The Effect of Experience economy in Augmented Reality Based Marketing Apps on Consumer Satisfaction

Dian Martha Nurrul Amanah[1], Novinda Krisna Putri [2], Nurul Aini[3]

[1,2,3]Digital Business Department, BINUS Business School Undergraduate Program, Bina Nusantara University, Indonesia

Abstract

Augmented reality emerges as a form of technological advancement. Known with a rich visual technology, augmented reality is being adapted in various fields such as marketing, education, healthcare, military, sports, tourism, and others. In the business world, this 3D-based technology is believed to enhance the shopping experience of consumers, ultimately leading to customer satisfaction.

This research was conducted to examine the influence of economic experience on satisfaction. Economic experience was divided into four categories: aesthetics, entertainment, learning, and escapism, where aesthetics served as a precursor to the other three components. The data collection process involved distributing online questionnaires to respondents who actively use smartphones and were required to try one of the five augmented reality marketing applications used in this study. The augmented reality marketing applications used in this research were Shopee (Beauty Cam), Sephora (Virtual Artist), IKEA Place, Dulux (Visualizer), and Kinder Joy (Applaydu). The study, conducted with 230 respondents in Indonesia, revealed that aesthetics has a positive influence on entertainment, learning, and escapism. Furthermore, entertainment, learning, and escapism have a positive influence on satisfaction.

Keywords

Augmented Reality, Experience Economy, Customer Satisfaction

INTRODUCTION

Technology has developed rapidly until now and it's able to help humans in maximizing their activities. One of the most popular technological developments today is augmented reality. This technology was first recognized widely by public since the launch of Pokémon Go game in 2016. This application invites users to collect Pokémon monster characters using augmented reality technology which utilizes cameras and locations (Wingfield and Isaac, 2016). This is what makes this game boom and the idea of augmented reality technology attracts people to play along. According to Weinersmith and Weinersmith (2017) this technology looks like a magic show, where we can add virtual elements to the real world.

In line with technological developments, today's business also continues to grow and marketing trends change along with the movement of technology. We no longer know the term face-to-face only between sellers and buyers, but the marketing process has started to switch to using digital platforms, such as e-commerce, Google Ads, and e-mail (Wibowo, 2020). Information technology that is put to good use can boost productivity, increase reliability, and reduce the risk of human error. Even Marcouse et al (2014) considered that currently no business can survive without using a computer system. It is simply because

technology is attached to every human activity (entertainment, shopping, sports, and others) and then changes the shape of the relationship between companies and consumers (Fuentes & Sörum, 2019).

Despite the shift in marketing activities towards digital, marketers must continue to build good and sustainable relationships with consumers by providing experiences for consumers. Marketing is no longer seen as an activity to distribute goods and services. Experience appears as the development of economic value, this is because consumers and businesses have started to see experience as an important component in economic activity (Pine and Gilmore, 1998). In a different article, Pine and Gilmore (2013) wrote that experience is an unforgettable event that inherently involves each individual, such as going to music concerts, theatre, visiting museums, enjoying coffee in cafes, and other memorable activities. Then the experience is divided into four categories: aesthetics, entertainment, learning, and escapism (Pine and Gilmore, 2011).

As a technology that has an attractive visual appearance, augmented reality is starting to be adopted in marketing. This technology is believed to increase behavioral intentions such as purchase intention, engagement, and shared social experiences (Sung, 2021; tom Dieck et al, 2018; Park et al, 2010). It is because experience has a very important influence on customer satisfaction which then leads to sustainable relationships (Baron et al, 2010). It is also in line with the Touchstone Research survey which shows that 77 percent of buyers want to use augmented reality technology because it can help them to see the difference in a product, in terms of color or shape (Burch, 2016).

Although still in its early stages of adoption, augmented reality is already an important part of the shopping experience (Sokolovsky, 2020). Several big brands, such as IKEA, Amazon, Sephora, Ray-ban, Mini and others have started using this technology to create more interactive marketing. Based on Kite-Powell, 2020, the augmented reality market size is estimated to increase to more than $198 billion by 2025. The growth of this technology is also relatively fast, not only used in marketing, but also in other fields such as education, health, military, sports, tourism, architecture and other fields. As the marketing medium with the highest ROI, Facebook currently also holds several augmented reality patents and it is only a matter of time before augmented reality becomes an important digital asset (Hubspot, 2020; DeVries, 2020).

Indonesia is a potential digital market based on the number of internet users, which reach 210 million users or around 77 percent of the total population (Asosiasi Penyelenggara Jasa Internet Indonesia, 2022). Unfortunately, based on the data gathered from Data Reportal, Indonesia still ranks 6th out of all the countries in Southeast Asia and is still lagging behind compared to Vietnam. (Kemp, 2022). Tracing usage activities, social media (89,1%) and shopping applications (21.3%) are also applications with the most traffic in Indonesia (Asosiasi Penyelenggara Jasa Internet Indonesia, 2022).

Even though it has considerable potential in the digital market, it turns out that the use of augmented reality is not widespread enough in Indonesia.

The potential for augmented reality in developing countries is not as massive as what is done by other developed countries (Amanta, 2020). Penetration of this technology is still faced by some obstacles because there still many people who are not familiar the augmented reality technology itself. Research conducted by Hartanti & Nurviana, 2019, shows that this technology is still new to consumers, producers and the government in Indonesia and only suitable to implement in big cities with a young market share. Whereas augmented reality marketing is closely related to consumer experience which is an important component to build satisfaction.

Academic research on augmented reality provides important insights into the user experience that consumers experience when using augmented reality apps (Scholz & Duffy, 2018). This research is carried out with the aim of making a positive contribution to the development of marketing in Indonesia. The authors hope that consumers, manufacturers (companies), and the government will get a new perspective of how augmented reality-based apps have a positive influence on customer satisfaction. So that in the future this renewable technology can be adapted massively and well in business in Indonesia.

LITERATURE REVIEW AND HYPOTHESES
Augmented reality
According to Faust et al., 2012 augmented reality can be defined as virtual objects (images, text, sound, etc.) that overlap with the real environment. Another research conducted by Azuma (1997) also adds that augmented reality has three main characteristics: (1) augmented reality combines the real world with the virtual world, thus continuously producing a unique user experience; (2) interactive augmented reality in real time, therefore producing an interactive experience; (3) augmented reality in 3D. Augmented reality generates digital information which enables it to become an ideal technology for building deeper relationships between the user (consumer) environment and the company (Scholz & Smith, 2016).

Figure 1. Sephora (Virtual Artist) App

Augmented reality can increase consumer involvement because it leads to sensory marketing that involves consumer feelings and then influences their perceptions, decisions and behavior (Sung, 2021; Krishna, 2012). Augmented reality can provide consumers with a visual representation of a product and an

experience that allows their minds to imagine during the decision-making process (McLean & Wilson, 2019). Because it can enhance the consumer experience, several well-known brands such as Sephora, L'Oréal, Nike, Adidas, Mini, Topshop, Amazon, and Ikea have started to adopt augmented reality (Chylinski et al., 2020; Brannon Barhorst et al., 2021). User experience is a holistic concept about how people use an interactive product: how it feels in their hands, how well they understand how the process works, how well it fulfills their purpose, and how well it fits into everything when they use it (Alben, 1996).

Figure 2. IKEA Place App

Experience economy

The concept of the experience economy was first introduced by Pine and Gilmore (1998). This theory

categorizes experiences into four distinct realms: aesthetics, entertainment, education, and escapism (Pine and Gilmore, 1998). The field of experience is divided into horizontal and vertical dimensions. The horizontal dimension is divided into passive and active participants, while the vertical dimension is divided into absorption and involvement (Pine and Gilmore, 2011). The determination of this dimension shows the characteristics of each experience component. Several studies do not equate the positions of the four realms; some researchs put aesthetics as an antecedent to the other three realms (Sung, 2021; and tom Dieck et al., 2018), while others put escapism as a variable influenced by the other three realms (Park et al., 2010).
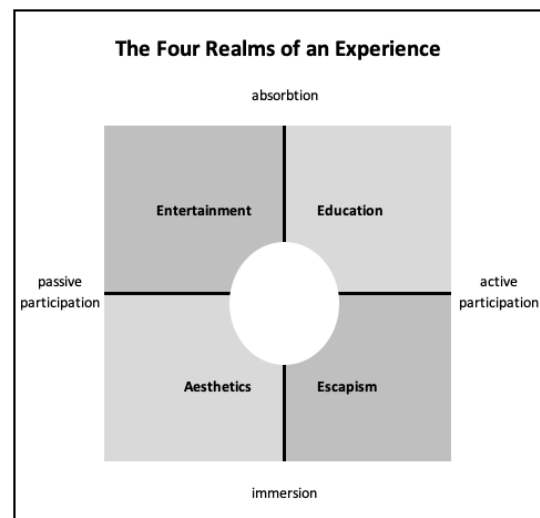

Figure 3. Four Realms of an Experience

In augmented reality technology, aesthetics represents beauty which can be described through elements such as backgrounds, fonts, colors and photographs (Jung et al., 2018). Research shows that aesthetics represents the most important criterion of interface technology development, which determines whether consumers will accept or reject the new

technology (Pallud & Straub, 2014). Aesthetics is also a major determinant of economic experience (Hosany & Witham, 2010; Mykletun and Rumba, 2014). In line with research by tom Dieck et al. (2018) and Sung (2021) who place aesthetics as the antecedent of the other three experiential motives. In marketing strategies, aesthetics or visual appearance must also be the main focus because they are able to describe memory, satisfaction and quality (Goebert & Greenhalgh, 2020). Therefore, this study leans towards the assumption based on Sung (2021), who was able to demonstrate that aesthetics in relation to augmented reality has a positive influence on entertainment, education, and escapism.

Entertainment is one of the oldest components and most developed, widespread, and familiar aspect of human experience (Pine and Gilmore, 2011). For most people, entertainment is often seen as a passive experience where they simply absorb what they receive from an event, such as watching television or attending a concert (Pine and Gilmore, 1998). When consumers are entertained, they are actually not doing anything except responding (enjoying, laughing, etc.) to that experience (Pine and Gilmore, 2011). In their research, Kowalczuk et al (2021) have shown that previous studies have demonstrated pleasure as one of the affective responses to augmented reality technology. With its appealing visual presentation, augmented reality is expected to provide a better experience by transferring enjoyable experiences (Romano et al., 2021). Initial feelings and impressions based on aesthetic aspects can positively influence users' evaluation of the

usefulness and pleasure of using the product (Jung et al., 2018).

Unlike entertainment, learning requires active engagement from an individual. In order to truly inform and enhance someone's knowledge and skills, an activity must be designed to involve active thinking (Pine and Gilmore, 2011). Furthermore, (Pine and Gilmore (1998) provide examples of learning activities such as attending classes or taking ski courses. As a technology that capable to generating visual representations of a product and enabling consumers to engage their imagination, augmented reality is believed to enhance consumer curiosity (McLean & Wilson, 2019; Yang et al., 2020). In Research by Sung (2021), curiosity is identified as part of the knowledge variable. Curiosity is triggered by visual stimuli that motivate the behavior of seeking new information and influence attention towards augmented reality (Yang et al., 2020). Well-designed augmented reality applications can assist consumers in easily learning about products due to their accurate and clear information delivery (Lee et al., 2015).

According to the Merriam-Webster dictionary, escapism refers to the diversion of mind habits to purely imaginative activities or entertainment as a form of escape from reality and routine. Escapism is known as relaxation or an escape from real life or the avoidance of problems in the real world (Caplan et al., 2009). As one component of the experience economy, escapism requires high consumer engagement (Pine and Gilmore, 2011). Based on Song et al (2015), the motivation behind escapism is generally rooted in the desire to momentarily forget the world. Among many activities, shopping is

also considered as a part of escapism (Babin et al., 1994). Escapism is closely related to visual experience, as consumers often assess the escapism value of an application based on its aesthetic experience (tom Dieck et al., 2018). This result is aligned to the previous research by Jung et al (2018), who state that the experience of escapism will never occur if an application is poorly designed.

Overall, based on the literature review above, the following hypotheses that tested:

H1: Aestethics is positively influence entertainment

H2: Aestethics is positively influence education

H3: Aestethics is positively influence escapism

Consumer satisfaction

Marketing is closely related to the identification, creation, communication, delivery, and monitoring of customer value by marketers (Kotler and Keller, 2016). Satisfaction is an important driver in marketing that leads to customer loyalty. An individual's assessment (consumer) of product and service quality reflects satisfaction, which is why many companies invest in improving it (Kotler and Keller, 2016; Mothersbaugh and Hawkins, 2016).

Augmented reality initiatives should be geared towards enhancing the customer experience rather than solely focusing on technological advancements. Marketers need to pay attention to the uniqueness, stimulation, and experiential value they provide (Scholz & Smith, 2016). This is because experiences have a significant influence on customer satisfaction, which in turn leads to sustained relationships (Baron et al, 2010). When augmented reality is designed to create meaningful experiences for customers, it leads to customer satisfaction and perceptions of the brand, product, and service (Brannon Barhorst et al., 2021; Mehmetoglu & Engen, 2011).

Individual experiences are crucial to form the consumer's perspective and satisfaction with products or services (Mehmetoglu & Engen, 2011). Satisfaction is the most important factor influencing the intention to use technology, particularly in the case of augmented reality (Quadri-Felitti & Fiore, 2013; tom Dieck et al., 2018). As a tool used in marketing strategies, incorporating elements of entertainment, education, and escapism into augmented reality can enhance consumer satisfaction. Research conducted by Sung (2021) and tom Dieck et al (2018) has proven that these three components have a positive influence on consumer satisfaction with augmented reality applications.

Thus, based on the literature review above, the following hypotheses that tested:

H4: Entertainment is positively influence customer satisfaction

H5: Education is positively influence customer satisfaction

H6: Escapism is positively influence customer satisfaction

METHODS

The research strategy used in this study is the quantitative approach by adopting survey methods. This method has been selected for this research because it can provide accurate and precise numbers in answering research questions. This study consists of 16 questions that are part of the questionnaire. Each questionnaire will represent certain variables that will be tested and

measured using a five-point Likert scale.

The method used in this research is non-probability sampling with purposive sampling technique. Based on this technique, the sample is selected based on certain criteria that have been determined by the researcher (Schindler, 2019). The sample criteria will be selected based on the age group who are smartphone users in Indonesia. The range of age groups are: baby boomers (1946-1964), generation X (1965-1976), generation Y (1977-1995), and generation Z (1996-2010). Smartphone users are also required to download augmented reality-based applications and then use it. There are five applications that respondents can download including: Shopee, Sephora, IKEA Place, Dulux Visualizer and Kinder Joy Applaydu.

Based on the questionnaire, a total of 230 out of 239 questionnaires met the criteria and were eligible for further analysis. The primary data was analyzed using PLS-SEM (Partial Least Squares Structural Equation Modeling). PLS-SEM utilizes two crucial components: measurement models and structural models. The measurement model establishes the relationship between latent variables and observed variables, while the structural model describes the relationships between latent variables.

This study uses a one-tailed test with t-statistics. The hypothesis testing procedure examines the significance by determining the direction and impact of the independent variable on the dependent variable. When the t-statistic falls into the rejection region of the null hypothesis (Ho), Ho is rejected, and the alternative hypothesis (Ha) is accepted. The decision is based on the significance level (α = 0.05). Therefore, if the significance level is greater than 0.05, Ho is accepted, and if the significance level is less than 0.05, Ho is rejected.

RESULTS
Respondent Profile
Based on the questionnaire results in Tabel 1, the number of male and female respondents is nearly balanced, with 120 males and 110 females. In terms of age grouping, it is predominantly dominated by Generation Y and Generation Z, compared to Baby Boomers and Gen X. The uneven distribution of age is due to the difficulty faced by the researcher in obtaining respondents from the Baby Boomer and Gen X age groups.

For the educational background, the majority of respondents hold a Bachelor's degree (S1) with 156 respondents. Then, 48 respondents had high school education (SMA), 14 respondents with a Master's degree (S2), 11 respondents with a diploma, and only 1 respondent with an elementary school education (SD). In terms of occupation, the largest group consists of students with 75 respondents, followed by operational workers with 43 respondents, and managerial workers with 41 respondents.

Meanwhile, the most frequently used augmented reality-based application is Shopee, with a total of 109 users. It is followed by IKEA Place with 52 users, Dulux with 38 users, Kinder Joy with 3 users, and 2 users for other applications. The disparity in these numbers is due to the fact that some applications are still unfamiliar among the society, and Shopee is particularly popular as one of the most widely used marketplaces in Indonesia.

Validity and reliability test

This validity test uses the SEM PLS method, where the construct validity indicators are obtained from the loading factor values. The numbers in Table 2 indicate that all indicators have loading factor values greater than 0.5. Therefore, it can be concluded that all the indicators used in this study are valid.

As for the reliability test, the analysis utilizes Cronbach's Alpha with expected value more than 0.6 for all constructs. (Ghozali & Latan, 2015) The numbers in Table 2 show that all variables have reliability values higher than 0.6 and Cronbach's Alpha values higher than 0.6. Thus, it can be concluded that all variables in this study have good reliability.

The Fornell-Larcker criterion is used to assess discriminant validity by comparing the square root of the Average Variance Extracted (AVE) for each construct with the correlation values between the constructs (Henseler et al., 2015). In Table 3 (see list of table), it can be observed that the square root of AVE is larger than the correlation values between constructs. This indicates that the requirement for discriminant validity in this model has been fulfilled.

Hypotesis testing

H1 is accepted, aesthetics have a significant influence on entertainment. This hypothesis is supported based on the original sample (ß) estimated value of +0,655, the t-statistic value of 13,511, and p-values of 0,000. H2 is accepted and aesthetics have a significant influence on education. This hypothesis is supported based on the original sample (ß) estimated value of +0,528, the t-statistic value of 7,658, and p-value of 0,000. H3 is accepted and aesthetics has a significant influence on escapism. This hypothesis is supported based on the original sample (ß) estimate value +0,450, t-statistic value 7,967 and p-value of 0,000.

H4 is accepted and entertainment has a significant effect on AR app satisfaction. This hypothesis is supported based on the original sample (ß) estimated value of +0,359, t-statistic value of 5,520, and p-value of 0,000. H5 is accepted and education has a significant effect on AR app satisfaction. This hypothesis is supported based on the original sample (ß) estimated value of +0,185, t-statistic value of 2,242, and p-value of 0,013. H6 is supported and escapism has a significant effect on AR app satisfaction. This hypothesis is supported based on the original sample (ß) estimated value of +0,356, t-statistic value of 5,434, and p value of 0,000.

DISCUSSION

Based on the results of hypothesis testing, it can be concluded that all the hypotheses are accepted. This study is consistent with previous research conducted by Sung (2021) and tom Dieck et al (2018), which showed a significant positive influence on entertainment, learning, and escapism. Furthermore, entertainment, learning, and escapism also have a significant positive impact on satisfaction.

These findings are also supported by the statement of Oh et al (2007) that in marketing strategies, aesthetics or visual appearance become the primary focus in enhancing overall satisfaction and quality. When it comes to augmented reality applications, the aesthetic aspect can guide users to positively assess

enjoyment and facilitate the transfer of pleasant experiences (Jung et al., 2018; Romano et al., 2021). Additionally, Lee et al (2015) added that well-designed augmented reality applications can facilitate accurate and clear information delivery. Strengthening the aesthetic aspect of augmented reality technology is a crucial aspect of good design. The experience of escapism will also not occur if the application is poorly designed (Jung et al., 2018).

Customer satisfaction is the most important factor influencing the intention to use technology, especially in the context of augmented reality (Quadri-Felitti & Fiore, 2013; tom Dieck et al., 2018). As a tool used in marketing strategies, incorporating elements of entertainment, learning, and escapism that provide experiential value to consumers into augmented reality can enhance customer satisfaction. Therefore, marketers and companies need to pay attention to all elements of the experience economy in order to create customer satisfaction. The development of augmented reality applications used to support marketing activities should be well-executed to maximize the consumer experience.

Not only from the corporate sector, but the government also needs to play an active role in catching up by improving digital literacy among the population in Indonesia. This is crucial considering that digitalization is a necessity for future development, particularly in business. Indonesia could learn from India, which has been seriously addressing low digital literacy since 2014, aiming to ensure that every individual in each household is digitally literate by 2020 (Wulandari, 2017). There is also a great hope that the newly launched 'Indonesia Makin Cakap Digital' program by the Indonesian government in 2021 can operate at its fullest potential. Government should also fostering the development and adoption of augmented reality-based marketing apps. Through policies and initiatives that encourage innovation, investment, and collaboration within the augmented reality space can lead to the creation of more compelling and engaging experiences for consumers.

CONCLUSION

In conclusion, aesthetics in augmented reality-based applications have a positive influence on entertainment, learning, and escapism, which in turn have a positive impact on satisfaction. The findings of this study can provide valuable insights for various stakeholders (companies, consumers, and governments) that the use of technology in marketing applications can create satisfaction. The components of the economic experience also need to be considered when designing an augmented reality-based marketing application.

This study still has several limitations. Firstly, there is a lack of representation among respondents in terms of age groups, with a majority being dominated by Generation Y and Generation Z. This limitation arises due to the difficulty in reaching out to the Baby Boomer and Generation X age groups. Additionally, smartphone usage among these generations is relatively low compared to Generation Y and Generation Z. Moreover, the distribution of application usage is still dominated by one major application, namely Shopee. This is difficult to avoid considering that Shopee is a well-known application in Indonesia.

In the future, it is hoped that this research can pay more attention to the proportion of respondents to ensure a balanced representation of each age group. The distribution of usage of augmented reality-based applications should also be taken into consideration. Furthermore, this study can be further developed by incorporating additional variables such as purchase intention and social sharing experiences.

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List of Tables

Table 1. Respondents Profile

Characteristics	N	%	Characteristics	N	%
Gender	120	52,2%	**Occupation**		
Male	110	47,8%	Student	75	32,6%
Female			Operational	43	18,7%
Ages			Managerial	41	17,8%
Boomers (1946 – 1964)	12	5,2%	Profesional	17	7,4%
Gen X (1965 – 1976)	9	3,9%	Entrepreneur	11	4,8%
Gen Y (1977 – 1995)	95	41,3%	Farmer	1	0,4%
Gen Z (1996 – 2010)	114	49,6%	House Wife	13	5,7%
Education			Others	28	12,2%
Elementry School	1	0,4%	**AR Apps that Used**		
Junior High School	0	0%	Shopee (Beauty Cam)	109	47,4%
Senior High School	48	20,9%	Sephora (Virtual Artist)	26	11,3%
Undergraduate	156	67,8%	IKEA Place	52	22,6%
Postgraduate	14	6,1%	Dulux (Visualizer)	38	16,5%
Doctoral	0	0%	Kinder Joy (Applaydu)	3	1,3%
			Others	2	0,9%

Table 2. Measurement Items

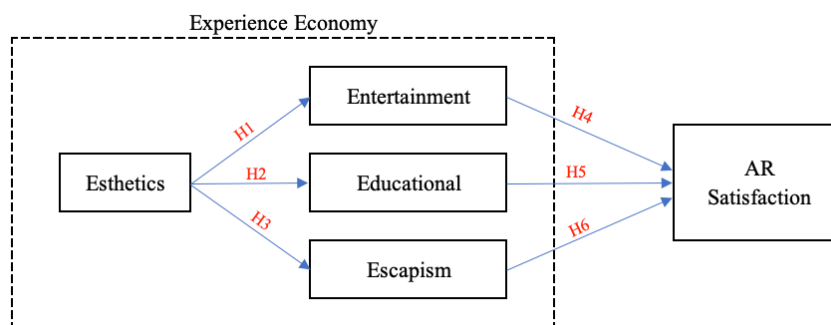| Measurement Item	Loading factor	Composite Reliability	Cornbach Alpha
Aesthetics			
The AR app experience was very attractive	0,801		
The AR app experience was very pleasant	0,860	0,872	0,694
I felt a real sense of harmony from the AR app experience	0,836		
Entertainment			

The AR app experience was amusing	0,773		
The AR app experience was entertaining	0,896	0,883	0,717
The AR app experience was fun	0,866		
Education			
I learned new product information while using AR app	0,865		
I have more product knowledge while using AR apps	0,759	0,851	0,656
The AR app stimulated my curiosity to learn about new product	0,803		
Escapism			
I felt I can forget the daily routine while using AR app	0,858		
I felt I can get rid of boredom while using AR apps	0,868		
I felt I am immersed in a virtual world while using AR app	0,821	0,907	0,710
I felt I get a different experience from my daily routine while using AR app	0,823		
AR App Satisfaction			
I was satisfied with the overall AR app experience	0,866		
I was content with the overall AR app experience	0,887	0,905	0,761
I was delighted with the overall AR app experience	0,863		

Table 3. Correlations

Construct	Mean	SD	1	2	3	4	5
1 Aesthetics	4,24	0,74	0,833				
2 AR App Satisfaction	4,17	0,72	0,648	0,872			
3 Education	4,22	0,78	0,528	0,570	0,810		
4 Entertainment	4,29	0,72	0,655	0,608	0,552	0,847	
5 Escapism	3,79	1,04	0,450	0,601	0,525	0,412	0,843

Table 4. Hypothesis Testing

Hypothesis	Original Sample	T-stat	P-value	
H1 Aesthetics - Entertainment	0,655	13,511	0,000	accepted
H2 Aesthetics - Education	0,528	7,658	0,000	accepted
H3 Aesthetics - Escapism	0,450	7,967	0,000	accepted
H4 Entertainment - AR App Satisfaction	0,359	5,520	0,000	accepted
H5 Education - AR App Satisfaction	0,185	2,242	0,013	accepted
H6 Escapism - AR App Satisfaction	0,356	5,434	0,000	accepted

List of Figures
Figure 4. Research Model

Figure 5. Structural Model