

2nd Global Conference on Business and Social Science-2015, GCBSS-2015, 17-18 September  
2015, Bali, Indonesia

## Understanding Customer Experience Management in Retailing

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### Abstract

Survival in today's economic climate and competitive retail business requires more than just low prices and innovative products. Customer experience includes every point of contact at which the customer interacts with the business, product, or service. The concept of customer experience has emerged as a strategy for the retail business which is facing competition. Data have been collected from multiple sources such as books and journals. The paper aims at explaining how the actual implementation of customer experience to help the business organizations retaining satisfaction of their customers in a long term and how the company gains an extra competitive advantage.

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Peer-review under responsibility of the Organizing Committee of the 2nd GCBSS-2015

**Keywords:** Customer experience; Retail; Strategy; Customer Relationship Management.

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### 1. Introduction

Business competition today is getting tougher and a company can survive long only by increasing the competitive advantage. Some researchers emphasize that the company should focus on the customer (Kotler & Keller, 2006). The company uses Customer Relationship Management strategy to get to know more customers. Interaction between the company and the customer becomes an important moment to nurture and improve customer relations. The contact point becomes the basic idea of customer experience concept (Gentile *et al.*, 2007).

The paper aims to explain the concept of the customer experience at first glance, customer experience antecedents in retail and customer experience measurement methods.

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## 2. Literature Review

### 2.1 History of customer experience

Notion of experience included in the marketing and consumption is firstly revealed by Holbrook & Hirshman (1982). In the consumer behavior literature, the consumer is regarded as rational decision-maker in the information process perspective. The conventional research ignores consumption experience as an important aspect. Holbrook & Hirshman (1982) say that elements of pleasure, beauty, symbolic meaning, creativity and emotion can enrich and broaden the understanding of consumer behavior. Twenty years later, the concept of customer experience becomes a major element in understanding consumer behavior. One of the important aspects emphasized here is the role of the emotion in consumer behavior, purchasing and use of goods and selection of brands (Addis & Holbrook, 2001 adapted in Caru and Cova, 2003).

Concept of customer experience is more relevant in the book "Experience Economy" by Pine & Gilmore (1999). The author presents the experience as an offer in new economy, which emerges after the commodities, goods and services. Experience is called as the development of economic value. In this case, there is 'remembered' perspective in every stage of the event. The company does not sell the experience (Pine & Gilmore, 1999), but the company provides tangible facilities and a favorable context of experience so that consumers can do well in making the experience unique.

In the following year, Caru & Cova (2003); Schmitt (1999); Schmitt (2003) and Shaw and Ivens (2002) make different contribution focused on the concept of the customer experience emphasizing the aspects of value creation of the company and the customer. Furthermore, there is concept of consumption which is a form of holistic experience for consumers. Consumer is not only seen as a person who interacts with the company or a company offer but also viewed as people who use and consume products (LaSalle & Britton, 2003 in Gentile *et al.*, 2007).

### 2.1 Definition of experience

In management sciences by Holbrook & Hirschman (1982), the experience is defined as whole events experienced by a person, often affect emotions, occurs when the interaction takes place through the stimulation of goods and services consumed. Events experienced by individuals in gaining the experience can be defined as an exceptional event (Arnould & Price, 1993 in Caru & Cova, 2003).

In the perspective of experience, consumption is not limited to the activity before or after the purchase but also covers all activities that may affect consumer decisions and activities in the future (Vezina, 1999: 62 in Caru & Cova, 2003). Consumption experience is divided into several stages. Arnould *et al.* (2002) in Caru & Cova (2003) divides consumption experience into four stages: pre-consumption experience, purchase experience, core consumption experience and remembered consumption experience in which consumer wants to repeat the past experience.

The concept of shopping experience describes the consumer's purchase behavior involving elements of recreation, enjoyment, and hedonic behaviors overwhelming utilitarian value (Babin *et al.*, 1994). Consumers are emotionally involved in the shopping process.

In the marketing perspective, the notion of experience is proposed by Pine & Gilmore (1999:12) who states that experience is something unique (different individuals will not have the same experience), which can be remembered (memorable) and is sustainable over time. The experience may involve emotional, physical, intellectual or even spiritual aspects of the individual.

Shaw & Ivens (2002) in their book say that "A Customer Experience is an interaction between an organization and a customer. It is a blend of an organization's physical performance, the senses stimulated and emotions evoked, each intuitively measured against customer experience across all moments of contacts". Customer experience is the stimulation done by the company against the senses of consumers. Company can control the stimuli that have been given to the senses of consumers. Therefore, the company can control the reaction of consumers resulting from the stimulation process, thereby the company can steer the acquisition of the customer experience as expected by

company.

Meyer & Schwager (2007:118) define customer experience as internal and subjective responses of the customers in line with the company directly and indirectly. Direct relationship may occur in the place when customers buy, use and receive services intended for customers. Indirect relationship may take the form of unexpected interaction through company's product representative, services or brands and positive recommendations or criticism, advertising, news, reports and so forth.

Regarding some definitions of experience, Kim *et al.* (2011) make conclusions as follows:

1. Consumer experience with the company is natural and multi-dimensional
2. Consumer experience involves a person in a varying physical and psychological levels.
3. Consumer experience related to a brand is personal and individual.

Different scientific contributions with different interpretations and conceptualization of the customer experience offered by the authors and researchers provide different perspectives and different models proposed. In general some core characteristics of the customer experience can be identified, among others:

1. Customer experience has a temporal dimension resulting from the whole contact between the customer and the company or company offer (Caru' and Cova, 2003).
2. Customer experience is very personal, unique and provides stimulation to sensory, emotional, rational and physical aspects at different levels so as to create a memorable experience (Schmitt, 1999).

### 2.3 Experience measurement

Table I presents some methods of empirical experience measurement. Measurement dimensions of Klaus & Maklan (2011) and Kim *et al.* (2011) are obtained through qualitative and quantitative studies (EFA), in contrast with the previous measurement dimensions of customer experience by Gentile *et al.* (2007) and Schmitt (1999). Kim *et al.* (2011) develops the concept of the customer experience measurements (Consumer Experience Index - CEI). CEI measurement is based on the service delivery system in general which is not for a specific industry or business sector. Concept of customer service experience (EXQ) measurement developed by Klaus & Maklan (2011) does not support for elements of social environment, retail atmosphere and the retail brand of Customer Experience Creation Concept Model by Verhoef *et al.* (2009). EXQ is devoted to the study of objects with high consumer involvement (high involvement) and frequent contact (high contact).

Gentile *et al.* (2007) states that the customer experience is created as contribution of customer value and the company itself. Customer value is differentiated in utilitarian and hedonic values. Schmitt (1999:60) says that the experience is personal event that occurs in response to some stimuli through marketing efforts before and after purchase. Experiential marketing (Schmitt, 1999:64-68) is a way to make consumers create experience through the stimulation of the five senses; stimulus to feel (affective); stimulus to think creatively; stimulus to perform physical activity, behave and interact with others; stimulus to socialize that reflects the lifestyle and culture.

Table 1. Experience Measurement Method

Model	CEI (Kim <i>et al.</i> , 2011)	EXQ (Klaus & Maklan, 2011)	Customer Experience (Gentile <i>et al.</i> , 2007)	Experiential Marketing (Schmitt, 1999)
Dimensions	Environment	Peace-of-mind	Sensorial	Sense
	Benefits	Moments-of-truth	Emotional	Feel
	Convenience	Result focus	Cognitive	Think
	Accessibility	Product experience	Pragmatic	Act
	Utility		Lifestyle	Relate
	Incentive		Relational	

	Trust			
Methodology	Empiricism, scale development	Empiricism, scale development	Empiricism, factor analysis	Empiricism, factor analysis
Exploratory research conducted to define construct	Yes	Yes	Yes	No
Outcomes empirically linked to construct	Not available	Repurchasing behavior, Customer satisfaction Stated loyalty Positive word-of-mouth intentions	Customer commitment Customer involvement	Not available

## 2.4 Experience antecedents

Table 2 shows the customer experience researches (Berry *et al.*, 2002; Gentile *et al.*, 2007; Naylor *et al.*, 2008; Hsu & Tsou, 2011; Sheng & Teo, 2012; Nasermoadeli *et al.*, 2013) with various antecedent variables that have been tested. These experience antecedent variables indicate that there are some factors (hedonic value, utilitarian value, advertising, information and social environment) that may affect experience, although the customer experience variable is conceptually still evolving and attractive to study.

Conceptual study on customer experience (Grewal *et al.*, 2009; Verhoef *et al.*, 2009) shows the development of the concept of the customer experience that has not been established with various views of the customer experience as part of consumer behavior (Holbrook & Hirschman, 1982). This conceptual study on customer experience gives a lot of inspiration to do more researches in the future.

Table 2. Summary of experience antecedent researches

Researchers (Year)	Research object	Research type	Antecedents
Berry <i>et al.</i> (2002).	Hospital and car rental	Qualitative research	Observation on expressions, body language and physical environment
Gentile <i>et al.</i> (2007)	Famous brand users with very strong image in Europe.	Qualitative research	Value expectation of consumer (hedonic and utilitarian values)
Naylor <i>et al.</i> (2008)	Resort/spa and retail	Quantitative research (MANOVA)	Advertisement
Grewal <i>et al.</i> (2009).	Recommended for the retail industry	Conceptual	Internal factors controlled by company (promotion, price, product, supply chain and location) and the macro environment
Verhoef <i>et al.</i> (2009)	Recommended for the retail	Conceptual	Social environment, self service technology, retail atmosphere, assortment, price, customer experience in alternative channels, retail brand and customer experience (t-1).
Hsu and Tsou (2011)	Blog online	Quantitative research (EFA & PLS)	Information credibility
Sheng and Teo (2012)	Mobile phone users	Quantitative research (PLS)	Utilitarian and hedonic values
Nasermoadeli <i>et al.</i> (2013)	Business school students of private colleges.	Quantitative research	Social environment

## 3. Conclusion

Customer experience is the whole events experienced by customers in the process before and after the purchase,

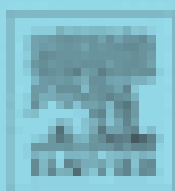
which is personal and unique as well as provide stimulation to sensory, emotional, rational and physical aspects so as to create memorable experience. The concept of customer experience can be investigated in various industries, but many studies on customer experience in the retail industry have been developed. Companies and customers play a role in creating a customer experience in the retail industry. Some antecedents and measurement of customer experience are interesting topic for further study.

## Acknowledgements

This article is part of the dissertation are summarized been tested. Thanks to the promotor, co-promotors and examiners for the improvement of this dissertation.

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Volume 171 • 28 November 2015

ISSN: 1877-0428

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