapt. Gen Z trends relevant to luxury fashion stores focus on digital integration and experience-driven shopping. The first trend relevant to Gen Z is their expectation of **seamless tech integration**, where digital and physical luxury experiences merge effortlessly to create a unified shopping journey (Roberts 2023). Roberts (2023) argues that having grown up in the digital era, this generation appreciates stores but, at the same time, is highly tech-savvy and relies on digital platforms for shopping and communication. They expect smooth, omnichannel experiences across physical stores, online platforms, and social media. Thus, consistency between these channels is key to creating an integrated brand experience. Moreover, ease of payment, mobile apps, and simple transactions are essential for attracting Gen Z shoppers (McKinsey & Company 2023).

The second trend highlights Gen Z's preference for **experience-driven shopping**. In response to the Covid-19 pandemic, this generation has grown increasingly price-sensitive, cutting back on non-essential spending (Nanda 2020). With the convenience of online shopping, Gen Z now expects luxury brands to offer compelling, experiential reasons to visit physical stores, making their spending worthwhile (Chen 2020). Marketing agency Promobile (2024) emphasizes that Gen Z values personalized experiences, reflecting their exposure to data-driven targeting and automation, which has set high standards for tailored product recommendations and content. The same source highlights that despite their reliance on digital, Gen Z strongly desires in-person shopping for its tactile and interactive elements, such as assistance from knowledgeable staff and the ability to see, feel, and try products.

These trends play an influential role in shaping Gen Z's purchasing behavior. However, such behavior varies significantly across regions, highlighting the importance of a focused analysis of Gen Z in Germany. A Luxury Report by Condé Nast Germany (2023), based on German luxury consumers, examines their purchasing journey, dividing it into three fundamental phases: **awareness, consideration, and purchase**. While these phases are broadly applicable to any market, their nuances in the German context provide deeper insights. In the awareness phase, German consumers discover brands through magazines, online ads, social networks, and in-store browsing. During the consideration phase, Gen Z expects luxury brands to align with their values, foster individuality, and create community. Added value through personalized experiences or exclusive events is particularly influential. In the purchase phase, physical stores are essential, offering immersive, sensory experiences that shape decisions alongside input from social media like Instagram and TikTok. To resonate with German Gen Z consumers, luxury brands must create memorable in-store experiences tailored to their values and preferences. Despite these insights, specific strategies for effectively engaging this demographic within the German luxury fashion market remain underexplored, representing an important gap for further investigation.

2.3 Experiential Marketing and Strategic Experiential Modules (SEMs)

Atwal and Williams (2009) describe a significant transformation in marketing from focusing on product features to a consumer-centric approach called experiential marketing. Traditional marketing views consumers as rational decision-makers, focused on functional aspects, while experiential marketing recognizes consumers' desire for sensory, emotional, and intellectual engagement (Shahid et al. 2022). Pine and Gilmore's (1999) work on the experience economy underscores this shift, emphasizing that brands now aim to form deeper, more memorable connections with consumers. Schmitt (1999) further developed this with his framework of five strategic experiential modules (SEMs), which guide brands in crafting diverse and engaging experiences. Gucci exemplifies this approach, applying each SEM in practice:

1) **Sense Marketing** focuses on sensory experiences, aiming to stimulate the senses (visual, sound, smell, touch, and taste) to create an immersive environment and evoke emotions (Shaw and Ivens 2002). Schmitt (1999) highlights that sensory variety, such as enhancing aesthetics, can differentiate products or services and add value. Specifically, visual aspects like design, color, and sales personnel influence customer mood and behavior. Dion and Arnould (2011) argue that beauty – whether in architecture, product displays, or interior design – is central to a

brand's value. Sound, like in-store music, strengthens a brand’s identity and evokes emotions (Hultén, Broweus, and Dijk 2009), with familiar music making shoppers feel they’ve spent more time and increasing arousal (Yalch and Spangenberg 2000). Smell, closely tied to emotions and memories, is often used to evoke specific behaviors and give spaces a favorable identity (Song 2009). Touch is also critical, as it helps customers evaluate quality and value before purchasing (Krishna 2012). Although taste is less relevant in luxury fashion, less healthy food samples are perceived as more enjoyable (Raghunathan, Naylor, and Hoyer 2006). Targeting multiple senses enhances brand experiences and strengthens customer value and brand perception (Wiedmann et al. 2018). This is especially true for luxury shoppers, who actively seek immersive sensory experiences (Kauppinen-Räisänen, Mühlbacher, and Taishoff 2020). **Gucci** leverages Sense Marketing through store aesthetics, live DJs, and cocktail bars to create a multi-sensory, luxurious environment (The Drum 2022).

2) Schmitt (1999) describes **Feel Marketing** as focusing on emotional experiences, ranging from subtle positive feelings to intense emotional responses, triggered by specific stimuli. He highlights how these experiences encourage customers to engage empathetically or adopt another perspective. Joy et al. (2014) argue that emotions, including aesthetic experiences, are shaped by product arrangements alongside artworks. Similarly, Choi, Ko, and Kim (2016) found that exhibitions, designer activities like photography, and store design stimulate positive emotions and build emotional bonds. Chen (2020) notes that a shopper’s emotional experience often outweighs the significance of the items purchased. Moreover, Kauppinen-Räisänen et al. (2020) emphasize that luxury shoppers seek immersive experiences, wanting to be integrated into the brand’s world. This sense of belonging is enhanced by empathetic staff who create a welcoming environment, offering personalized attention and guidance, which fosters a feeling of uniqueness and makes the experience emotionally rewarding. Muthiah and Suja (2017) further emphasize that a stress-free shopping experience – characterized by the ease of finding

products and attentive service – fosters customer satisfaction and encourages positive word-of-mouth. **Gucci** exemplifies Feel Marketing by training employees to treat every customer as their most important client, fostering emotional connections, and reinforcing the brand's heritage and authenticity (Bauer 2021).

3) **Think Marketing,** as defined by Schmitt (1999), engages the intellect by stimulating cognitive experiences through thought-provoking and surprising elements. This approach captivates consumers by sparking intellectual intrigue, encouraging reflection, and adopting new perspectives. Schmitt also highlights how tools like innovative advertisements, discounts, and unique product designs provoke both convergent and divergent thinking. Lee et al. (2008) add that Think Marketing creates cognitive engagement by leveraging customer intelligence and enhancing focus. Furthermore, Poulsson and Kale (2004) suggest that marketing experiences should be novel, surprising, and offer learning opportunities to be meaningful. Oppositely, Kauppinen-Räisänen et al. (2020) argue that surprise is less critical in luxury shopping, as luxury shoppers have such high expectations that they are more surprised by inadequate service. **Gucci** Circolo (Appendix 2), a post-pandemic initiative, embodies Think Marketing by offering curated rooms that explore Gucci's connections to music, cinema, and art, sparking intellectual curiosity through storytelling and hands-on experiences (Giorgini 2021).

4) Schmitt (1999) emphasizes that **Act Marketing** inspires consumers to engage in physical actions, adopt new behaviors, and embrace lifestyles aligned with a brand's message. He argues that by focusing on physical experiences, brands can enrich customers' lives and encourage meaningful lifestyle changes. Muthiah and Suja (2017) note that retailers can influence customer lifestyles by promoting attitudinal shifts through role models or captions that are emotional, motivational, and inspirational. Solomon (2005) highlights that creating interactive experiences stimulates consumer involvement, blurs the lines between production and consump-

tion, and empowers consumers to proactively engage with brands. **Gucci** exemplifies Act Marketing by offering interactive customization services, fostering dynamic engagement, and encouraging consumers to embrace the brand's lifestyle (TheBigMarketing 2024).

5) Schmitt's (1999) concept of **Relate Marketing** emphasizes creating experiences that connect customers to larger social or cultural groups, enriching their shopping behavior and lifestyle. This approach integrates all four experience modules – Sense, Feel, Think, and Act – creating synergy among them. Schmitt further suggests that Relate Marketing fulfills customers' desires for personal growth and positive social perception from family and friends. It fosters self-improvement by linking customers to something beyond their current state (Carmo, Marques, and Dias 2022). By building connections with a broader community, retailers offer more meaningful experiences that customers value and may pay a premium for. **Gucci** exemplifies Relate Marketing by transforming shoppers into participants in its cultural narrative, linking them to the brand's heritage and creative community, fostering exclusivity and belonging (The Drum 2022).

Studies on the SEM framework show that each experience significantly influences the next, such as the feel experience impacting the think experience (Muthiah and Suja 2017). Schmitt (1999) recommends creating holistic experiences that integrate all five SEMs for maximum impact, though hybrid strategies combining two or more modules are also common.

3 Methodology

3.1 Research Method and Data Collection

This thesis aims to explore how luxury fashion brands in Germany can create in-store experiences that resonate with Gen Z consumers. Yin (2009) suggests that qualitative research is the ideal approach for addressing "how" questions. The objective is to gain a deep understanding of experiential marketing in physical stores, with close attention to nuance, detail, and context.

Given the limited empirical research on this topic, an exploratory approach is most suitable for uncovering the unknown aspects of the in-store experience that appeal to Gen Z, and for developing theoretical insights into experiential marketing within luxury fashion retail (Stebbins 2008). Interviews were chosen as a qualitative research method to provide rich, detailed insights, essential for answering the research question comprehensively.

Regarding the interviews, 22 in-depth interviews with German Gen Z luxury fashion consumers in Germany were conducted. A semi-structured interview style was used to maintain a flexible and conversational dynamic, allowing interviewees to introduce unexpected topics as they arose. The participants were strategically and purposefully selected to capture the most information-rich cases. Convenience sampling was initially used to select participants who met the required criteria, and snowball sampling was then employed to identify further cases by asking interviewees for recommendations of other suitable candidates. Only interviewees that lived in Germany for more than five years, born between 1995 and 2010, and who purchased at least one luxury fashion item in the last year were eligible to participate. For the purpose of this thesis, luxury fashion items are characterized by high-end brand names like Gucci, Dior, or Hermès and entail designer clothing, shoes, and accessories like bags and scarves.

To explore key experiential elements, the interview guide (Appendix 3) was organized using Schmitt's five SEM modules, structuring the dialogue, analysis, and coding. The interview started with general questions and progressed to categorizing participants' best, average, and worst experiences from the last two years. Memory prompts included major global brands (Sabanoglu 2024). Next, experience-focused questions targeted the SEMs, followed by visions for ideal store visits. For example, participants were asked, "If you could design your ideal luxury store experience, what would it look like?". The data were collected during a one-month period from the 1st to the 31st of October 2024. The participant group comprised six males and 16 females, with an average age of 25. Participants' ages ranged from 21 to 29 (Appendix 4).

The sample also included an expert interview with Interviewee N, a Fashion Marketing Specialist for Germany and Northeast Europe at Chanel.

3.2 Method of Analysis

A key focus of the analysis in this qualitative research is the coding of data from the in-depth interviews. The coding process involves systematically identifying and classifying key terms or ideas mentioned during the interviews to interpret the collected information (Saldana 2015). This method allows for the identification of patterns and the grouping of similar data across all interviews.

For this thesis, a hybrid thematic analysis approach was employed, combining both deductive and inductive reasoning (Fereday and Muir-Cochrane 2006). The deductive aspect involved using Schmitt's (1999) five SEMs as a guiding framework during the interviews to explore Gen Z's responses to each dimension. Following this, an inductive approach was applied to identify emerging sub-themes within each SEM, revealing what is important to Gen Z and their specific expectations for in-store experiences. This hybrid approach allows for structured analysis while also remaining open to new insights derived directly from the data (Fereday and Muir-Cochrane 2006).

To maintain confidentiality and respect the wishes of the participants, all interviews were anonymized, as shown in the table in Appendix 4. However, with the consent of the interviewees, the interviews were recorded and transcribed using the software SONIX, producing 123 pages of transcript material. The transcripts ensured that no topics were lost and that the answers could be analyzed in a greater level of detail. MAXQDA was used to code the transcripts, facilitating data storage, coding, retrieval, and linking. Due to privacy concerns, the interview transcripts are not included in this document.

4 Findings

4.1 Analysis of Interviews

Gen Z’s luxury shopping behaviors show a clear preference for offline experiences, where tactile engagement, personalized service, and the ambiance of luxury stores create irreplaceable memories. While they appreciate online shopping for its convenience and price comparisons, they see it as a complement rather than a substitute for in-store shopping. Although findings largely align with existing research, tailored service emerges as a new focus for Gen Z. The findings follow the coding tree outlined in Appendix 5.

4.1.1.1 Sense

The interviews revealed diverse insights into the sensory elements valued by Gen Z in luxury stores, with **visual** design emerging as a standout aspect. Seasonal decorations were frequently mentioned for enhancing the shopping atmosphere, as Interviewee K noted, “It’s fun when stores are decorated for different holidays” (l. 13). Lighting was also a recurring theme, with several participants highlighting its impact on mood and purchases. For example, Interviewee M described lighting as a “game changer” that can make her “love the clothes more in an instant” (l. 39). On the other hand, Interviewee I shared that harsh lighting at Gucci “detracted from the experience” and felt out of place in a luxury setting (l. 42). Distinctive store designs were also praised, with Interviewee P recalling the Hermès store in Paris, an “architectural masterpiece” located in an old swimming pool (l. 41). Conversely, poorly designed stores were criticized, as Interviewee H stated that “mall-like, cheap and small” layouts make brands less appealing (l. 16).

In terms of **sound,** most interviewees agree that balanced background music enhances the atmosphere, with subtle and appropriate music creating a comfortable shopping experience. Interviewee M suggests “subtle music in the background so that no awkward silence creeps up”

(l. 42), while Interviewee J emphasizes that overly loud or intrusive music is stressful, preferring quieter tones adapted to the atmosphere, which “makes me feel comfortable and allows me to relax” (l. 43). For Interviewee O, sound also reflects brand identity, with “mainstream music” suiting younger brands like Balenciaga, and “calm music” aligning with more elegant brands like Dior (l. 50).

Regarding **smell,** interviewees recall memorable examples such as Chanel’s use of fragrances, which makes the store identifiable by scent (Interviewee G; l. 23). Interviewee Q highlights that Bulgari’s scent “reminds me of the quality every time I smell it, making my shopping experience better and strengthening my loyalty” (l. 44). However, some interviewees caution against overpowering or mismatched scents, which “can feel intrusive and detract from the experience of browsing clothes” (Interviewee I; l. 49). On the other hand, a “gentle and not too penetrating” scent encourages customers to stay longer (Interviewee E; l. 22).

Touch emerges as the most critical sense for assessing quality and value in luxury fashion. Interviewee F explains, “If I can feel that a product is high-quality and that good materials are used, then I am willing to buy the product even though it is expensive” (l. 52). This tactile experience is particularly crucial for high-end materials like cashmere or leather. Interviewee J emphasizes that physical interaction “helps me to make a quicker purchase decision,” adding that it is often impossible to assess product quality online (l. 49). Interviewee Q further notes that “hands-on interaction is crucial in appreciating the quality and craftsmanship of luxury goods, making the shopping experience truly special and tailored” (l. 88).

Regarding **taste,** the offer of drinks in luxury stores contributes to a welcoming and relaxed atmosphere, with Interviewee C stating that it makes them feel “more welcomed and valued as a customer” (l. 57). Interviewee Q adds that such gestures “help set luxury stores apart from regular retail experiences” (l. 50). While Interviewee H prefers a variety of options like “champagne or tea,” most interviewees agree that drinks, rather than food, create a luxurious touch, as noted by Interviewee O: “Getting food in a store is not important at all” (l. 59).

4.1.1.2 Feel

Gen Z values knowledgeable and **balanced assistance** from staff, as competent support “can fully make up the experience” (Interviewee B; l. 39). Friendly, polite staff leave a lasting impression, with Interviewee M noting her “impression of the brand becomes better with friendly staff” (l. 58). However, they strongly prefer assistance that is non-intrusive, as hovering staff can make them feel “stressed, under pressure, and watched” (Interviewee F; l. 22). Respectful and relaxed interactions foster trust, with Interviewee G observing that helpful staff make her feel “so much safer and more willing to pay that amount of money” (l. 33). Conversely, negative interactions, such as being ignored, can discourage purchases, as Interviewee J recalls, “You were neither greeted nor given any kind of attention (...) which is why I decided not to buy anything there” (l. 17). Beyond friendliness, Gen Z expects staff to be highly knowledgeable, with Interviewee T emphasizing the value of “competent staff who are specifically familiar with the brand” (l. 42).

In terms of **building bonds**, Gen Z’s emotional connections with brands often stem from interactions with ambassadors or staff rather than the products themselves. Interviewee H remarked, "I don't think I would feel connected to things on an emotional level just because it's products. To me, it's things" (l. 31). However, associations with public figures can enhance brand perception. Interviewee F shared his admiration for Gucci due to Jannik Sinner, stating, “I perceive Gucci as a better brand (...) and can identify more with it” (l. 51). Negative experiences, such as feeling judged based on appearance or age, significantly undermine these bonds. Interviewee R felt “extremely unappreciated” when ignored for dressing casually (l. 19). Similarly, Interviewee M noticed that visiting Chanel without her parents led to her "worthiness" being questioned until her parents arrived, which made her feel "unwelcomed and uneasy" (l. 19).

4.1.1.3 Think

Interviewees often associate **unexpected delights** with negative rather than positive experiences. For instance, Interviewee G was "surprised by how they could be so disrespectful" at a Louis Vuitton store, where her repaired item pickup was delayed as staff prioritized purchasing customers (l. 35). Similarly, Interviewee Q recalled being "surprised in an unexpected way" by the Prada store's visibly dirty light grey carpet, which detracted from the luxury ambiance (l. 61). Positive surprises were rare, but impactful when present. Interviewee G noted receiving "a little gift" with her purchase, which created a lasting connection to the brand (l. 37).

Complementary innovation emerged as a nuanced preference among interviewees, with only a few expressing enthusiasm for in-store innovation. Interviewee I shared a "surprising experience at a Louis Vuitton pop-up store," where classic products were showcased through artistic design and immersive digital displays, creating a memorable and engaging shopping experience (l. 66). She added that features like unique store design and interactive elements enhance the overall appeal (l. 69). In contrast, some interviewees downplayed the role of innovation in luxury shopping. Interviewee J remarked, "I don't think innovation plays a big role for me with luxury brands," citing their long-established reputations as more significant (l. 68). Similarly, Interviewee Q stated, "I don't actively seek out innovative features; it's more of a bonus than a necessity," explaining that specific product offerings are a stronger motivation (l. 64).

4.1.1.4 Act

Luxury fashion products and stores serve as a **confidence booster** for Gen Z, symbolizing personal achievement and self-assurance. One interviewee shared, "Luxury items make you feel more confident since they show others that you've achieved something to buy that product or visit that store" (Interviewee F; l. 75). Beyond external perceptions, fashion also builds internal confidence; as Interviewee R explained, "Fashion inspires me to be more confident, even on days or in situations I'm not" (l. 70).

Gen Z's **engagement** with luxury brands on social media and at events is **mindful** and purpose-driven, often tied to their in-store experiences. For instance, Interviewee B notes "a good in-store experience could definitely lead me to follow the brand on social media" (l. 47). However, event attendance remains low among Gen Z consumers. Interviewee Q explains, "They are more suited for those interested in networking opportunities, whereas I am too young and prefer to focus on finding products I love" (l. 71). Some, like Interviewee B, view social media as an effective alternative, saying, "I wouldn't attend events because you can always see that online" (l. 47).

4.1.1.5 Relate

Many interviewees emphasized the **pride in ownership** they felt through luxury purchases, often associating them with personal achievements or milestones. Interviewee T shared, "I buy myself something nice because I want to reward myself or for a special achievement or event" (l. 56). Similarly, Interviewee J explained, "They are a reward for me when I have reached a milestone" (l. 84). For many, their first luxury purchase was particularly meaningful, symbolizing independence and success. Interviewee I described how buying her first luxury bag with her own paycheck was not just about the product but the sense of achievement it represented, calling it "empowering" (l. 83).

Interviewees held **selective** views on community **association** in luxury stores. While some felt brands could foster connections among individuals with shared tastes, this was not widely shared. Interviewee G noted, "I think it's hard to identify or connect with someone that also buys in the store because there's so many different people going in and out," though she enjoyed discussing brands with friends (l. 47). Others rejected community association entirely; Interviewee A stated, “I don’t want to be categorized as the same just because I also own a Louis Vuitton belt” (l. 64). For Gen Z, belonging often comes through personal connections rather than shared ownership of luxury items.

4.1.1.6 Tailor

A new theme that emerged was tailored interactions. Gen Z places high value on **personal touch**, where staff members remember their names and build a trusting relationship over time. Interviewee H described her positive experiences at Chanel, where she developed a personal connection with a sales assistant, noting, “It’s like seeing a friend who knows what I like and what products I usually go for” (l. 7). These relationships make luxury shopping feel unique and enjoyable. For Interviewee M, a familiar saleswoman at Louis Vuitton made the experience “very fun and unique, automatically making you feel more special, which is always nice when spending that much money” (l. 16). Personalized assistance further strengthens these connections, as Interviewee I recalled her most memorable moments being when “the sales assistant truly understands what I'm looking for and helps me find exactly what I need” (l. 16).

Details **beyond the purchase**, like engaging interactions extending beyond the transaction itself, further enhance these experiences. Interviewee Q highlighted how engaging conversations “go beyond the products and the brand,” making the experience “memorable and delightful” (l. 16). Staff who show genuine care rather than focusing solely on sales stand out; Interviewee L noted her appreciation for assistants who prioritize selling “an item that suits me” over any item (l. 15). Thoughtful gestures leave lasting impressions, as Interviewee V shared, “They took their time to show me different models, offered personalized advice, and even gifted me an additional hand strap” (l. 19). Privacy is another important detail for Gen Z, with Interviewee Q noting a preference for seating areas “in the back of the store, away from the front where most customers wait,” making the experience feel “exclusive and relaxed” (l. 16).

5 Discussion

5.1 Discussion of Findings

A key contribution of this thesis is the introduction of the **Tailor** module, which reflects Gen Z's strong preference for personalized, relationship-driven service in luxury stores. While Schmitt's (1999) framework does not explicitly address personalization as a standalone dimension, this study underscores its centrality for this generation. Interviews revealed that Gen Z shoppers highly value tailored interactions, such as when sales staff remember their preferences or provide customized recommendations. This personalization creates a sense of exclusivity and strengthens their connection to the brand, as shown in comments like Interviewee E's, who appreciates when "the employee already knows my name and a trusting relationship has been built over time." This module reflects a central dimension of luxury experiences for Gen Z, emphasizing the importance of unique, personalized touches over standardized service.

Another major finding is that Gen Z's **approach to technology** in luxury stores is far more cautious and selective than expected, revealing a surprising preference for experiences that prioritize physical and tactile engagement over digital innovation. Despite their reputation as digital natives and their seamless integration of technology into daily life, many interviewees expressed skepticism toward high-tech solutions in luxury retail, particularly when they detract from the tactile and exclusive nature of in-store experiences. One interviewee noted, "Technology should not play a role at all. I hate that stuff…I'm in the store to avoid anything digital," reflecting a strong preference for a more grounded, physical shopping experience rather than an "online store in a brick-and-mortar store." This preference for simplicity and authenticity is striking, given Gen Z's heavy reliance on technology in other aspects of their lives.

However, functional and subtle technology that **enhances personalization** is welcomed when it complements rather than overshadows the human touch. Gen Z values solutions that feel natural and unobtrusive, such as interactive mirrors suggesting sizes or styles, or facial recognition that "remembers preferences like my favorite tea and cookie." These features are appreciated not for their novelty but for their ability to add a tailored and exclusive touch to the experience. Interviewee N, the Fashion Marketing Specialist, emphasizes that technology in luxury must strike a balance, enhancing rather than dominating the experience. While one might expect a Gen Z professional to advocate for extensive digital innovations, the focus remains on the selective use of tech to uphold a brand's exclusivity and intimacy. Gen Z's selective embrace of technology highlights their complex expectations in luxury settings. In contrast to the digitally saturated approaches of fast fashion retail, they favor features that respect and reinforce the exclusivity of luxury, ensuring technology amplifies rather than replaces the human-centered experience.

Reaffirming existing knowledge, the findings reveal nuances in the application of Schmitt's (1999) SEM dimensions for Gen Z. In the **Sense** module, visual and tactile elements dominate, with lighting and touch emerging as particularly critical, adding a new focus to Kauppinen-Räisänen et al.'s (2020) emphasis on multi-sensory engagement. Gen Z is highly sensitive to lighting, associating overly bright light with cheaper stores, and may avoid purchases if fitting room lighting isn't ideal – a factor previously underemphasized. Music also plays a significant role, with Gen Z finding loud or mismatched music disruptive, despite their usual comfort with multitasking across multiple apps, screens, or devices. They prefer calm, slow music that differs from what they hear daily, seeing luxury shopping as a break from routine. Surprisingly, although Hultén, Broweus, and Dijk (2009) suggest taste has minimal importance in luxury, Gen Z felt disrespected when denied refreshments based on assumptions about their purchasing intent. They expect to be offered drinks consistently, regardless of appearance or perceived buying power. The expert, Interviewee N, noted that internal evaluations at Chanel confirmed this expectation, stating, "There seems to be a basic expectation (…) that a refreshing drink should be provided." This highlights an often-overlooked aspect of luxury hospitality – Gen Z values consistent, equitable treatment, with small gestures like refreshments making them feel appreciated.

In the **Feel** module, interviews reveal that Gen Z luxury shoppers are highly sensitive to the ideal level of assistance, which seems linked to past experiences of disrespect or negative treatment by staff. They prefer service that strikes a balance between attentiveness and autonomy, valuing a warm greeting but also space to explore without feeling monitored. Gen Z's frustration with aggressive or overly attentive service reflects the importance of a stress-free environment, as emphasized by Muthiah and Suja (2017), where they don't feel pressured while browsing. Many interviewees shared instances where they felt disrespected, which has amplified their sensitivity to service. For example, one interviewee recalled being laughed at in an Hermès store and told they didn't "deserve a bag" without an account, while another described hearing staff gossip about younger customers who appeared "casual." These experiences have made Gen Z wary, with a low tolerance for any hint of condescension. Additionally, Choi et al. (2016) discuss how emotional connections are enhanced through well-curated aesthetics – particularly when the photographs or displays capture meaningful contexts, like a familiar ambassador or iconic event. For Gen Z, seeing known figures or prestigious events, such as Roger Federer or the Olympics, creates a sense of belonging and pride, making the experience more personally engaging. This sensitivity to respectful treatment and meaningful aesthetics underscores Gen Z's nuanced expectations in luxury environments.

In the **Think** module, Gen Z shows a surprising preference for experiences rooted in genuine care, quality, and intellectual engagement over trendy, superficial elements. While one might expect this generation to favor flashy innovations and technological novelty, they appreciate unique, thoughtfully curated spaces and services that feel authentic and connected to the brand's identity. For instance, interviewees noted subtle touches, such as limited-edition items or thoughtful gestures like small gifts, to be more impactful. Kauppinen-Räisänen et al. (2020) note that luxury shoppers expect consistent service excellence, which aligns with Gen Z's experiences. For instance, they were surprised and disappointed by lapses in expected quality, such as long waiting times and dirty interiors, which seemed out of place in a luxury setting. Schmitt (1999) suggests that unique designs and store aesthetics can stimulate cognitive engagement, and while Gen Z values these elements, they view them as complementary rather than central to the luxury experience. This cohort demonstrates that Gen Z values a classic sense of attentiveness and consistency over constant novelty – contrary to common assumptions about their generation's desire for the latest trends.

In the **Act** module, my findings reveal that Gen Z engages with luxury brands to express their individuality and confidence, rather than using them to adopt new behaviors. While Schmitt (1999) suggests that Act Marketing can inspire lifestyle changes, most interviewees see luxury brands as reinforcing consumption rather than values like sustainability. Nonetheless, luxury brands catalyze more intentional consumption, inspiring them not necessarily to spend less but to invest more thoughtfully in high-quality, timeless pieces. Gen Z is inspired not by brand events or digital engagement but by high-quality products and how those products reflect personal achievement or style. Instead of joining events, which they feel are more suited for networking or older customers, Gen Z often follows brands on social media after positive in-store experiences, using it to stay updated on products that resonate with their values.

In the **Relate** module, Schmitt (1999) proposes that luxury brands foster social connections; however, my findings reveal that Gen Z's connection through luxury items is often more incidental, centered on existing friendships rather than new communities. For instance, one interviewee described how a shared luxury item sparked a conversation with a stranger, eventually leading to friendship – yet such interactions are rare. Gen Z primarily values luxury as a means of personal expression rather than social belonging, preferring to bond with friends over luxury items they already own rather than with other customers in-store. Many also demonstrate a selective association with luxury brands, sometimes even distancing themselves from other shoppers they feel don't align with their values. Rather than fostering self-improvement, luxury purchases are often viewed as rewards for personal achievements or milestones, with interviewees expressing pride in their purchases as symbols of success rather than tools for growth.

This study challenges Schmitt's (1999) claim that all SEM dimensions are equally important. While all contribute to captivating in-store experiences, the Tailor module clearly dominates for Gen Z, making personalization non-negotiable. Sense and Feel are foundational but secondary, while Act and Relate are less critical. These findings suggest luxury brands should prioritize personalization as the cornerstone, with other dimensions enhancing this core element.

5.2 Managerial Implications

The interviews showed Gen Z's mixed perceptions of luxury stores, with the same brand praised by one interviewee but criticized by another, highlighting subjective assessments and room for improvement (Appendix 6). To attract Gen Z, managers should focus on two core areas. First, **tailored and personalized service** is the foundation of Gen Z's ideal experience. This generation expects meaningful engagement from staff, with knowledgeable answers and personalized recommendations. Such experiences can be elevated through appointment-driven and private shopping options, allowing exclusive access and privacy to meet Gen Z's desire for both personalization and a sense of luxury. Any technological integration should enhance this tailored experience, as it forms the basis for Gen Z's connection with the brand. Second, **staff training**

on respectful and inclusive treatment is crucial. Gen Z feels disrespected when assumed to be less serious buyers, often facing dismissive treatment compared to older shoppers. Staff training should focus on inclusivity, ensuring Gen Z feels equally valued and respected. This approach is key to cultivating loyalty and creating memorable experiences for this generation. Additionally, managers should recognize and preserve elements of the in-store experience that resonate across all age groups, such as consistent and welcoming customer service, the use of high-quality materials, and an aesthetically pleasing store environment. These universal aspects not only appeal to Gen Z but also maintain the loyalty of older generations, ensuring a cohesive brand experience that spans diverse demographics.

5.3 Limitations and Future Research

In this thesis, several limitations must be acknowledged. The most notable constraint was the page limit, which required prioritizing findings and limited the depth of insights presented. Additionally, the scope of the research was restricted by the number of interviews conducted, making it difficult to generalize findings to the broader German Gen Z population. While these interviews offered valuable perspectives, they do not fully capture the diversity within the generation. As such, the results should be viewed as representative of a subset of perspectives rather than a comprehensive understanding of Gen Z as a whole.

These limitations provide opportunities for future research. Conducting a survey with a representative sample could help rate specific attributes, offering broader insights. Additionally, in-store observations could provide a first-hand understanding of how luxury fashion brands currently implement the five SEMs in their retail spaces. By stepping into the role of the consumer, researchers could examine stores highlighted in the study, focusing on how each SEM is reflected in the in-store experience. This approach would add practical insights into how brands address Gen Z’s preferences across the five experiential dimensions.

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Appendices

Appendix 1

Figure 1. LV x Yayoi Kusama collaboration (Tuzio 2023).

Figure 2. LV x Yayoi Kusama collaboration (Tuzio 2023).

Appendix 2

Figure 3. Gucci Circolo (The Drum 2022).

Figure 4. Gucci Circolo (Giorgini 2021).

Appendix 3

Interview Guide

Screening Questions

- Were you born between 1995 and 2010?
- Have you lived in Germany for more than five years?
- Have you purchased at least one high-end luxury fashion item, such as designer clothing, shoes, and accessories like bags or scarves in the last year? Note the item(s) (Examples of brands: Gucci, Dior, Hermès)

Note: Whenever "stores" are mentioned, they refer to luxury fashion stores.

Part 1 – Current Luxury Fashion Shopping Experiences

1. Can you tell me about your most recent experience shopping in a luxury fashion store?
   a. What aspects were memorable?
2. Can you walk me through your best in-store luxury shopping experience?
   a. What aspects made it stand out to you?
3. What was your worst experience in a luxury fashion store and why?
   a. How did this experience affect your overall perception of the brand?
4. How would you compare your in-store experiences with your online luxury shopping experiences?
   a. Are they connected or two separate things (e.g. browse offline, buy online)?
5. What aspects of luxury stores do you find most valuable (e.g., service, ambiance, product quality)?
   a. What motivates you to visit the store rather than the website?

Part 2 – Assessing Brands

- Think about the luxury fashion stores you visited in the last 2 years. Please classify them as providing the "**best**", "**average**", or "**worst**" experiences, and tell me why you chose each category (see table).
- Example Brands: Louis Vuitton, Hermès, Chanel, Gucci, Christian Dior, Yves Saint Laurent, Prada, etc.

Brand Name	Category	Reasoning

- Can you think of other stores that come to your mind, perhaps not from luxury or fashion, that have great in-store experiences?
  - Which stores are they and what makes you love them?

Part 3 – Experience Deep-Dive

- *In this section, please share specific examples of your experiences in luxury fashion stores, including brand names if possible (e.g., from your last/best/worst visit).*

1. **Module 1: Sense**
    a. **Visual:** What impact do the store's visual elements (store design, lighting, etc.) have on your shopping experience?
        i. What kind of store aesthetics capture your attention and why?
    b. **Sound:** How does the sound or music in a luxury store affect your overall experience?
        i. Can you think of a time when sound in a store had a positive or negative impact on your shopping?
    c. **Smell:** How do scents or fragrances in the store affect your shopping experience?
        i. Are there any specific scents that stand out to you during a luxury shopping experience?
    d. **Touch:** What role does the ability to touch and feel products play in your decision-making process?
        i. Can you share an example where touch enhanced your in-store experience?
    e. **Taste:** Have you ever been offered complimentary food or beverages during your shopping?
        i. If yes, what and how did this contribute to your overall experience?
2. **Module 2: Feel**
    a. In what ways do luxury stores make you feel emotionally connected to the brand or its products?
        i. How does the staff's behavior contribute to that emotional connection?
    b. How do you feel when you are welcomed and assisted by store employees during your visit?
        i. How does their interaction impact your overall impression of the brand?
3. **Module 3: Think**
    a. Can you describe an experience where a luxury brand made you think in a new or surprising way?
        i. How did the store or its design influence your thoughts about the products or brand?
    b. What role does innovation or surprise play in your decision to engage with a luxury brand in-store?
        i. How important is it for you that the brand stimulates your thinking?
4. **Module 4: Act**
    a. How do luxury brands inspire you to take action (e.g. in terms of purchases or lifestyle changes)?
        i. Can you recall an instance where a store inspired you to try something new or adopt a new behavior?
    b. How have luxury brands influenced your engagement with the brand outside the store (e.g. attending events or interacting on social media)?

1. **Module 5: Relate**
    a. How does shopping in a luxury store make you feel connected to a community or social group?
        i. In what ways do luxury brands influence your sense of belonging?
    b. *How do luxury shopping experiences contribute to your sense of personal growth or self-expression?*
        i. Can you recall an instance where you felt proud or inspired after visiting a store?

Part 4 – Creating Ideal Experiences

1. If you could design your ideal luxury store experience, what would it look like?
    a. What elements are absolutely essential for you in this experience?
2. How do you think luxury brands could improve their in-store experiences to better cater to customers like yourself?
    a. What aspects of the current in-store experience feel outdated to you?
3. What role should technology (AR, VR, in-store apps) play in enhancing the luxury store experience?
    a. How could digital experiences be better integrated into physical stores?

Appendix 4

Table of Interview Participants

Interviewee	Gender	Birthyear	Age
B	Male	2003	21
C	Male	2001	23
E	Male	2001	23
F	Male	2000	24
A	Male	1995	29
D	Male	1995	29
Q	Female	2003	21
L	Female	2002	22
G	Female	2001	23
P	Female	2000	24
H	Female	1999	25
I	Female	1999	25
K	Female	1999	25
M	Female	1999	25
R	Female	1999	25
V	Female	1999	25
O	Female	1998	26
U	Female	1998	26
N (Expert)	Female	1998	26
J	Female	1997	27
S	Female	1996	28
T	Female	1995	29

Appendix 5

Themes	First-Order Concepts	Second-Order Concepts	Illustrative Quotes
Sense	**Scene-Setting Ambiance (Visual)**	• Fun and Inspiring Store Decorations • The Power of the Right Lighting • Memorable Design Representing the Brand	• Illuminate the store in the perfect light and I'll love the clothes more in an instant. • If you are demanding high prices you have to offer a perfect store design that stays in your customers minds.
	Melodic Branding (Sound)	• Subtle Background Music • Avoiding Loud Distractions • Brand-Aligned Music Choice	• Sound is always a good thing, no matter where. It helps cover up background noise. • Music is often distracting as soon as it is too loud or if a genre is playing that does not fit the atmosphere.
	Signature Scents (Smell)	• Signature Scents for Brand Recall • Memorable Fragrance • Inviting and Subtle Scents	• A special scent in a store isn't just about making the place smell nice, it helps define what the brand is all about and can make shopping feel more special. • I really like it when I take the clothes home and they smell nice.
	Tactile Temptations (Touch)	• Evaluating Material Quality • Influence on Purchase Decision • Enhancing Luxury through Touch	• The texture, weight, and suppleness of the leather all showed be the quality of the product in a way that pictures or descriptions never could. • The tactile interaction reassured me of the high quality and justified the investment.
	Sips of Exclusivity (Taste)	• Encouraging Longer Stays • Comfortable Artmosphere • Beverages Over Food	• Being offered a drink makes me feel comfortable and spend more time in the store. • It creates a more intimate, comfortable setting, making the experience feel less transactional and more like a tailored, personal service.
Feel	**Balanced Assistance**	• Attentive yet Non-Intrusive Service • Knowledgeable and Trustworthy Staff • Avoiding Negative Interactions	• I hate that in a lot of stores they follow you around, they pressure you a little bit. • I did not feel welcomed at all and of course did not end up buying anything. That also affected my perception of the brand very negatively.
	Building Bonds	• Addressing Age or Appearance Bias • Creating Personal Memories • Brand Connection via Ambassadors	• If you walk into the store as a younger person, they immediately think you don't wan to buy anything. That's so unpolite. • I feel more emotionally connected when familiar ambassadors or endorsers are featured.
Think	**Unexpected Delights**	• Service Shortcomings Highlighted • Design Missteps Impact Experience • Personalized Gestures Valued	• I was surprised in an unexpected way by the store's interior design choice. This sight was quite shocking because I didn't expect to see that in a luxury store environment. • I was surprised by how they could be so disrespectful.
	Complementary Innovation	• Secondary Role of Innovation • Impactful yet Optional • Balancing Classic and Modern	• Innovation isn't my main reasons for visiting a luxury store, as my interest is usually sparked by specific products. • Innovation and surprise keep the shopping experience fresh and exciting.

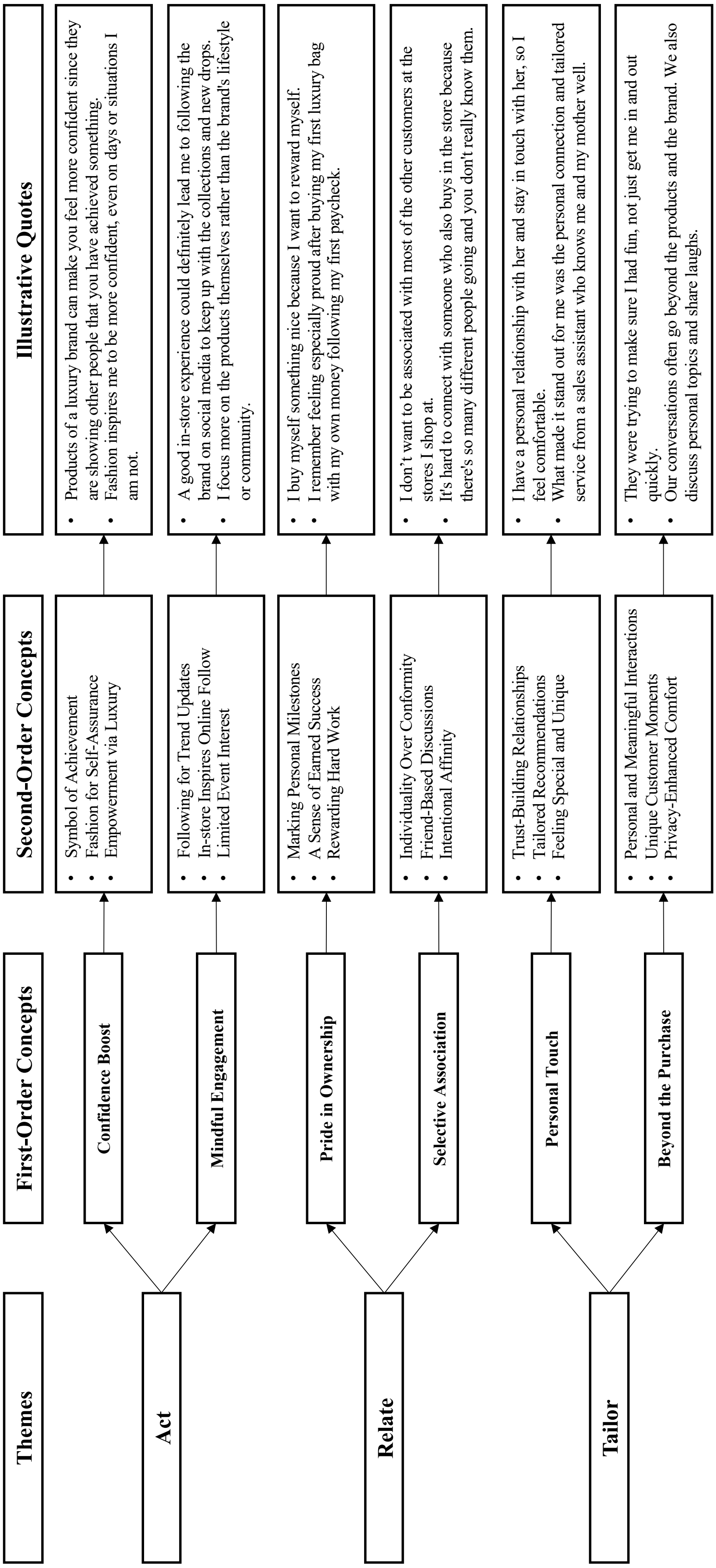

Figure 5: Data Coding Tree

Appendix 6

Table of Brand Categories

Best		Average		Worst	
Hermes	5	LV	4	LV	5
Chanel	4	Prada	4	Gucci	3
LV	3	Chanel	3	Hermes	3
Loro Piana	3	Hermes	3	Goyard	2
Bottega Veneta	3	Golden Goose	3	Saint Laurent	2
Dior	3	Gucci	2	Bottega Veneta	1
Prada	3	Brunello Cucinelli	2	Chanel	1
Moncler	3	Dior	2	Valentino	1
Alaïa	1	Bottega Veneta	2	Dior	1
Zimmermann	1	Loro Piana	1	Prada	1
Tods	1	Celine	1		
Fendi	1				
Loewe	1				
Gucci	1				
Ralph Lauren	1				
Goyard	1				
Fedeli	1				
Celine	1				

Note: The numbers indicate how often the store was categorized as “best," “average,” or " worst" during the interviews.