Phygital: a new alternative mode of entry in retail and franchising

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Abstract

Phygital retail is an experience that blends the virtual with the physical world extending the boundaries of the physical store. In Phygital retail, traditional, and digital firms coincide in a physical context that transforms the discovery process of goods and services into an adventure filled with hedonic and theatrical experiences. 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. Motivated by this research gap, this paper aims to explore the application of the phygital retail by observing the case of Neighborhood Goods in United States and WOW Concept in Spain. This paper presents an exploratory view of phygital retail and provides future lines of research of the phenomena. It will contribute to starting the academic conversation toward these new phenomena in retail as consumers are expanding the boundaries of the physical store format.

Keywords: phygital retail; marketplaces; entry modes; exclusivity; uniqueness.

Phygital: un nuevo modo de entrada en *retail* y en franquicias

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Extracto

Phygital retail es una experiencia que mezcla el mundo virtual con el físico, al extender las fronteras de la tienda física. En *phygital retail*, las firmas digitales y tradicionales coinciden en un entorno físico que transforma el proceso de conocer sobre los productos y servicios en una aventura llena de experiencias hedónicas y teatrales. Los consumidores buscan este tipo de experiencia, en donde se sienten que están en un juego de vídeo que integra la inteligencia artificial y el juego de roles, en donde el consumidor es el centro de la experiencia. Estos nuevos *marketplaces* están siendo desarrollados en ciudades con un alto tráfico, en donde los consumidores jóvenes buscan nuevas formas de interactuar con las marcas. Marcas nativas digitales, al igual que las tradicionales, han estado implementando este modo alterno de entrada, el cual, por ser de aplicación reciente, no ha sido observado aún por investigadores. Motivados por esta limitación en la literatura, este artículo aspira a explorar la aplicación de *phygital retail* mediante un análisis de caso de la empresa Neighborhood Goods, en los Estados Unidos, y WOW Concept, en España. Este artículo presenta una mirada exploratoria al *phygital retail* y provee nuevas líneas de investigación sobre el fenómeno. El artículo contribuye a comenzar la conversación sobre este nuevo fenómeno en *retail*, en donde los consumidores expanden las fronteras del formato físico tradicional.

Palabras clave: *phygital retail*; *marketplaces*; modos de entrada; exclusividad; único.

Contents

1. Introduction

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 (Dabić *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. To explore this emerging trend, we will do a case analysis of WOW Concept marketplace in Spain and Neighborhood Goods in the US. These marketplaces blend digital and physical brands in a host destination offering a curated experience and discovery process for brands and their products. Similarly, brands that may want to internationalize may select these marketplaces to enter via a pop up or store in store strategy. This paper is structured as follows. First on section two, we will present the methodological approach we used for this article. On section three we present the theoretical underpin of alternative modes of entry. On section four we will discuss literature on online and offline retail. On section five we will discuss phygital concept. On section six, we present the case information for WOW Concept and Neighborhood Goods. On section seven we discuss the phygital application on retail and its conceptual model. On section eight we provide our conclusion, implications, and future lines of research.

2. Methodology

The concept of phygital is new to academia and this presents a limitation on existing literature on the topic and on retailing and alternative modes of entry. Based on this, we conducted a search on recent publications on online newspapers, retail specific websites along with seminal papers and book chapters (Rosado-Serrano and Navarro-García, 2022a, 2022b, 2023) on alternative modes of entry that highlight this new emerging phenomenon. In addition, we reached out to literature on purchase and consumer decision, online to offline, and retail design. In order to further analyze the phenomena, we used a case analysis approach (Rosado-Serrano and Navarro-García, 2023) to highlight the main two current examples of phygital retail. We analyzed their websites and professional online publications highlighting their concept openings.

3. 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 underpin 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).

4. Online to offline retail

The phenomena of online to offline has been evolving because of the evolution of smartphone technology and domestic infrastructure. In 2011, Home Plus a Tesco's South Korean unit, created a virtual store near subway stations where consumers can buy directly by selecting a QR code from their mobile phones (Massive, 2016). They created a new market based on the country lifestyle. Consumers made their purchase during subway peak hours while commuting to work (Petit de Meurville *et al.*, 2015). Recently, companies such as 7-Eleven X Store in Taiwan, Amazon GO are using artificial intelligence (AI) to provide the flexibility and convenience of online and offline of a 24hr service without employees (Chang, 2022). The adoption of technology at the store and channel level provides new areas of improvement for companies. Companies may increase the sale of low-selling products on their online channel and increase brand attributes and category sales in physical outlets (Kumar *et al.*, 2017). Still, when the physical store is owned by a different party, the possibility exists of favoring one channel sales over the other (Saha and Bhattacharya, 2020). Thus, companies having full control of the different channels are in a better position to mitigate risk of freeriding, brand erosion and poor customer experience.

Not so long ago, consumers visited physical stores and used them as showrooms to feel products and then purchase them online. Now we see consumers do their research online and then purchase products in a physical store (Kumar *et al.*, 2017). Singh and Jang (2020) found that consumers level of satisfaction is at highest when they use smart devices to complete their purchases. Quach *et al.* (2020) found that service integration in omnichannel increases consumer intention to stay with the retailer, even with concerns on privacy issues. Albeit this, not all consumers that transition between online to offline favor this strategy. Valentini *et al.* (2020) found that only seventeen percent of consumers used both channels. Most use multiple channels to access coupons and special promotions that may vary as some are only advertise for online purchases and others for instore. It can be said the integration of data driven online personalization in a physical store it's a new form of service personalization that is getting acceptance by technology savvy consumers (Riegger *et al.*, 2021).

Retail design has evolved since the 1960's to a transdisciplinary discipline. Now its concerned on the design of the virtual and physical spaces where it needs to incorporate brand values and consumer needs (Quartier *et al.*, 2020). Now, during the design configuration process, static and dynamic space must be rearranged to reduce social distance (Ntounis *et al.*, 2020). As retail patterns have shifted from different channels, some of the retail design concerns are toward downsizing (Rethink Retail, 2022), others toward integrating mobile technology (Kumar *et al.*, 2017) and augmented reality (Tan *et al.*, 2022). Improvements are not only being made on technology and resizing. One new tendency goes further than the usual visual merchandising for products and integrates an architect in the transformation of these physical spaces. In occasions for interior and exterior spaces. One example can be the Apple Store in NYC 5th Avenue (Calabozo, 2022) which perfectly design to advertise the products while having a mini-

malistic design, clean geometries, and good materials. Other approaches are toward museum like concept stores where they resemble artworks and scenography (STIRpad, 2022) where it seems virtual reality and the metaverse has clashed into the physical world. Retail design has evolved to a sophisticated process and as consumers preferences are shifting toward a unique experience, the process requires new actors and the use of new technologies.

5. 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.

6. Neighborhood Goods and WOW Concept

Retail landscape has been changing dramatically in the past decade due to technological innovation. Digital native young consumers demand new experiences that resemble their virtual worlds in the physical world. Newcomers in the retail landscape aim to fill this void by integrating into one roof digital native brands with traditional ones. This marketplace mediates using smart devices and other sensorial experiences that evoke the digital world such as the metaverse. Currently, there are two examples applying such strategy, Neighborhood Goods in the United States and WOW Concept in Madrid. Neighborhood Goods (NG) was the first to open in November 2018. They consider themselves a department store with an ever-changing selection of brands, in their online platform and in their three stores (Neighborhood Goods, 2022). NG was conceived by Mark Masinter and Matt Alexander and integrates pop-ups, cult brands and technology (Clark, 2018). NG has an ever-changing product selection and brand assortment in each of its three locations and its curated based on the consumer demographics of each of their markets (Taylor, 2019). Brands are rotated from six to twelve months (Clark, 2018) to give a sense of freshness for returning customers. The lay out Depending on the location, they include specialty foods. In NYC they have a pop-up grocer, a snack bar called Tiny Feast (Wilson, 2019) and in both Texas locations the restaurant Prim and Proper (Neighborhood Goods, 2022). They entice consumers having a constantly variable line up of brands and near daily events. The layout of the stores is designed with the help of Droese Raney Architecture (Clark, 2018) to integrate the brands and experiences into the different areas. NG seeks to bring in new products, particularly digital born companies and plans to expand across the US (Neighborhood Goods, 2022).

The most recent development in the integration of online and offline marketplace is WOW Concept (WOW) in Madrid. WOW opened their doors in March 2022 and has drawn the attention of over 5000 people daily during the first two weeks (Benítez, 2022). WOW is in an historic building in the Gran Vía street in Madrid. This is one of the highest foot traffic avenues in the city and there are many iconic stores ending at Plaza de España with the newest,

biggest, and more technological store from ZARA (Curiel, 2022). Following the experiential design as NG, they focus on making a rotation of new and classic and luxury brands (Solé, 2022). Similarly, as NG, WOW uses the architectural firm External Reference to develop their phygital marketplace. In the case of WOW, they borrow elements from the metaverse, using larger than life objects, in occasions resembling artworks and scenography. WOW may resemble a theatrical stage where its elements are changed according to the scene, creating the platform for unique and dynamic experiences (STIRpad, 2022; Cole, 2022). Consumers might not find a product that was available today if they come tomorrow. WOW plans to open two additional upper floors to cater specialty foods and other experiences.

On table 1 we highlight general elements from Neighborhood Goods and WOW Concept.

Table 1

	Neighborhood Goods	WOW Concept
Architectural partners	Droese Ramsey Architecture.	External reference.
Technological partners	Azione, Tractorbeam.	Minsail.
Product/Service areas	Fashion, cosmetics, specialty food, technology, personal care, decoration.	Fashion, cosmetics, specialty food, technology, personal care, decoration.
Selection criteria for brands	Look for thoughtful brands that have the willingness and passion to do something interesting in the physical and digital retail.	Seek aspirational brands, luxury brands with accessible prices that young consumers desire and that are adopted by influencers. Seek brands that will only offer new exclusive product launches.

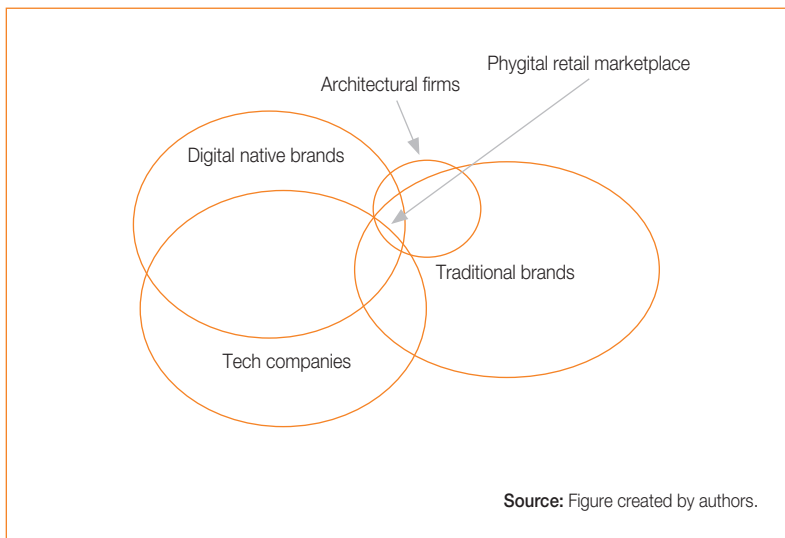**Source:** Table created by authors.

7. The application of the phygital retail

Phygital retail is an evolution of the prior application of store in store and pop-up/temporary stores with the key difference of technology and omnichannel retail configuration and the integration of artistic and theatrical features. Temporary stores and pop ups were a low entry mode for brands (Rosado-Serrano, 2016, Rosado-Serrano and Navarro-García, 2022a) and under the phygital retail marketplace, digital native and classic brands have also the same benefit. In addition, due to the technological innovations applied, the experience is amplified using VR and the constant novelty of a renewed and rotating product assortment.

Traditional store in store has a lower rotation of brands that of phygital retail, therefore depending on the final configuration, classic brands have also the opportunity to reach out to young consumers that seek the phygital retail experience.

The examples of Neighborhood Goods and WOW Concept show similar elements in the development of their phygital marketplaces. With the purpose of developing experiences that entice affective, sensorial, and cognitive responses from consumers (Verhoef *et al.*, 2009), both companies had to reach out to highly specialized architectural and technological partners. This derives in a higher cost of deployment of the concept and requires a constant renovation. To maintain a fresh look and inventory, they must constantly seek new brands to have rotation, requiring an extensive process for selection and the curation of the concept. Both concepts share some similarities over the flexibility of buying online/offline, yet they vary in the type of product they curate. At this time, comparing both firms would not be feasible as they are configured and deployed in a different manner. NG has three locations and has been seeking external funding to finance the growth. WOW has just commenced yet it has been over two years in the making and receiving direct investment from its founder. Still, both firms use similar elements regarding a younger audience that seek new experiences derived from the interaction between the physical and digital worlds.

Figure 1. **Conceptualization of phygital retail marketplace at Neighborhood Goods and WOW Concept**

Source: Figure created by authors.

In figure 1 we highlight our conceptualization of the application of the phygital retail marketplace by our examples of Neighborhood Goods and WOW Concept. Currently, there is li-

mited information on the financial results and general operations of both companies to make an empirical analysis of them individually. Albeit this, we can indicate that tech companies in a phygital marketplace have a considerable participation and without this, the marketplace could not exist. The participation of architectural firms, far more than the traditional marketing department or outsourced marketing firm, makes the application by NG and WOW very interesting.

8. Conclusion, implication, and future directions

Phygital retail is the new alternative mode of entry that combines elements from other modes such as store in store and pop ups with new technological advances and creative store design. Phygital retail shares some similarities with slow retail as it focuses on the pursuit of pleasure, experiences, diversity, and quality (Alexander and Blázquez Cano, 2020). Consumer behavior and particularly toward consumption has been changing along as new technology arises. First was the evolution of video games. As technological advances transformed the one-dimensional video console experience, then the thematic gaming experience started. New wave of consumers expects to be immersed in a virtual reality as they are accustomed in the new trend of video games. There has been changes in the way consumers communicate and gather information by the adoption of mobile devices. Back in the 2000, digital phones were in an infant development and with the introduction of the iPhone later in the decade, new possibilities arise for consumers and for companies to provide and develop new applications. The event of the COVID pandemic has solidified the interaction with technology as many people shifted the way the purchase goods through the use of mobile phones and digital wallets to pay. As the restrictions are relaxed, we can see how consumers are seeking to be outside their houses and return to public spaces. On this article we present two cases of the new retail format that blends this digital physical experience. The examples of Neighborhood Goods and WOW Concept demonstrate there is a particular consumer segment that seek these experiences. On this article, we present a conceptual model of how these two companies are implementing the phygital channel. 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.

Regardless of the exploratory view and limited research done on these phenomena, we feel phygital retail presents a new alternative mode of entry and at this time has proven it

draws consumers that seek new and innovative experiences. Technology has been a disruptive force that has proven to change business models before. There have been examples of technology disrupting retail and services. Digital streaming platforms has replaced physical media such as the DVD, like what digital players such as the iPod did to the music industry as being a new device to host music. Now with smart devices and the confidence level of making a purchase without having a physical product, the adoption of these new channels provides opportunities and risks for traditional brands to compete for market share. We hope our research and its six propositions provide new lens for scholars and practitioners to embark on this emergent research stream. Currently, our paper presents some limitations. First, the methodological technique applied, and references used are very limited and do not expand on theory and the specific phenomena. Future research may expand the lenses toward theory related to consumer choice. Due to its exploratory approach, we cannot understand the perspective of consumers toward the phygital marketplace and their adoption of this channel in their consumption pattern. Second, we didn't have the opportunity to interview current phygital marketplace developers of WoW Concept and Neighborhood Goods. We only base our analysis on secondary data. By the time this article is published, there might be other cases of the phygital application, and a multiple case method analysis may be undergone. Third, we didn't compare the direct effect of phygital marketplace in regards of omnichannel literature. This may be explored from consumer behavior and channel management. We hope our article sparks this conversation.

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