

## Customer Experience Creation: Determinants, Dynamics and Management Strategies

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### Abstract

Retailers, such as Starbucks and Victoria's Secret, aim to provide customers a great experience across channels. In this paper we provide an overview of the existing literature on customer experience and expand on it to examine the creation of a customer experience from a holistic perspective. We propose a conceptual model, in which we discuss the determinants of customer experience. We explicitly take a dynamic view, in which we argue that prior customer experiences will influence future customer experiences. We discuss the importance of the social environment, self-service technologies and the store brand. Customer experience management is also approached from a strategic perspective by focusing on issues such as how and to what extent an experience-based business can create growth. In each of these areas, we identify and discuss important issues worthy of further research.

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### Introduction

Creating superior customer experience seems to be one of the central objectives in today's retailing environments. Retailers around the globe have embraced the concept of customer experience management, with many incorporating the notion into their mission statements. For example, Valero Energy Corporation is committed to ensuring a positive retail experience for customers by focusing on convenience, value and quality. Dell computers focuses on delivering the best customer experience in the markets the firm serves, while Toyota's mission statement is to sustain profitable growth by providing the best customer experience and dealer support. Similarly, it has been argued that the success of Starbucks is based on creating a distinctive customer experience for their customers (Michelli 2007). Additionally, a recent IBM report identifies customer experi-

ence as a key factor for companies to use in building loyalty to brands, channels and services (Badgett, Boyce, and Kleinberger 2007).

Yet despite the recognition of the importance of customer experience by practitioners, the academic marketing literature investigating this topic has been limited. Publications on customer experience are mainly found in practitioner-oriented journals or management books (e.g., Berry, Carbone, and Haeckel 2002; Meyer and Schwager 2007; Shaw and Ivens 2005). In general, these publications tend to focus more on managerial actions and outcomes, than on the theories underlying the antecedents and consequences of customer experience. For example, Pine and Gilmore (1999) argued that creating a distinctive customer experience can provide enormous economic value for firms, and Frow and Payne (2007) derived managerial implications, such as the careful management of customer 'touch points', based on qualitative case studies. To the best of our knowledge only a limited number of articles explore customer experience in depth from a theoretical perspective. More specifically, Gentile, Spiller, and Noci (2007) empirically investigate the specific role of different experiential features in the success achieved by some well-known

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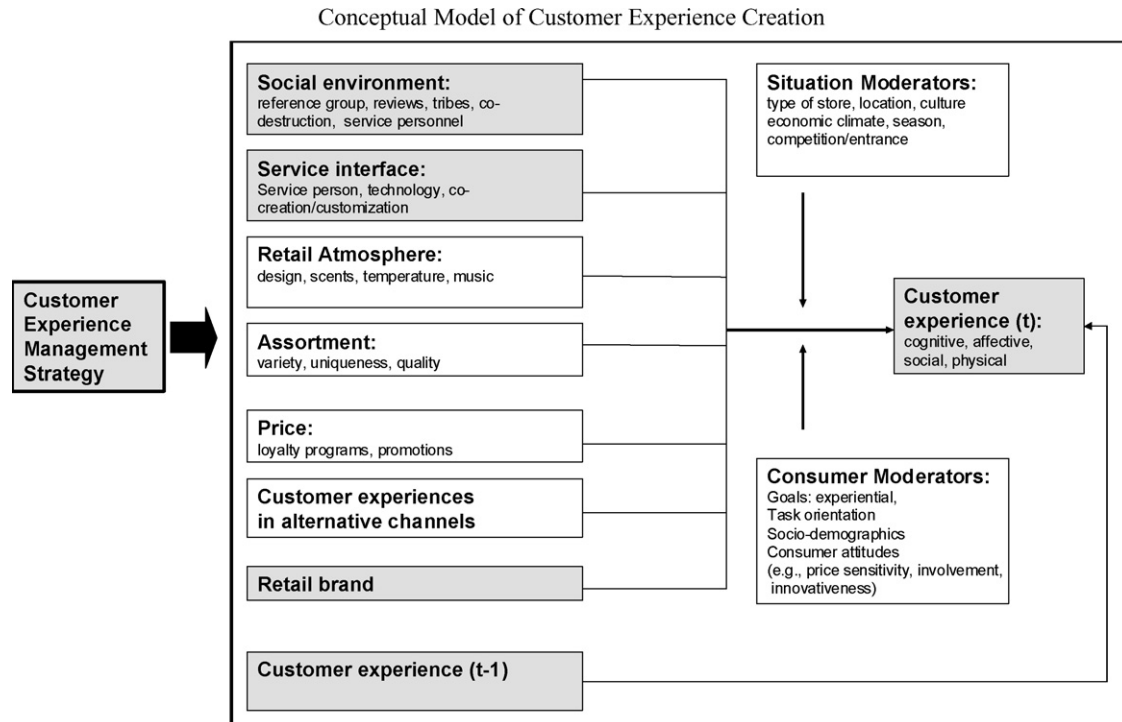


Fig. 1. Conceptual model of customer experience creation.

products. And, Novak, Hoffman, and Yung (2000) investigate the impact of website design in its impact on the customer's experience.

The scarcity of systematic scholarly research on the customer experience construct and customer experience management calls for a theory-based conceptual framework that can serve as a stimulus and foundation for such research. In this paper we discuss the customer experience construct, build a conceptual model of antecedents to and moderators of customer experience, and examine the need for customer experience management strategies to take these elements into account (see Fig. 1). Finally, we explore five specific aspects of the model (shaded in Fig. 1) and identify opportunities for future research. The five aspects explored are social environment, service interface, retail brand, customer experience dynamics, and customer experience management strategies.

### Background on customer experience

The literature in marketing, retailing and service management historically has not considered customer experience as a separate construct. Instead researchers have focused on measuring customer satisfaction and service quality (e.g., Parasuraman, Zeithaml, and Berry 1988; Verhoef, Langerak, and Donkers 2007). However, it is not that customer experience has never been considered. Most notably, Holbrook and Hirschmann (1982) theorized that consumption has experiential aspects (see also Babin et al. 1994). Schmitt (1999) has explored how companies create experiential marketing by having customers sense, feel, think, act and relate to a company and its brands. And, Berry, Carbone, and Haeckel (2002) suggest that in order for organizations to compete by providing customers with

satisfactory experience they must orchestrate all the "clues" that people detect in the buying process.

Building from these insights, recent definitions of customer experience include that "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 personal and implies the customer's involvement at different levels (rational, emotional, sensorial, physical, and spiritual)" (Gentile, Spiller, and Noci 2007, p. 397). A second and related definition is that "Customer Experience is the internal and subjective response customers have to any direct or indirect contact with a company. Direct contact generally occurs in the course of purchase, use, and service and is usually initiated by the customer. Indirect contact most often involves unplanned encounters with representatives of a company's products, service or brands and takes the form of word-of-mouth recommendations or criticisms, advertising, news reports, reviews and so forth." (Meyer and Schwager 2007, p. 118).

Adding to the above, we submit that the customer experience construct is holistic in nature and involves the customer's cognitive, affective, emotional, social and physical responses to the retailer. This experience is created not only by those elements which the retailer can control (e.g., service interface, retail atmosphere, assortment, price), but also by elements that are outside of the retailer's control (e.g., influence of others, purpose of shopping). Additionally, we submit that the customer experience encompasses the *total* experience, including the search, purchase, consumption, and after-sale phases of the experience, and may involve multiple retail channels.

This holistic conceptualization of the customer experience differs from most studies in the retailing literature which have

Table 1  
Overview of literature on aspects of customer experience.

Theme	Study
Customer experience	Berry, Carbone, and Haeckel (2002); Gentile, Spiller, and Noci (2007), Holbrook and Hirschmann (1982); Meyer and Schwager (2007); Naylor et al. (2008); Sousa and Voss (2006)
Customer experience driver	
Social environment	Baker et al. (2002); Haytko and Baker (2004); Luo (2005); White and Dahl (2006)
Service interface	Baker et al. (2002); Beatty et al. (1996); Folkes and Patrick (2003); Meuter et al. (2005); Mittal and Lassar (1996); van Dolen, Dabholkar, and de Ruyter (2007); Weijters et al. (2007)
Atmosphere	Baker et al. (2002); Kaltcheva and Weitz (2006); Wakefield and Baker (1998)
Price	Baker et al. (2002); Dorotic, Verhoef, and Bijmolt (2008); Gauri, Sudhir and Talukdar (2008); Noble and Phillips (2004);
Assortment	Baker et al. (2002); Broniarczyk, Hoyer and McAllister (1998); Huffman and Kahn (1998); Janakiraman, Meyer, and Morales (2006)
Channel	Neslin et al. (2006); Patricio, Fisk, and Falcao e Cunha (2008); Sousa and Voss (2006); Verhoef, Neslin, and Vroomen (2007)
Past customer experience	Bolton and Drew (1991); Boulding et al. (1993); Mittal, Kumar, and Tsiros (1999); van Doorn and Verhoef (2008)
Moderators	
Consumer goals	Dabholkar and Bagozzi (2002); Kaltcheva and Weitz (2006); Wakefield and Baker (1998)
Other moderators	Fisher, Gainer, and Bristol (1997); Goff et al. (1997), Luo (2005); Wakefield and Baker (1998); White and Dahl (2006)

focused on elements of the retail environment which are under the control of the retailer and how these elements influence specific customer responses. In Table 1 we provide a brief overview of important studies on each of the determinants of the customer experience discussed in our conceptual model. An example of such a paper is Baker et al. (2002) in which an extensive model was tested that considers the effects of several factors, such as price and assortment, on the perceived value of the store. Other literature on retail experience has typically focused on store atmospherics and the impact of scents, music, tactile input and color on customers' affective responses to a retailer (for an overview see Naylor et al. 2008).

We advance that the next stage of research is to move beyond the focus of a limited set of elements under the control of the retailer to a broader understanding of the multiple factors both within and outside retailers' control that impact the customer's experience. Additionally, the next stage of research should focus on a richer conceptualization of the customer experience that not only captures cognitive evaluations (i.e., functional values) and affective responses (as have been typically studied), but also encompasses social and physical components. Hence, an important research opportunity is to develop a scale that aims to measure the customer's retail experience in its full detail. Furthermore, theorizing on and empirically investigating the relative impact of the drivers on each of the components of customer experience are critical research priorities in this domain.

### Conceptual model

With this more holistic conceptualization of customer experience in mind, we develop a conceptual model (see Fig. 1). Drawing from prior research (e.g., Baker et al. 2002; Grewal et al. 2003; Pan and Zinkhan 2006; Sirohi, McLaughlin, and Wittink 1998; Verhoef, Neslin and Vroomen 2007),<sup>1</sup> we develop

several determinants of customer experience. These include the social environment, the service interface, the retail atmosphere, the assortment, the price and promotions (including loyalty programs). Importantly, we also acknowledge the fact that in today's multi-channel environment customers' experiences in one channel (e.g., a store) may be affected by experiences in other channels (e.g., the Internet) as well (e.g., Konuş, Verhoef, and Neslin 2008; Neslin et al. 2006; van Birgelen, de Jong, and de Ruyter 2006). We also consider the potential interaction between the retail brand and the delivered customer experience. The model includes a dynamic component, as we account for the fact that current customer experience at time  $t$  is affected by past customer experiences at time  $t - 1$ . We include consumer and situational moderators as well. On the customer side, our model posits that the effect of the considered determinants on customer experience is moderated by consumers' goals for the shopping trip. For example, task-oriented customers may consider the assortment as a more important driver of customer experience than experientially oriented customers. These goals are shaped by factors such as personality traits, socio-demographics, location and situational circumstances.<sup>2</sup> Finally, we acknowledge the existence of potential situational moderators in the model, which include the type of store (e.g., discount vs. full service, specialty vs. general), channel (e.g., store vs. Internet), location (e.g., mall vs. city center), culture (e.g., masculinity, individualism), season (e.g., regular vs. holiday), economic climate (e.g., recession vs. expansion), and competitive intensity (e.g., Burgess and Steenkamp 2006; Lamey et al. 2007; Sloot and Verhoef 2008; Verhoef, Neslin, and Vroomen 2007). The model then suggests the companies must take into account this broader

<sup>1</sup> We assume that customer experience will have a positive influence on retail patronage and store loyalty and thus customer profitability (e.g., Baker et al.

2002; Sirohi et al. 1998; Kumar and Shah 2004). Given the focus of this paper on the customer experience construct and its determinants we do not include these links in our conceptual model. We also refer to the paper by Petersen et al. (2009) on retail metrics in this special issue.

<sup>2</sup> We refer to Puccinelli et al. (this issue) in this special issue, which focuses on consumer goals, etc.

Table 2  
Summary of important issues worthy of further research.

Topic	Important research questions
Customer experience	<ul style="list-style-type: none"> <li>• How can customer experience be measured in such a way that it captures all facets of this construct?</li> <li>• What is the impact of the distinct drivers of customer experience on each of the components of this experience?</li> </ul>
Social environment and customer experience	<ul style="list-style-type: none"> <li>• How do customers act in groups and how do these groups influence fellow customers' experience?</li> <li>• Should companies foster customers assisting other customers? Should this role remain only on information dissemination grounds or should it expand into producing the service experience?</li> <li>• Should companies invest in building and maintaining virtual communities and how should they be managed?</li> <li>• Is customer compatibility management the solution to customers destroying other customers' experience?</li> <li>• Can the social environment be successfully designed and managed and can we design metrics to assess its performance?</li> </ul>
Self-service technologies and customer experience	<ul style="list-style-type: none"> <li>• What is the optimum blend of employee- and technology-based service systems and what contingencies might influence that blend?</li> <li>• Do technology-based service systems that require active customer participation affect customer experience differently than do "passive" systems? If so, how do the impacts differ?</li> <li>• What impact do SST <i>failures</i> have on customer experience?</li> <li>• How do SSTs affect employee behaviors and hence customer experience?</li> </ul>
Branding and customer experience	<ul style="list-style-type: none"> <li>• How do customers' initial perceptions of a retail brand influence subsequent customer experience? Are there asymmetric effects for positive and negative perceptions?</li> <li>• To what extent do brand perceptions act as a moderator?</li> <li>• How do brand perceptions and customer experience reinforce one another over time?</li> </ul>
Customer experience dynamics	<ul style="list-style-type: none"> <li>• Are the dimensions of customer experiences (and their effects on the customer's experience) stable over time?</li> <li>• Do customers expect an increasing intensity and/or valence of customer experience over time?</li> <li>• May customers (to some extent) get "bored with" or accustomed to the delivered experience?</li> </ul>
Customer experience management strategies	<ul style="list-style-type: none"> <li>• Do customer experience based retail strategies enhance firm performance?</li> <li>• Could changes in the designed experience alienate core customer groups? If so, under which circumstances and in what ways?</li> <li>• How do firm and employee capabilities influence the customer experience or moderate the effects of other factors on the customer experience?</li> </ul>

conceptualization of how the customer's experience is created when designing customer experience management strategies.

In subsequent sections we explore five specific aspects of the model and identify opportunities for future research (see Table 2). The areas explored (social environment, service interfaces, retail brand, customer experience dynamics, and customer experience management strategies) are shaded in Fig. 1. We intentionally do not discuss the other determinants noted in our model in detail because either extensive overviews are available in the extant literature (e.g., Neslin et al. 2006; Dorotic, Verhoef, and Bijmolt 2008) or other papers in this special issue discuss those drivers in more depth (Ailawadi et al. 2009; Kopalle et al. 2009; Mantrala et al. 2009). Although each section focuses on one driver of the customer experience, it is important to understand that the customer experience creation process is comprised of multiple independent contact points during the exchange process.

### Social environment

The customer's experience is impacted by the social environment. There are often multiple customers in a store simultaneously and the experience of each customer can impact

that of others. For example, if there is one customer demanding attention from the sales person that can take away from the experience of another customer also needing help. In addition, customers often visit a retail space with friends or family members. This can also affect the customer's own experience as well as that of fellow customers. Thus, one element of the customer experience which is important to consider is the social environment.

### Background

While most of the focus of existing literature has been on the interaction between the company, or its employees, with the customer (Tsiros and Parasuraman 2006), marketers and researchers should also be aware that interactions among customers can have profound effects on the service experience (Baron, Harris, and Davies 1996; Martin 1996; Martin and Pranter 1989). Even though marketers have long realized the importance of building strong bonds between customers (e.g., the influence of a purchase pal, Woodside and Sims 1976), researchers and marketers alike have mostly ignored the call for creating relationships *between* customers and have focused primarily on creating relationships *with* customers. Customers can affect one another either directly or indirectly (Baker 1987; Bitner 1992). For

example, crowding or standing too close to others can create anxiety (Bateson and Hui 1986; Fisher and Byrne 1975; Hall 1966). Eye contact between strangers may be negatively perceived (Albas and Albas 1989) and one's appearance may be perceived as threatening (Aronoff, Woike, and Hyman 1992). Of course, customers can also affect other customers directly by the different roles that each customer may assume. For example, some customers are disruptive (e.g., talking loudly during a movie) while some may assist fellow customers by playing the role of an advisor, with the other customers assuming the role of advisees. McGrath and Otnes (1995) developed a typology of roles that strangers can play in a retail environment. They identified specific roles such as the helpseeker, helper, competitor, and complainer, among others. The positive and negative effects of customer-to-customer interactions have been empirically documented for the tourism industry (Wu 2007). Companies can gain by having knowledgeable customers that can assist other customers. Fostering such exchanges can therefore be rewarding for the company. This also relates to the notion of using customers as partial employees, not so much in helping produce the product or service experience but in disseminating useful customer knowledge that can influence the customer's experience (of both the helpseeker and the helper).

Occasionally, customers (and even employees as described in the literature by Boye and Jones 1997; Boye and Slora 1993; Harris and Ogbonna 2002) may destroy the experience of other customers in an attempt to sabotage the company (Harris and Reynolds 2003, 2004). Such abusive and dysfunctional behavior has been termed jaycustomer behavior (Lovelock 1994), deviant customer behavior (Moschis and Cox 1989), and aberrant customer behavior (Fullerton and Punj 1993). Apart from the direct negative effect that it can have on the company (e.g., damaging company property, lowering employee morale and increasing employee turnover), it can also ruin the experience of other customers. For example, a recent article in the *Wall Street Journal* (2008) described how in an airline setting customer misbehavior (e.g., treating the seat pocket as a garbage bin where they deposit wet napkins, used baby diapers, and the remaining part of their meal) may ruin the experience of other customers and lead to lower satisfaction and loyalty. While empirical work is lacking in this area, several propositions about possible domino effects of dysfunctional customer behavior have been posited (Harris and Reynolds 2003). For instance, other customers may imitate abusive behavior to the employees or to physical objects. Martin (1996) also identified several customer categories (e.g., grungy, inconsiderate, crude, violent, gregarious, malcontent, leisurely) that may affect other customers' experience and highlighted the importance of customer compatibility and the need to manage customer conduct to influence expectations and prevent misbehavior by posting codes of conduct (e.g., coat and tie required), designating certain time periods for certain customers (e.g., Saturday matinees for children), or grouping compatible customers by offering multiple sections (e.g., smoking and non-smoking areas).

Since customers share the retail environment, the need for compatibility management has emerged (Martin and Pranter 1989). Compatibility management involves attracting similar

customers and managing the service environment to foster customer-to-customer interactions that enhance customer satisfaction (Martin and Pranter 1991). For instance, attracting customers who are compatible in health clubs may spark friendships that will increase satisfaction and lead to high switching costs. Compatible customers may be perceived as having both helpseekers and helpers so their intrinsic desires can be fulfilled while also leading to a fulfilling experience.

Similar to customer-to-customer interaction in a brick-and-mortar setting, customers can "interact" with other customers in an online setting by posting customer reviews on company websites or on different blogs or chat rooms. Such information has been found to be very influential (Hagel and Armstrong 1998; Kozinets 1999) and acts as a new form of the traditional word-of-mouth communication. Customers form virtual communities (Hagel and Armstrong 1998; Kozinets 1999; Rheingold 1993), which can lead to a more enriched customer experience and help build customer loyalty (Mittal and Tsiros 2007). Virtual communities provide a forum where customer-relevant information can be exchanged and social interaction can be fostered (Kim and Jin 2006). While the opportunities for companies to reach those communities are great (Hagel and Armstrong 1998), companies should approach them with caution because customers – not the companies' products – are the focus of the communities (Bagozzi and Dholakia 2002; Langerak et al. 2007).

#### *Future research*

Although a solid backdrop exists, there is need for additional research to understand how the social environment impacts the customer experience specifically in a retailing context. A number of areas for future research are noted in Table 2. For example, examining the way customers act in groups (families, friends, peer groups, etc.) is important and something that is missing in the literature despite a call for such research (Bagozzi 2000). Also, additional research is needed in the area of developing and managing virtual communities and their impact to the bottom line. Such attempts can begin with qualitative methodologies (e.g., focus groups, personal interviews, internet ethnography) that will give a more in-depth look into the consumption process of those virtual communities before applying more quantitative methodologies to measure specific customer behavior and its link to performance metrics. In sum, in examining the social environment we must not only focus on the more traditional interactions (customer to employee, company to employee, and company to customer) but also examine how customers interact and affect one another, as well as how the interaction between employees may affect the customer experience.

#### *Self-service technologies*

Technology-based service delivery systems are becoming an integral part of shopping, and hence are critical to examine in terms of their impact on customer experience. The manifestation of such technology-mediated interactions in retailing is demonstrated by the emergence of an entirely new technology-enabled shopping mode (namely, online retailing) as well as by

the introduction of various technology-based systems within the traditional brick-and-mortar shopping environment (e.g., self-service check-out counters).

### Background

Given the growing importance of technology in customers' interactions with firms, Parasuraman (2000) proposed a "pyramid model" of services marketing that expands the two-dimensional triangle in the traditional "triangle model" – representing company–customer, company–employee, and employee–customer interactions – into a three-dimensional pyramid with "technology" at its apex to reflect the fact that the interactions among companies, employees and customers are increasingly likely to be mediated by some form of technology.

Despite the accelerating pace at which technology-based service systems are permeating retailing, scholarly research on the impact of such systems on customers' experiences is still at a nascent stage. And, much of that research to date has focused on determinants of customers' intentions to adopt and use self-service technologies (referred to hereafter as SSTs). Key studies in that genre include Dabholkar and Bagozzi (2002), Curran, Meuter, and Surprenant (2003), Montoya-Weiss, Voss, and Grewal (2003), Meuter et al. (2005), and Falk et al. (2007). Some studies have also examined the consequences of SST usage in terms of impact on outcome constructs such as perceived waiting times (Weijters et al. 2007), customer satisfaction/dissatisfaction (Holloway and Beatty 2008; Meuter et al. 2000; Weijters et al. 2007), and customer loyalty (Selnes and Hansen 2001). Other studies have focused on understanding how customers assess the quality of service delivered through websites – "e-service quality" – and developing scales to measure that construct (e.g., Parasuraman, Zeithaml, and Malhotra 2005; Wolfinbarger and Gilly 2003; Zeithaml, Parasuraman, and Malhotra 2002). Though findings from previous studies offer some insights pertaining to designing effective SSTs, because most of those studies focus on some specific aspect(s) of SST usage (e.g., intentions to use, e-service quality, etc.), those insights are necessarily "piecemeal" vis-à-vis the customer's experience as a whole and SSTs' role in it. Calls for comprehensive research related to the various technology-mediated links in the pyramid model have been issued in the past (Parasuraman and Grewal 2000). However, there is still a need for scholarly research that takes a more holistic perspective of customer experience in the retailing domain, in terms of SSTs' impact on customers as well as on retailers' performance metrics (e.g., market share, productivity, revenues). In the remainder of this section, we suggest a variety of issues at the intersection of SSTs and customer experience that are worth investigating.

### Future research

Insights from extant research suggest that it is best for retailers to offer a blend of employee-based and SST-based service options (e.g., Parasuraman, Zeithaml, and Malhotra 2005; Reinders, Dabholkar, and Frambach 2008; Selnes and Hansen 2001). However, more research is needed to provide guidance

on *how* to determine an optimum blend of employee- and technology-based service systems and to understand the *contingencies* that might influence that optimum blend. For instance, customers' *technology readiness*, which is their inherent propensity to embrace and use technology to accomplish their goals (Parasuraman 2000), might influence the use and quality of the experience with SSTs. Moreover, distinct customer segments based on technology readiness have been identified and shown to have varying preferences for technology-based services (Parasuraman and Colby 2001; Tsikriktsis 2004). Likewise the type of service – e.g., routine versus recovery service – may influence the appropriate blend of employee- and technology-based service (Parasuraman, Zeithaml, and Malhotra 2005). As such, a promising avenue for further research is to develop comprehensive contingency frameworks (e.g., based on different types of customers and services) for determining the appropriate blend of employee- and SST-based service systems.

Several facets of the extent to which and how technology-based service systems influence customers' overall shopping service experience require additional research. For instance, some technology-based systems may be "passive" in that they provide appropriate information to customers without their having to interact with the technology—for example, a shopping-cart mounted electronic device that automatically senses the price of each product put into the cart by a customer and displays the total cost of the products in the cart on a small monitor. Other systems such as a self-service check-out require the customer's active participation. Do passive and active technology-based systems have different impacts on the customer's experience? If so, how do the impacts differ? And, does the impact vary for different types of customers (e.g., customer segments that vary in terms of technology readiness; in terms of the extent to which hedonic vs. task-oriented goals dominate, etc.)?

Another important area for further research is the impact of technology failures on the customer experience in retailing contexts. Some preliminary insights about customer reactions to and attributions for SST failures are available in the extant literature (e.g., Meuter et al. 2000). However, additional work is needed in this regard. For instance, what is the role of service recovery in the context of SSTs – especially in online retailing – and what characteristics should an *effective* SST-recovery system have? What roles do/can customer education and learning play in preventing SST failures and satisfactorily recovering from those that occur? Are there steps that retailers can proactively take to minimize potential customer confusion, frustration and resistance to change?

Yet another fruitful avenue for research is the impact of SSTs on *employees*. Employees in retail establishments are part of the social environment that influences customers' overall experience. As such, any adverse impact that the introduction of SSTs may have on employees (e.g., fear of job loss and hence lower morale and satisfaction) can adversely affect the nature of their interactions with customers and hence the customers' experience itself. Thus, in addition to the direct effects that SSTs may have on customers' experience, there may be secondary effects through potential changes in employee demeanor and behavior.

More research is needed to understand the nature and extent of these secondary effects on customer experience. Moreover, the choice between SST- and employee-based service systems is characterized by potential conflicts from both cost and customer-experience perspectives. Research that leads to frameworks and guidelines for minimizing such conflicts are especially needed. Some multi-disciplinary service-design approaches available in the extant literature (e.g., Chai, Zhang, and Tan 2005; Patricio, Fisk and e Cunha 2008) contain insights that may be useful in this regard. A summary of important research questions in terms of the role of self-service technologies on the customer experience can be found in Table 2.

### Branding and customer experience

In an attempt to understand how the customer experience is created, a third facet which is important to consider is the interaction between the brand and the customer experience. The customer comes to a retailing environment with perceptions about two types of brands: the retail brand (e.g., Victoria's Secret, Starbucks, Wal-Mart, Macy's, Best Buy) and the manufacturer or service brand that is sold in the retail stores (e.g., Verizon, Ralph Lauren, Tide, Dell, private label brand). Here, we consider primarily the interaction between the retail brand and the customer experience, although the ideas put forth below could be investigated in relation to the manufacturer or service brand as well.<sup>3</sup>

#### Background

Customers' brand perceptions may influence their customer experience. Recent research has begun to investigate new aspects of this relationship. Specifically, Fitzsimons, Chartrand, and Fitzsimons (2008) found that the type of brand and consumers' perceptions of the brand can influence their behavior. For example, consumers primed to think of Apple behave more creatively than consumers primed to think of IBM. In addition, Ofir and Simonson (2007) found that customer expectations (when stated prior to a service encounter) have a significant effect on post-purchase evaluations of the shopping experience and the firm. This suggests that customer brand perceptions (of the retailer), when primed prior to shopping experience, might significantly influence the customer's experience.

It is also important to consider the reinforcing effects of the customer's experience and the brand *over time*. The interaction of the brand and the customer's experience may also be bi-directional. Prior research suggests that customer experience has a significant influence on the customer's overall perception of the brand. For example, Ambler et al. (2002) and Leone et al. (2006) examine the interplay between brand equity and customer equity, suggesting that each may influence the other. In addition, Keller and Lehmann (2003) propose that the customer mindset (e.g., awareness, associations, attitude, attachment and activity)

is the key driver of brand performance (e.g., price premiums, price elasticities, market share, expansion success). Similarly, Keller (1993) proposes that a customer's experience and knowledge of brand attributes and brand benefits are key determinants of customer-based brand equity, whereas Rust, Zeithaml, and Lemon (2000) find that brand equity is an antecedent of customer equity.

#### Future research

There is much yet to learn about the influence of brand perceptions on the customer's retail experience. There may be asymmetric effects of brand perceptions on customer experience. For example, Muthukrishnan and Chattopadhyaya (2007) find that consumers whose first impression of a brand is negative can be influenced by providing them with non-comparative information, whereas consumers with positive first impressions of a brand are influenced more by comparative information. This suggests an area that is ripe for future research—namely, understanding how a customer's initial perceptions of a retail brand may influence distinct elements of the customer's subsequent experiences with the brand, and how those experiences in turn may influence brand perceptions in the future. In addition, positive customer brand perceptions may influence customer experiences differently than negative customer brand perceptions. As such, future research could also investigate the extent to which strong (positive or negative) brand perceptions may have a significant effect on the customer's experience.

In addition to the direct effects of customer brand perceptions on customer experience, future research could examine the extent to which customer brand perceptions may act as a moderator in influencing the effects of other determinants of customer experience. For example, might brand perceptions (either retail or manufacturer) moderate the effects of social environment, self-service technology, or price on customer experience? Prior research (cf., Keller and Lehmann 2006 for a review) suggests that a strong brand can enable a firm to command price premiums. But might a strong brand also enable a firm to withstand a difficult introduction of a new technology, or insulate a brand from a customer's experience of poor service (e.g., Aaker, Fournier, and Brasel 2003)? In sum, there is a need for systematic scholarly research to generate a more in-depth and nuanced understanding of the nature of the link between customer experience and the retail brand. A summary of these issues can be found in Table 2.

### Customer experience dynamics

Using our holistic approach to customer experiences, it is critical to recognize that a customer experience is not limited to the customer's interaction in the store alone. Rather it is impacted by a combination of experiences which evolve over time, including search, purchase, consumption and after-sales phases of the experience (Neslin et al. 2006). It may also involve multiple retail channels and repeated experiences within a channel. Thus, it is important to consider the dynamics of an exchange when studying the customer's experience.

<sup>3</sup> For additional insights into retail branding, refer to Ailawadi and Keller (2004).

## Background

Within the satisfaction literature there has been some attention paid to the dynamic development of customer satisfaction (e.g., Boulding et al. 1993; Bolton and Drew 1991; Mittal et al. 1999). These studies usually use longitudinal data on customer satisfaction over time from the same group of customers. Crucial notions in the understanding of customer dynamics concern the fact that current customer satisfaction affects future expectations. Other researchers have shown that current satisfaction scores are strong predictors of future satisfaction scores. This seems to suggest that satisfaction scores are pretty stable over time and that there are strong carry-over effects. However, external events, such as critical incidents, might trigger updating processes in which new information (from the critical incidents) is included into customers' satisfaction assessments (e.g., Bolton 1998; van Doorn and Verhoef 2008). Phenomena similar to satisfaction-updating processes may well occur in the broader domain of customer experience as well.

## Future research

The dynamics of customer experiences over time has gained little attention in retailing research. Several possible research questions arise. Are the determinants of customer experience – and the nature and extent of their effects – stable over time? Or, are they sensitive to changes in the internal environment (e.g., customer service) and the external environment (e.g., competition)? And, does the extent of stability differ among cognitive, affective, emotional, social and physical dimensions of the experience? Emotions are, for example, usually considered as being less stable than attitudes. Do customers expect an increasingly positive customer experience over time? And may customers (to some extent) get “bored with” or accustomed to the delivered experience? Perhaps this adaptation could be labeled as the “I have seen it, I have experienced it, what's new?” effect. Research on customer surprise might provide some useful insights pertaining to customer experience management (e.g., van Hamme and de Bont 2008).

Addressing research questions such as the above calls for longitudinal research designs. Panel designs hold great promise for conducting such research, and panel data models – such as time series methods, multiple equation models (e.g., three-stage least squares) and random coefficient models – could be employed to analyze the data (e.g., Leeflang et al. 2009). A summary of issues worthy of future research is contained in Table 2.

## Customer experience management strategies

Customer experience management is a retailer's strategy to engineer the customer's experience in such a way as to create value both to the customer and the firm. Customer experience management differs from customer relationship management by focusing on the current experience of the customer, rather than the recorded history of the customer.

## Background

Popular management books (e.g., Pine and Gilmore 1999) have emphasized that it is important for firms to focus on customer experience, claiming that differentiation strategies based on service and price are no longer sufficient. However, direct empirical evidence supporting these claims is scarce. Marketing strategy research has shown that firms with a revenue emphasis, focusing solely on customer satisfaction and customer loyalty, have the best performance (Rust, Moorman, and Dickson 2002). Recently, Mittal et al. (2005) find that efficient firms with satisfied customers outperform other firms. These studies provide some indirect evidence that customer experience based strategies might provide a superior competitive advantage. However, there might be some pitfalls. Providing a superior customer experience can be quite expensive. And, do customers want to pay more for an enriched experience? Following Mittal et al. (2005) one might argue that customer experience based strategies in retailing will provide superior performance only when they are combined with efficient processes. For example, Dutch retailer Albert Heijn has a very efficient logistic process, which allows it to provide a superior service (and hence perhaps superior customer experience) while charging competitive prices. Clearly, there is a need for more research to understand better the effectiveness (and economics) of customer-experience based strategies.

## Future research

Following the above discussions on customer dynamics and branding, future research should seek to understand what marketing and management strategies will optimize the brand-customer experience interaction and what strategies will have the most positive influence on – and financial returns from – customer experience over time. A useful starting point for such investigations is to conduct descriptive research to understand the customer experience management strategies currently in use and to develop typologies of such strategies. Such research needs to be followed up with empirical research on the link between customer experience based retail strategies and retail performance metrics.

Apart from the aforementioned strategy-related research questions, there is an important, broader strategic issue worthy of research. Observations in practice suggest that experience-based strategies can create growth. However, an important question that is yet to be answered is how big retailers using an experience-based strategy can grow. There might be limits to such growth, especially if only a specific market segment is interested in the experience-based retail concepts being employed by the firm. Furthermore, it is questionable whether retailers can continue to sustain an experience-based strategy beyond a certain size or number of retail outlets. More importantly, if experience-based retailers aim to continue their growth, they may attract other market segments beyond the experiential customer, which may require other business models. For example, Starbucks initially focused on the experiential consumption of coffee. To grow they also attracted customers looking for benefits such as delivery speed. To serve these customers, different service pro-



cesses affecting the prior-designed experience were required, which potentially hamper the experience of experiential coffee consumers. Hence, an important research question is whether changes in the designed experience may alienate core customer groups, and the extent to which the social environment, and need for compatibility management (as discussed previously) are also strategic considerations. Finally, it is also important to consider the strategic role of self-service technologies in the firm, to understand how SSTs fit within the firm's overall set of offerings and how they fit with all elements of the firm's value chain. For example, it may be that, in addition to "customer readiness" for SSTs, the firm may also need to consider "employee readiness" or "firm readiness" and capabilities when evaluating the benefits and costs of SSTs. It is therefore important for retailers to know when and how they should implement changes in the service interface. A summary of relevant research questions is provided in Table 2.

### Concluding remarks

Creating a superior customer experience has been gaining increasing attention from retailers. However, there has been a dearth of a commensurate level of scholarly research on this topic. In this paper we provided a holistic portrayal of the customer experience construct and proposed a conceptual model delineating its determinants. Subsequently, we discussed specific determinants in this model, highlighting those that are especially in need of further research. We also outlined broad strategic issues from a customer experience management perspective that are worth investigating. The domain of customer experience management offers a rich agenda for future research. Table 2 summarizes most of the important research questions for each of the topics discussed. Research-based answers to these questions will add significantly to retailing theory and offer practical insights for developing and implementing effective experience-based strategies.

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