An investigation into the relationship between customer experience and brand loyalty:
A study in the service sector.

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Abstract:
The concept of customer experience is a very important area of study within the marketing discipline. There is a need of further research to remedy our lack of understanding of customer experience due to the little body of literature in this research area. This study aims to facilitate better understanding of the antecedents and consequences of customer experience from the consumer perspective. The reviewed literature leads to the conceptualisation of an integrative framework demonstrating the relationships between the constructs of the study. Additionally, eighteen hypotheses, which describe and explain how customer experience impacts upon brand loyalty within the service sector, are presented.

Keywords:
Customer experience, Experience economy, Experiential service brands, Brand loyalty.

Introduction

An experience is defined by Holbrook and Hirschman (1982) as “a personal occurrence, often with important emotional significance, founded on the interaction with stimuli which are the products or services consumed”. This personal occurrence may lead to a transformation of the individual in the experiences defined as extraordinary experience (Arnould and Price, 1993) which is characterized by a high level of emotional intensity, and is triggered by an unusual event (Arnould and Price, 1993). One can also experience something extraordinary when it offers absorption, joy and value, a spontaneous letting-be and a newness of perception and
process (Czikszentmihalyi, 1991). In a recent study, a more conclusive definition of customer experience was suggested by Gentile et al. (2007, p. 397) based on contributions from other authors (LaSalle and Britton, 2003; Shaw and Ivens, 2005; Schmitt, 1999): “The customer experience originates from a set of interactions between a customer and a product, a company, or part of its organization, which provoke a reaction. This experience is strictly individual and implies the customer’s involvement at different levels (rational, emotional, sensorial, physical and spiritual). Its evaluation depends on the comparison between a customer’s expectations and the stimuli coming from the interaction with the company and its offering in correspondence of the different moments of contacts or touch-points”. This study aims to facilitate better understanding of the antecedents and consequences of customer experience from the consumer perspective.

### Conceptual framework and research hypotheses

**Organizational factors**
- Brand name
- Advertising
- Price

**Situational factors**
- Service space
- People
- Core service

**Individual factors**
- Pre-consumption mood
- Past experience
- Word of mouth

**Customer Experience**
- Disconfirmation
- Arousal
- Pleasure

**Customer Satisfaction**
- Customer Experience

**Brand Loyalty**

Findings indicated that factors most directly affect customer experience are brand name, price and advertising: Firstly, a brand name is one of the most powerful ways through which a framework of expectations is set. Brand name is a clue used by the customer to evaluate such experience. In general, brand name plays an important role in enhancing a product’s value...
Traditionally, the value the brand name adds to the products is brand equity (Farquhar, 1989). Not only, does the brand name provide information about product quality, but also it plays a significant role in the decision making process of choosing the most preferred product or service (Jacoby et. al, 1977). Therefore, the argument here is that brand name is a key factor that influences the perception of the experience, the feelings, the value perceived and, in turn, the attitudinal behaviour.

Secondly, the price of the service has shown to have a significant effect on buyer’s perception of quality (Rao and Monroe, 1989). In fact, the findings of a considerable number of studies suggest that consumers most often rely on price to evaluate products or services (Kurtz and Clow, 1991; Zeithaml et al., 1993; Dods, et al. 1991). Following the line of thinking, price perception is a mean through which a customer set a bundle of expectations he/she needs to be fulfilled.

Thirdly, advertising is a critical component of the marketing mix for any service provider. Advertising is defined as one of the principal components of image creation (Meenaghan, 1995). Consumers treat advertisements as tentative hypotheses that can be tested through product experience (Hoch and Won Ha, 1986). In sum, advertisements raise customers’ expectations by making promises about a product or service. When those promises are not kept, customers have a poor experience. Thus, the following proposition was formulated;

\[
H1: \text{Brand name will have a significant effect on customer experience during the service consumption}
\]

\[
H2: \text{Price of services will have a significant effect on customer experience during the service consumption.}
\]
**H3:** Advertising will have a significant effect on customer experience during the service consumption.

**Situational factors**

Situational factors that have been found strongly influence customer experience are employees, servicescape and core service; First, employee behaviour would affect customers in terms of interaction with the firm (Winsted, 1997; 1999; 2000). Consumers have reported store personnel to be a contributing factor to entertaining store experiences especially when the staff has the ability to provide extraordinary service experience (Jones, 1999). According to de Chernatony and Segal-Horn (2003) the most important communication channel is the staff facing the customers.

Second, the servicescape may have either a positive or negative influence on the experience outcome. The importance of the setting in a broader sense is extensively discussed in marketing, particularly services marketing (Kotler 1973; Donovan and Rossier 1982; Bitner 1990, 1992; Wakefield and Blodget 1996; McGoldrick and Pieros 1998; Turley and Chebat 2002; Hoffman and Turley 2002).

Third, a core service is the reason for why the service firm exists in the market. Sasser et al. (1978) as cited in (Palmer, 1994) called it substantive service which means the essential function of a service. Core service quality across different types of services such as dental services, auto services, restaurants and hairstylists were found to directly affect customer satisfaction (McDougall and Beatty, 1999) cited in (Grace and O’Cass, 2004). Therefore, as the results of these previously indicated studies showed, it can be assumed that;

**H4:** Employees or service personnel will have a significant effect on customer experience during service consumption
Individual factors

Individual factors that can increase or decrease the likelihood of perceiving an outstanding experience are pre-consumption mood, past experience and word-of-mouth; First, affect is not only an important dimension of the customer experience, but also a determinant of customer satisfaction (Westbrook, 1987; Westbrook and Oliver, 1991). Previous research in marketing has fundamentally recognized that consumers’ mood states have an impact on their immediate product evaluations (Gardner, 1985). Moreover, this fact has been acknowledged by several studies (Clark and Isen, 1982; Isen et al., 1978). Customers enter the service environment in a positive, negative, or neutral mood, and this will subsequently affect the evaluation of the experience. The customer is likely to utilize his or her mood state as an antecedent to the evaluation process (Mattila and Wirtz, 2000).

Second, a customer’s satisfaction with his or her last experience with a firm should have a positive effect on his or her expectations for the next service experience (Bitner, 1990). Past experiences shape the customer’s brand norm (Cadotte, et al, 1987) and predictive expectations (Grönroos, 1990), both of which can be used as comparison standards and inputs into overall evaluations of service quality and satisfaction. For example, Houston, et al. (1998) reported a direct positive effect of past experiences on service-encounter quality. Customers are likely to return to service providers that have delivered satisfactory service in
the past, and relationship performance has been found to be good predictors of service repurchase intentions (Strandvik and Liljander, 1995).

Thirdly, communications are the primary means by which consumers gather information about services (Bolton and Drew, 1991; George and Berry, 1981; Grönroos, 1990b; Murray, 1991; Zeithaml et al., 1993). Because of the experiential nature of services, word-of-mouth communications are viewed as more reliable and trustworthy. Grönroos (1990b) described WOM as “WOM communications is the message about an organisation, its credibility and trustworthiness, its way of operating and its services, communicated from one person to another” (Grönroos, 1990b, p 158). WOM is established as an important factor in the information search, evaluation and service buying processes of customers. Content of WOM has also been shown to have an effect on purchase decisions either positively (Richins, 1983) or negatively (Bolfing, 1989). In sum, word-of-mouth is a powerful source of influence assist the customer to predict the consumption experience. Therefore, it has been proposed that;

\[ \text{H7: Customer pre-consumption mood will positively or negatively influence customer experience during the service consumption.} \]

\[ \text{H8: Customer past experience with the company will positively or negatively influence customer experience during the service consumption.} \]

\[ \text{H9: Word of mouth will positively or negatively influence customer experience during the service consumption.} \]

**Consequences of customer experience**

In essence, an outstanding customer experience will certainly lead to customer satisfaction which normally will result in building brand loyalty. Emotions elicited during consumption will positively or negatively affect consumer. Among the techniques which researchers have
employed to explore how atmospherics influence consumer behaviour at retail level is the PAD model. The acronym PAD refers to the three dimensions of Pleasure, Arousal, and Dominance (Mehrabian and Russell, 1974). This theory is used in marketing for capturing the emotional component of the consumption experience in retail environments (e.g. Donovan and Rossiter, 1982; Mano and Oliver, 1993). Hence, the following hypotheses were made:

\[ H10: \text{Servicescape will have a significant influence on arousal dimension.} \]

\[ H11: \text{Service personnel will have a significant influence on arousal dimension.} \]

**Customer satisfaction**

Satisfaction was typically described as a post choice evaluative judgment concerning a specific purchase selection (Churchill and Surprenant, 1982; Oliver, 1980; Day 1084). Kotler (2000, p.36) stated that “Satisfaction is a person’s feelings of pleasure or disappointment resulting from comparing a product’s perceived performance or outcome in relation to his/her expectations”. There is growing empirical evidence that emotion, based on consumption, impacts a consumer’s satisfaction judgement (Mano and Oliver, 1993; Oliver, 1993). Further, emotional response based on consumption is regarded as a powerful predictor of both intention and brand attitude (Morris et al., 2002). Thus, the following hypothesis has been created:

\[ H12: \text{Customer experience will have a significant influence on customer satisfaction.} \]

Disconfirmation means that the results of a service experience are inferior or superior to what was expected by the customer (Oliver, 1997). Positive disconfirmation occurs when a product or service performs better than customers expected. In contrast, negative disconfirmation occurs when a performance is worse than customer’s expectations. Thus, when performance
matches expectation, confirmation occurs and leads to neither satisfaction nor dissatisfaction (Oliver, 1997). Therefore, the following hypotheses are proposed:

- **H13:** Positive or negative arousal would positively or negatively influence customer pleasure.

- **H14:** Positive or negative arousal would influence customer satisfaction or dissatisfaction.

- **H15:** The pleasure dimension will positively or negatively influence the customer satisfaction.

- **H16:** Positive or negative arousal would positively or negatively influence disconfirmation.

- **H17:** Positive or negative disconfirmation would positively or negatively influence customer satisfaction.

**Brand loyalty**

Brand loyalty as defined by Chaudhuri and Holbrook (2001) is “a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand set purchasing, despite situational influences’ and marketing efforts’ having the potential to cause switching behaviour” (p. 82). Intuitively, brand loyal consumers may be willing to pay more for brand because they perceive some unique value in the brand that no alternative can provide (Jacoby and Chestnut, 1978; Pessemier, 1959; Reichheld, 1996). Consequently, the following prediction is made.

- **H18:** Customer satisfaction will positively contribute to brand loyalty

**Methodology and Research Approach**
Study one

The exploratory nature of the research objectives and the low degree of problem crystallization due to the newness of the subject of customer experience therefore the researcher choose the qualitative research to achieve the objectives of the first study taking into consideration the fact that when choosing the method it is important to base it on the purpose and the research questions. When considering the purpose of this study the qualitative approach (semi-structured interviews) is an appropriate method since the subjective nature of customer experience. The researcher aim is to receive thorough understanding of the customer experience phenomenon which can be said to only be achieved through a qualitative study.

Semi-structured interviews

This study aims to better understanding of what factors foster or discourage customer experience, and the role of consumption emotions in creating satisfying experience as well as the impact of customer experience on brand loyalty. Additionally, the aim of qualitative research is often to identify parameters to be used for quantitative empirical testing. Therefore, the aim of this study is to also develop a useful, parsimonious and practical scale for the customer experience construct that could be easily applied in different service contexts. In this section, the content of experience dimensions will be established and the scale will be psychometrically and theoretically validated. This process will follow Churchill’s (1979) approach for developing measures of multiple-item marketing constructs and Gerbring and Anderson’s (1988) for establishing measurement reliability. After the development of initial set of items, items purification stage will be undertaken.
In this stage respondents will be asked different questions to provoke thoughts about customer experience. As a consequence of this phase many of the produced items are expected to be generic. Therefore the identical or equivalent items will be taken out. A number of academics will evaluate the items generated from the interviews and focus on eliminating redundant measures in order to ensure that these items are representative of the scale’s domain to assist, the researcher will give each judge the dimensions of experience based on previous studies such as (Pine and Gilmore, 1999; Schmitt, 1999; Otto and Richie, 1995). It is expected that some of the dimensions are likely less important when considering experiential services.

Pilot study
Reliability of the items generated will be assessed through using a questionnaire containing the items obtained form the personal interviews. This questionnaire will be distributed to consumers. Following this step and, as recommended by Churchill’s (1979), we will further reduce the scale by investigating coefficient alpha and plotting item-to-total scale correlations for each dimension. Items that will produce a sharp drop in the plotted pattern will be eliminated. Some items will be dropped for reasons such as significant cross-loading, collinearity and / or Heywood cases (Bagozzi and Yi 1988). Also the reliability will be assessed by examining the measurement model (Anderson and Gerbing 1988; Bagozzi and Yi 1988; Gerbing and Anderson 1988). The study will use LISREL 8.80 to assess the measurement model. Although the customer experience construct are composed of several dimensions, this dissertation will employ methods of computing factor-based scores and assigning equal weight to individual items to assess this construct.

Study two
The aim of study two is to focus on the relationship between customer experience and brand loyalty in the service industry. In order to conduct a study that examines the influence of customer experience antecedents on customer experience and its consequences focusing on brand loyalty, this study will employ experiential service brands such as coffee chain stores brands (Starbuck) which is similarly well known and used by British and Egyptians. The rational of choosing service brands is the fact that, experiential branding focuses on consumer interaction with a company’s product or services (Dea and Hermerling, 1998). Moreover, Franzen (1999) advocated that the close relationship between the customers and the brand exist in the service sector. Similarly, Randall (1997) showed that all brands aim to build an enduring relationship with their consumers, particularly in the service sector.

Questionnaire
This study will entail two cultures with very dissimilar languages. Therefore, it is vital that the survey’s instructions and measurement items should be well written, easy for the respondent to understand and clear not vague. The data for the second study will be collected from real consumers. A purposive sample of customer visiting a number of coffee chain stores in UK and Egypt will be used in this study during the different operating times to avoid the bias. A questionnaire will be used to collect data from coffee chain store customers.

Unstructured and Semi structured interviews
Additionally due to the subjective nature of the experience, unstructured interview will be conducted with some of the customer (triangulation) for the reliability purposes. Intercept surveys, (i.e. personal interview) provide quick and easy access to respondents and most likely lead to a high degree of accuracy because the interviewers has the ability to explain to the interviewees what they fail to understand.
Conclusion

The study attempts to provide a better understanding of the antecedents and consequences of customer experience. The study also highlights the impact of the customer experience on customer satisfaction and service brand loyalty. The hypotheses and the integrative framework provide a foundation for firms in order to manage customer experience.

References


