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# What are the channel preferences of different experiential types of customers?

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Master Thesis - IB

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## Executive Summary

Experiences occur every time a customer interacts with a company, and can be either positive or negative. When positive, experiences can lead to an increase in customer satisfaction and loyalty. By decomposing the ambiguous term “experience” into manageable dimensions that are more tangible and easier to understand, companies could seek to take advantage of the fact that their customer base likely is diverse and made up by different people which have their own unique preferences in regards to what type of experiences they favor. Catering to different type of customers could for instance be done by examining if a company’s service channels differ by appealing to different types of experiential groups of customers, with a special focus cost effective self-service technology channels.

This thesis provides an overview on the existing literature the customer experience concept and follows it up by categorizing a selection of consumers of telecommunications services in Norway based on their experiential preferences and examines differences between the groups with regards to channel preference. I find that there are indeed differences between what type of experiences a consumer prefer and the type of channel that the same consumer prefers to use.

Marketers could benefit by choosing to explore their customers’ experiential profiles and achieve higher accuracy when designing appropriate channel mixes to suit their customer needs.

## Preface

This master thesis is one of a series of papers and reports published by the Center for Service Innovation (CSI). Centre for Service Innovation (CSI) is a coordinated effort by NHH to focus on the innovation challenges facing the service sector and involves 20 business and academic partners. It aims to increase the quality, efficiency and commercial success of service innovations and to enhance the innovation capabilities of its business and academic partners. CSI is funded through a significant eight year grant from the Research Council of Norway and has recently obtained status as a Centre for Research-based Innovation (SFI)

This thesis aims to further explore and illuminate the concept of customer experience, which is an area yet relatively uncharted in the marketing literature. A survey was conducted to further enhance this understanding, and the subsequent analysis raised new topics as well as answering existing questions.

I should express my sincere thanks to my supervisor Herbjørn Nysveen. He inspired me to research this topic, and his generous help kept pushing and improving this thesis during the past year. I am also grateful for all the encouragement from my wife and parents.

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Olav Borud

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# 1. Introduction

## 1.1 The importance of customer experience

Providing customers with positive customer experiences is, on the whole, important for creating and maintaining customer satisfaction –and loyalty (Brakus, Schmitt et al. 2009). During the course of a customer-firm relationship, customer experiences are created continuously at various “touch points” (Meyer and Schwager 2007) where the customer and the firm, product or service interact, either directly or indirectly. For instance, calling customer support regarding a malfunctioning service or product creates a customer experience, either good or bad, depending on the internal response of the customer. This response is in turn influenced by the customer’s prior expectation to the service encounter, and the firm’s ability to meet or surpass this expectation.

It is fairly evident that for a variety of services, customer experiences are influenced to a large degree by the way service employees interact with the customers. Being typically skilled in the job, employees can to some degree adapt and tailor the specific experience to suit the customer’s needs. If there are discrepancies between what the customer wants or needs, the employee can possibly step up to rectify this problem.

What then if the service encounter is constrained to a less dynamic experience?

## 1.2 The emergence of SST

Technology based systems devoid of direct human interaction is becoming an increasingly common phenomenon when performing transactions in today's marketplace. Withdrawing money from an ATM, ordering takeout from a restaurant chain's web page or managing your subscription services online is an everyday task for many, and the change has come upon us fast.

Firms commonly motivate their implementation of self-service technologies (SSTs) with the prospect of cost saving from the reduction of wages. IBM, for instance, allegedly redirected approximately 99 million phones calls from operators to their self-service solutions and thereby saved about 2 billion dollars.(Andreassen 2006) Common for all of these self-service technologies is the fact that they require the customer to produce his own service while interacting with technology. At the same time, using a service where the customer is not in contact with any human employees makes the experience much less dynamic than a traditional service encounter. For instance, when purchasing products in a brick and mortar store, employees have the opportunity to immediately let employees know if there is something they are not satisfied with. This is more problematic in an SST setting – where feedback opportunities are currently rather limited. How then, can firms be able to provide their customers with a positive customer experience when using depersonalized systems like SST?

## 1.3 Customers are different

Not all customers are the same. They differ in regard to gender, age, education, preferences and several other variables. It seems obvious that in these circumstances, different experiences should appeal to a certain group of individuals, while other experiences would be favored by others. Little research has been done in this area, mainly because customer experience is such a fresh concept in the literature.

## 1.4 Research question

With this in mind, it leads us to our research question, motivated by possibly enabling the customization of service and sales channels based on customer segments' different experiential preferences: **What are the channel preferences of different experiential types of customers?**

## 1.5 Contribution

This thesis validates Brakus et. al. (2010) model for grouping customers based on their experiential profile, and expands on it by including demographic information and channel preference of the different experience clusters.

In addition it explores and discusses a brand experience construct markedly similar to what is found in the work by Brakus et. al. (2009), though consisting of five experiential dimensions instead of four.



## 2. Telenor

Telenor is a multinational corporation providing telecommunications services worldwide. Founded in 1853, Telenor has developed from a company providing basic telecommunications services in Norway to a large multinational with over 195 million mobile subscribers in 2010 ([www.telenor.com](http://www.telenor.com)). In the 1990's following the deregulation of the Norwegian telecommunications sector, Telenor went from being wholly owned by the state to being partly privatized in the year 2000.

In addition to mobile communication services, the Telenor Group emphasizes three other core areas. Data services, which consists of internet and broadband in addition to other related services, content, which includes television services and mobile content, and lastly other services, which range from IT-security to maritime and aircraft communication services.

The Telenor Group is currently ranked as one of the largest mobile operators in the world, when using number of subscriptions as measurement. Telenor's global presence is concentrated in its three regional areas of operations: Asia, the Nordic countries and Central and Eastern Europe. The combined revenue of the Telenor group in 2009 was over 107 billion NOK, and the company employs over 34 000 employees.

## 2.1 Telenor Norway

This paper will focus on Telenor Norway and mobile communication, the largest provider of telecommunications services in Norway. They have over five million mobile telephone subscribers, making up a market share of over 52,5% in 2009. This obviously means that several of their customers must hold more than a single subscription, since 5 million out of the Norwegian population of almost 5 million is more than 100%. Their largest competitors are NetCom, with a market share of 26,8% and Tele2, with a market share of 8,5% (Jensen 2010).

## 2.2 How does Telenor serve their customers?

Telenor offers a plethora of opportunities for customers to explore different service channels, including self-service alternatives.

**Customer phone support** is fronted by Telenor's Interactive Voice Response system, or IVR. By calling the Telenor support number, customers are first directed to the IVR, which based on the telephone-number used to dial the service will provide customers with appropriate options, for instance invoice status or subscription modification. Customers can also choose to wait and speak with customer support personnel, who provide regular support for Telenor's services.

**Customer pages** are available on the company website, enabling customers to place orders and check their billing status online. The customer pages require the customer to identify himself by providing log-in information, so that appropriate options for subscription changes are made available. When logged in, customers can actually perform most of the activities available to customer service personnel themselves, making the customer pages a desirable arena for Telenor to route their customers to.

Furthermore, **Telenorhjelpen** is a program designed to help customer solve problems with their internet connection, available for free to Telenor customers at the company web-site. When downloaded from the Telenor-website, the program provides the customer with step-by-step instructions to rectify problems with their internet connection. The program will automatically detect most connection failures when they occur by continually monitoring the

users' connection status. Obviously, the program is only designed to help with internet issues.

**Telenoreksperten** is a service that is not available free of charge, but covers service areas that are not included in the other service channels. By calling Telenoreksperten, customers agree to pay 26 kroner a minute with maximum price of 598 kroner, and a guarantee that should the problem persist, no payment is required. Telenoreksperten offers help with ordinary computer or cell phone errors, not necessarily related to Telenor's area of operations. Experts offer remote computer control options to fix almost any kind of problem.

**Calling customer support** will direct customers to an interactive voice response service, which based on the telephone-number used to dial the service, will provide customers with appropriate options, for instance invoice status or subscription modification. Customers can also choose to wait to speak with customer support personnel.

**Facebook**, the now prominent social medium of choice, also exists in Telenor's repertoire of service options. When customers make contact with Telenor through Facebook, they are provided basic informational services, like stock status of ordered products. When faced with more complex requests, Telenor employees will require the users to identify themselves so that customer service personnel may be able to make contact and solve the issue. **Twitter**, another social medium where the options are very similar to Facebook, is also offered by Telenor. Twitter works in much the same way as Facebook, enabling customers to contact Telenor using their social media of choice.

## 3. Customer experience

### 3.1 What is customer experience

Using experience as a measure of significance is a concept that has not been meticulously explored in marketing literature. Popularized by Pine and Gilmore's famous book "The Experience Economy" from 1999 (Pine II and Gilmore 1999), many companies started to realize the significance of providing customers with positive experiences. Derived from the entertainment industry, the idea of experience marketing is inherently pre-staged and hedonic, although this is not agreed upon by later researchers, who believe that companies provide the foundations for experiences to emerge, not the experience in itself. (Gentile, Spiller et al. 2007; Brakus, Schmitt et al. 2009). Pine and Gilmore (1999) suggested customer experience as the next logical step in economic offering, emerging after commodities, goods and services. There have been several attempts at establishing suitable frameworks, for instance in the concept of brand experience, established by Brakus, Schmitt and Zarantonello, brand experience is defined as the "subjective, internal consumer responses (sensations, feelings, and cognitions) and behavioural responses evoked by brand-related stimuli that are part of a brand's design and identity, packaging, communications and environments." (Brakus, Schmitt et al. 2009 p. 53). What this definition means is that the difference in types of brand experiences can be great. They can be both negative and positive, differ in duration and encompass several different situations.

Another definition that resembles the one already mentioned is the definition by (Meyer and Schwager 2007 p. 2), where customer experience is defined as the "...internal and subjective response customers have to any direct or indirect contact with the company." They label customer experiences as the components that in sum make up customer satisfaction. Customer experiences occur when customers purchase, use, or use service connected with the company's service or product, or when there are any other interaction between the customer and the product, service, brand or company. This implies that customer experiences are not only created during typical customer-business interaction, but when discussing with friends, watching a commercial or similar events. In another related definition it is thought that "the customer experience originates from a set of interactions between a customer and a product, a company part of its organization, which provoke a reaction. This experience is strictly personal and implies the customer's involvement at

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different levels...” (Gentile, Spiller et al. 2007 p. 397). We can argue that customer experiences are not explicitly created for the customers by the firm, since experiences are personal and unique for all customers. What a firm can do is to facilitate the creation of positive customer experiences by being aware of what constitutes the foundations of pleasant experiences.

### 3.2 Customer experience versus brand experience

So far I have used the term customer experience and brand experience interchangeably. In the literature, authors do tend to do the same – Meyer and Schwager (2007) and Brakus et al. (2009) definitions of experience, be it with a brand or customer prefix, is markedly similar. Both concepts involve consumer response to direct and indirect contact with the company. There is no obvious way to distinguish experiences arising from contact with a “...brand’s design and identity, packaging, communications and environments” (Brakus, Schmitt et al. 2009 p. 53), “...any direct or indirect contact with the company” (Meyer and Schwager 2007 p. 2), or “...a set of interactions between a customer and a product, a company part of its organization” (Gentile, Spiller et al. 2007 p. 397). In my opinion there is very little interaction that is not covered by Brakus et al. definition, even though they use the brand experience term while the two latter examples adhere to the customer experience term. This impression of similarity between customer experience and brand experience is further reinforced by the conceivably simpler definition of customer experience: “the user’s interpretation of his or her total interaction with the brand” (Ghose 2009). One aspect of the two different terms that seemingly differ is the premise for the interaction between firm and consumer. When discussing customer experience, it seems implicit that the consumer is indeed a customer of the firm that facilitates an experience. This is not necessarily the case for consumers having a brand experience. A brand experience could occur even though there is no established customer relationship between the consumer and the firm, according to the definitions presented. Even so it could be argued that even though the term customer experience is focused on *customer* experiences, the conceptualizations I have presented does indeed leave room for interpreting customer experience as something that includes *potential* customers as well as existing ones, thereby removing this apparent dissimilarity. For instance, in Ghose’s (2009) example, the definition of customer experience does not include the word customer, but *user*. Another possible explanation to the seeming focus on customers instead of anyone that interacts with the firm is perhaps the managerial

implications and measurement of focusing on one's customer. One can speculate that working with an existing customer base makes measuring of experience, and perhaps thereby validating a conceptual model, easier than trying to map the effects of everyone that interacts with the company.

### 3.3 Dimensions of experience

In their article from 2009, Brakus et. al. refines their concept of brand experience by developing a model to measure it. By decomposing brand experience into four distinct dimensions, each with three items designed to quantify the proportions of each dimension which makes up the whole experience; they have come up with The Four-Factor Model. The different dimensions are sensory, affective, behavioural and intellectual experience. Each of the dimensions finds their origin with the help of a combination of cognitive science, in the existing marketing literature and from philosophical investigations. For instance, the sensory dimension refers to the visual, auditory, tactile and olfactory stimulations provided, the affective dimension includes emotions, the intellectual dimension describes the brands ability to engage the consumer in thinking, and finally the behavioural dimension which represents more physical experiences and interactions with the brand. Brakus et. al. found that social and affective items loaded on the same factor, leading them to believe that socially worded items included strong emotional aspects. This led to the removal of the previously conceptualized social dimension into the above-mentioned four-factor-model. It should be pointed out that no experience or stimulus is likely to evoke only a single experience dimension, but a combination.

Brakus. et al. is far from the only researchers that have conceptualized experience. Several researchers have tried to split customer experience into different parts to enable measurement and understanding. The different ways of splitting the concept has a lot in common. Pine and Gilmore classified customer experience into four parts: entertainment, educational, escapist and esthetic. (Pine II and Gilmore 1998), a classification that has quite amount in common with Zarantonello et. al. definition, in the sense that it differentiates between experience types. Even so, the dimensions presented by Pine and Gilmore stand out by the way experiences are sought classified as a certain type, which seems to partly neglect the idea that experiences are created by a vast combination of different stimuli. The dimensions or "realms" according to Pine and Gilmore (1998) can be summarized as

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follows: Educational experience refers to an experience where consumers gather knowledge through information presented in an interactive way, fundamentally learning through an experience. This experience type is furthermore described as being a situation where the consumer actively absorbs the company offering. A typical example would be a mechanic who after discovering what's wrong with your car, decides to teach you how to fix it since it's an easy task. The next dimension is the escapist experience, being described as enjoying being in a sensory rich environment. This on the other hand is a passive experience where the consumer immerses himself, for instance when coming into contact with colours, scents or textures. The third experience dimension mentioned is the entertainment experience, being what one would typically associate with the term experience, which is the "Disney experience", capturing the consumer's attention with a specific offering. The consumer would in this case be passive, experiencing a staged event. Lastly Pine and Gilmore (1998) present the escapist experience, where the consumer is an active participant, immersed in an actual or virtual environment, for example playing a video game.

Gentile et. al. propose six dimensions of experience: sensorial, emotional, cognitive, pragmatic, lifestyle and relational (Gentile, Spiller et al. 2007). Basing their dimensions on the modularity of the mind, i. e. that the mind is made up by specialized functional parts, they conceptualize customer experience in different dimensions with a foundation mainly in psychological, medical and behavioural science. Finding that experience is indeed likely multidimensional, they split customer experience in the six aforementioned dimensions. The sensorial dimension, a component of the customer experience which touches the senses. A contribution whose aim is to provide sensorial experiences and can address sight, hearing, touch, taste and smell so as to stimulate excitement, satisfaction or sense of beauty, and thus is essentially the same as Brakus et. al (2009) sensory dimension. The same applies for the emotional dimension, which is described as a component of the customer experience which involves one's affective system through the generation of tempers, emotional states and feelings. The dimension can generate an emotional experience in order to create an affective relation with the brand or products, which matches the affective dimension. The cognitive dimension in turn is a component of the customer experience associated with thinking or conscious mental processes. It may engage customers in using their creativity or in situations of problem solving. This dimension also has a likeness to Brakus et. al. (2009) intellectual dimension. The latter dimensions differ somewhat, although the following bears resemblance to the behavioural dimension, being described as the pragmatic dimension; a component of

the customer experience which deals with the act of doing something. To further elaborate we can describe the pragmatic component as a dimension that includes, but is not exhausted by, the notion of usability. In reality it does not only refer to the use of the product in the post-purchase stage, but to all the product life-cycle stages. Furthermore the authors include the lifestyle dimension, a component of the customer experience that comes from the verification of the system of values and the beliefs of a person. Frequently an offering may provide such an experience because the product itself and its consumption/use become means of adhesion to certain values the company and the brand embody and the customers share. Lastly they describe the relational dimension, a component of the customer experience described as something which involves the person in a social context or relationship with other people. It is further described as a type of experience that can leverage by means of a product which encourages the consumption together with other people (i.e. Theme parks) or which is the core of a common passion that may eventually lead to the creation of a community or still a tribe of fans (i.e. Harley Davidson).

Another researcher who has examined the concept of experience is Bernd H. Schmitt (Schmitt and Rogers 2009). The idea that an experience is made up by a set of different stimuli that in turn can be classified into different dimensions is prevalent also in Schmitt's work. Moreover, the dimensions which are conceptualized in Schmitt's framework bear quite the likeness to the frameworks we have already examined – Sense, Feel, Think, Act and Relate. Although the dimensions in Schmitt's work are referred to as “marketing dimensions”, they do in fact describe unique experience dimensions in the same way as discussed previously. Sense refers to the sensory portion of an experience – an experience created through sight, sound, touch, taste or smell. Feel refers to affective experiences, specifically feelings and emotions. Think describes cognitive experiences, where the customer is engaged creatively. Act is all about physical experiences which affect behavior, lifestyles and interactions. Lastly, Relate refers to experience that “expands beyond the individual's personal, private feelings, thus relating the individual to something outside his/her present state.” Accordingly, Relate seems to be made up by aspects of the other dimensions, but remains unique because it takes into account the social aspects of experience, for instance being perceived positively by others.

Building on the research that has been conducted, we can summarize the most important types of customer experience from the conceptual models that have been developed. The categories that are deemed important will of course depend on the definition of the term



customer experience, even though they share many likenesses. The following table summarizes the conceptualizations of customer experience, and categorizes them under what seems to be the dominant core dimensions discussed in the literature, using Brakus et. al.'s (2009) terms but including a relational dimension which seems sensible when looking at the literature as a whole.

Core Dimensions	Sensory	Affective	Behavioral	Intellectual	Relational
(Brakus, Schmitt et al. 2009)	Sensory	Affective	Behavioral	Intellectual	
(Pine II and Gilmore 1999)	Esthetic, Entertainment		Escapist	Educational	
(Gentile, Spiller et al. 2007)	Sensorial	Emotional	Pragmatic, lifestyle	Cognitive	Relational
(Schmitt and Rogers 2009)	Sense	Feel	Act	Think	Relate

**Table 3.1**

It is interesting to note that even though Brakus et al. (2009) use the term brand experience, and the other authors use the term customer experience, the core dimensions are essentially the same, as discussed earlier. From the research that has been done regarding experiences, it seems like there is a common set of core dimensions of an experience, namely Sensory, Affective, Behavioral, Intellectual and Relational. Using these core dimensions we appear to cover all the essential aspects of the experience-concept.

### 3.4 Why customer experience is important

So is it sensible that customer experience should be the first and foremost priority for any business? (Hoch 2002). The logic presented thus far points to customer experience as being

something that encompasses much of what is important in dealing with customers. It does not only deal with quality of customer care or staged experiences as we think of them in the traditional way. In addition it involves product packaging, advertising, service features, brand and image – the whole company offering. (Grace and O’Cass 2004) Research have indicated that consumers may value positive experiences over information provided by organisations, because it is engaging, memorable and can be interpreted freely by the consumers. (Meyer and Schwager 2007).

For customer experience to be valued by businesses it would seem logical that providing customers with positive experiences should have concrete measurable positive effects - ultimately leading to an improvement on the bottom line. Several studies point to the importance of customer experience in business. To begin with, Brakus. et. al (2009) find that brand experience can directly influence customer satisfaction and loyalty. Interestingly it seems like the effect on loyalty is greater, indicating that buying behavior is affected the most. Other researchers have achieved similar results, indicating that customer experience does indeed influence loyalty (Mascarenhas, Kesavan et al. 2006; Frow and Payne 2007). Another important reason for customer experience being important is that no matter what kind of service, or product, a customer interacts with, the customer will have an experience, either good or bad.

### 3.4.1 Customer satisfaction

To further elaborate on the actual effects of providing positive experiences, a short clarification regarding customer loyalty and satisfaction is appropriate. Customer satisfaction is often defined as the customer’s experience of in what degree the provider of a given service has fulfilled the customer’s expectation. In this case, what is meant by experience is evaluation and emotional reaction (Oliver 1997). Oliver’s extensive contributions to satisfaction research over the past 20 plus years illustrate how transaction specific research has evolved over time. Oliver (1997) theorized that customers form pre-consumption expectations, observe product performance, compare this performance with expectations, and then combine this information with expectation levels to judge satisfaction. When performance exceeds expectations, called positive disconfirmation, satisfaction increases. When performance falls below expectations, called negative disconfirmation, satisfaction decreases. The direct effect of expectations on satisfaction is the result of a framing or assimilation effect, which means the expectations establish an anchor that directly influences

the resulting satisfaction judgments. Taking this into account we can say that attribute performance, expectations of performance, and disconfirmation of expectations may all have direct effects on evaluations of satisfaction.

The disconfirmation model has been built upon over the years to include the effects of equity, attribution, and emotions on satisfaction evaluations. The concept of reciprocity, and more specifically customer perceptions of equity and fairness, lies at the heart of marketing as an exchange process. Thus customers should be more satisfied when they are treated more fairly in a transaction, especially when there is a possibility of future transactions with the same party. Attribution theory has also been used to explain transaction specific satisfaction from a cognitive perspective. The attribution of favorable outcomes to oneself and unfavorable outcomes to others systematically affects perceptions of performance and satisfaction. However, Oliver and others have recognized that these more cognitive perspectives on transaction specific satisfaction do not completely capture the more affective basis of satisfaction (Oliver 1997). Customers form both positive and negative affective states that systematically influence satisfaction. For example, on the positive side there is joy and interest, and on the negative side is anger, disgust, and contempt, which affect satisfaction as expected. The emotional aspect of satisfaction does in fact make customer satisfaction more than a simple evaluation of the quality of the service provider. It is important to note the difference between satisfaction - an emotional reaction - and quality which concerns the evaluation of the service provider. Satisfaction could therefore be considered the combined emotional reaction of a customer. (Giese and Cote 2000)

### 3.4.2 Customer loyalty

Customer loyalty on the other hand, is usually a consequence of customer satisfaction and in most cases results in additional turnover for the company in question in the future, by making existing customers continue to do business with the company. The goal for businesses is usually to create an emotional bond between the customer and the organization that lasts over time. The notion of purchaser trustworthiness came through a long time and changed a lot. Customer brand loyalty can include many different aspects. (Rowley 2005) concludes that there are four types of loyalty: captive, convenience-seekers contented and committed. Captive customers prefer repeatedly purchasing the same product, service and brand because of lack of opportunities to use alternatives as a substitute. Convenience-seekers may not respect the brand itself, but look on the convenience that they can carry.

Contented consumers, however, have a positive attitude to a brand, but they won't attempt to some extra consumption. The perfect one is committed, active both in attitude and behavior.

Loyal purchasers are usually less price-sensitive. This means that when a product rises in price, they won't necessarily lessen the quantity of they buy. Reilly (2008) argues that loyal customers believe their assessment of the product to be accurate. As an effect, they stoutly believe in their choices, in which case they tend to focus less on the price. The potential benefit that the loyal customers are able to add is that they may bring in more new consumers. At the same time, these potential consumers are also possible to become the future loyal customers. A good example of this is that when one repeatedly buys the same cosmetic brand, and consider it convenient to use, he will recommend it to his classmates and girlfriend. Hence, there is no wonder that people around oftentimes own the same brand of clothes as well as other commodities. Loyal customers would keep doing business with the company they are loyal to, and to some degree avoid doing business with competitors (Jacoby and Chestnut 1978). Loyal customers do also tend to have a more positive attitude towards the company they are loyal too, compared to its competitors (Dick and Basu 1994). It is important to note, however, that being loyal towards a company does not necessarily mean that the consumer is satisfied (Oliver 1999). In cases where the alternatives to the service chosen are few, the consumer may indeed remain loyal due to lack of alternatives. The same applies the opposite way – when alternatives are many, customer may be highly satisfied and even so not remain loyal.

## 4. Self Service Technology systems

This section is included in my Master thesis solely based on the importance of SST in relation to managerial implications. This importance is motivated later in this chapter.

### 4.1 What is SST?

Self-service technologies can be described as interfaces that enable consumers to produce their own service without direct involvement by service employees. Examples can include, but is not limited to interactive voice response systems, online stores and support alternatives, automated check in terminals at airports or the now common ATM. It is quite obvious that in the last few years there has been a significant increase in the number of different self-service alternatives available for consumers, and this in turn expresses the need for more relevant research on how the customers experience these new service alternatives.

The term customer experience in relation to self-service technology systems is not explored in the literature. Most researchers have focused on SST in relation to customer satisfaction (Meuter, Ostrom et al. 2000) or factors influencing consumers desire to make use of SST (Dabholkar and Bagozzi 2002; Weijters, Rangarajan et al. 2007). Since self-service technology is a relatively new phenomenon, this is not surprising. For instance, internet sales have risen from a mere in to (REF) in. SST does comprise of more than just sales, as firms strive to develop customer service systems where the need for personnel is low and the customers serve themselves.

### 4.2 SST categories and usage

Very little categorisation has been done with regards to self-service technologies. Meuter et. al. (2000) does present a conceptualization of SST alternatives available at the time, where the purpose is to portray the interface the customer can interact with as well as the function the service has for the customer. Below is the model presented by Meuter et. al. (2000).

Interface	Telephone/IVR	Online/Internet	Interactive Kiosks	Video/portable media
<b>Purpose</b>				
<b>Customer service</b>	<ul style="list-style-type: none"> <li>• Telephone banking</li> <li>• Flight information</li> <li>• Order status</li> </ul>	<ul style="list-style-type: none"> <li>• Package tracking</li> <li>• Account information</li> </ul>	<ul style="list-style-type: none"> <li>• ATMs</li> <li>• Hotel checkout</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
<b>Transactions</b>	<ul style="list-style-type: none"> <li>• Telephone banking</li> <li>• Prescription refills</li> </ul>	<ul style="list-style-type: none"> <li>• Financial transactions</li> <li>• Retail purchasing</li> </ul>	<ul style="list-style-type: none"> <li>• Pay at the pump</li> <li>• Hotel checkout</li> <li>• Car rental</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
<b>Self-Help</b>	<ul style="list-style-type: none"> <li>• Information telephone lines</li> </ul>	<ul style="list-style-type: none"> <li>• Internet information search</li> <li>• FAQ's</li> <li>• Distance learning</li> </ul>	<ul style="list-style-type: none"> <li>• Information kiosks</li> </ul>	<ul style="list-style-type: none"> <li>• Tax preparation software</li> <li>• Television/ CD-based training</li> </ul>

**Table 4.1**

The interfaces presented are telephone-based technologies, internet technologies, free-standing kiosks and portable media technologies (for instance CD's or DVD's). Oftentimes there is synergy between the different interfaces, for instance calling customer support and interacting with and IVR can oftentimes lead to being recommended to log in to your customer pages to perform the desired task. One thing that is interesting to note is that even though the categorisation is now over 10 years old, it is still viable today, because new technologies mostly fit into the existing framework. For instance, using mobile devices to connect to the internet was a less viable option in 2000 than it is today, much because of network speed and device specifications. But even though using for instance smart phones to access the internet to perform service options was almost completely unviable 10 years ago, it still fits the categorisation under Online/Internet interface.

The three purposes of SST systems portrayed in the figure gives a rough estimate of the different areas where companies are inclined to provide self-service alternatives. Customer service for instance, which traditionally is very resource intensive in terms of labour, can now for most instances be performed by the customer themselves through a variety of interfaces. Everyone in Norway who has been to the airport the last few years know of the emergence of check-in kiosks, enabling the airlines to reduce the number of personnel

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available for check-in services. Other examples include managing subscription details through online customer pages, as described earlier. Customer pages can also be a marketplace for transactions, which is the next purpose of SSTs. Customer pages belonging to telecommunication providers, for instance broadband, oftentimes allow customers to upgrade their existing connection to a better one with a single click. More prevalent perhaps is the multitude of online stores available, enabling customers to purchase everything from clothes to hardware equipment without ever interacting with a service employee. The third use of SSTs is self-help. Self-help can include instruction videos uploaded and accessible for customers at a website, FAQ (Frequently Asked Questions) with detailed answers for the consumer to peruse at will or perhaps Google, enabling consumers to gather a wide array of information with a single click.

### 4.3 Attitude towards SST

In another study by Dabholkar and Bagozzi (2002), moderating effects of consumer traits were taken into account when studying attitude towards SST, and thereby intention to use SST. Attitude as a consumer state is thoroughly explored in the literature thought of as having predictive power for consumer behavior (Fishbein and Ajzen 1975). They found that important determinants for attitude and intention to use were ease of use, reliability and the “fun aspect”. Their recommendations as to what aspect of an SST was most important did however rely upon what type of consumers the firm in question had as a segment. Ease of use was especially important for consumers with low self-efficacy and a high need for interaction with service personnel, reliability seemed more significant for consumers low in inherent novelty seeking and high in self-consciousness, while the “fun aspect” appeared important for several consumer types. It may be that Dabholkar and Bagozzi's results is influenced by the setting in which they were performed – a fast food restaurant with a SST in form of a touch screen for placing orders.

Weijters and Rangarajan et. al. (2007) also examined the effects of different dimensions of SST with regard to consumer attitude, including moderating effects like gender, education and age. The dimensions are quite similar to those presented by Dabholkar and Bagozzi (2002), including perceived usefulness, perceived ease of use, reliability, perceived fun and newness. Their results indicate that communicating the perceived usefulness, i.e. attainment of an outcome, of SST usage to customers is important. In addition ease of use, or user

friendliness together with reliability and the fun factor is of importance. Results of moderating effects include communicating newness of technology to individuals with a higher level of education and pointing out the usefulness to male customers. In addition, perceived waiting time can severely impact SST customers satisfaction negatively, perhaps because user find waiting in line for a supposedly quick service extra annoying.

#### 4.4 Customer satisfaction and SST

Meuter et. al. in their comprehensive study from 2000 strive to catalogue the sources of satisfaction and dissatisfaction during SST encounters. They found three major determinants for customer satisfaction, though one of them may be outdated today. Firstly they identified the SSTs ability to immediately satisfy a pressing need, or “bail customers out”, was an important driver for satisfaction. Secondly, they found that the perceived benefit from using SSTs also influenced satisfaction. This driver included various sub-categories, including ease of use, saved time, monetary gain, availability and avoidance of service personnel. Lastly, and possibly irrelevant today, is the novelty value of the SST. More precisely, that the SST performed the service it was intended to perform. As SST usage becomes more and more common, I find it unlikely that just doing its job should be enough for an SST to induce satisfaction. Nonetheless, malfunction is certainly, and is likely to remain, a driver for dissatisfaction.

#### 4.5 Customer loyalty and SST

A popular study that does not directly examine SST's, but rather offline services compared to online services, was performed by (Shankar, Smith et al. 2003). In their study they compared the attitudinal loyalty (described earlier) and satisfaction that arose in traditional offline channels compared to what was found in online channels. In their results they found that customer satisfaction influence on loyalty was stronger in online channels than offline. In other words, being satisfied when using an online service for ordering tickets for a cinema could lead the customer to being more disposed to repeat that purchase than if the action was performed in a traditional movie ticket kiosk.



## 5. Customer heterogeneity

It is a commonly agreed upon belief that different goods and services have different value for different customers. Therein also lies a problem – customers have traditionally been segmented on the basis of standard economic measures like a varying demand function across customers (Berry, Bolton et al. 2010). If customers are indeed heterogeneous in their demand for products and services, claiming that customers also have different preferences for experiences does not seem implausible.

For instance, why is it that some customers prefer to make an order online, when the store in question also has brick and mortar locations nearby? Some explanation is given during the discussion of self-service technology systems. It may be that the customer is trying to avoid interaction with service personnel, or that the price is lower, or perhaps that the customer wants to utilize the technical skills he or her possesses by using the self-service option. Berry et al. (2010) argues that there are several possible explanations. As mentioned earlier, customer demographics like age, sex and other moderating variables indeed influence consumer behaviour, for instance in relation to customer satisfaction and purchase behaviour. (Seiders, Berry et al. 2005)

### 5.1 Experiential groups of customers

A recent study (Zarantonello and Schmitt 2010) builds upon the concept of brand experience presented earlier, investigating whether consumers can be divided in groups based on experiential preference. The study gives reason to believe that consumers can be separated into five different clusters, dependant on different experiential appeals. The five types of consumers are inner-directed, action-oriented, holistic, hedonic and low-experiential. Based on the brand experience framework presented earlier, inner-directed consumers can be described as customers who focus on internal processes such as sensations, emotions and thoughts, action-oriented consumers who focus on behaviours and actions, hedonistic consumers who do not attach much importance to brand experience and holistic consumers who seem to be interested in all types of experience (Zarantonello and Schmitt 2010). Interestingly, the implications from this study include the possibility of a positive association between a consumer's propensity for strong experiences as described here, and purchase behaviour.

Classification of customers is important, since it can enable firms to tailor services to experiential types of consumers, enabling them for example to customize existing offers based on an evaluation of customer experience type. The only study to date examining the actual relation between customers diverse preferences for different types of experiences and purchase behaviour remain the study by Zarantonello and Schmitt (2010). This study will be of key importance when exploring my research question.

When considering channel choices, several studies have examined the process consumers go through before they make decisions regarding what channel to choose.

## 5.2 Multichannels

In today's marketplace, customers have a wide array of service channels available when initiating contact with businesses. If customers have questions regarding their invoice, they can visit their service provider's website and log on to their customer pages, phone customer support and either use the automatic systems available or opt for speaking with a service employee. Social media is also an option in several firms, giving the customers the opportunity to use services like Facebook and Twitter to make contact with employees. It is obvious that these different channels have markedly dissimilar features, and that they are likely to create completely unique customer experiences. It is perhaps not surprising then, that consumers tend to differ when it comes to channel choice (Alba, Lynch et al. 1997). Consumers can show a predisposition towards using a select few channels to serve their shopping needs, or they can branch out and choose several channels. It is not unlikely that this may spell doom for the common conception that brick and mortar will all be out of business, a catchphrase that was particularly popular before the dot-com bubble.

(Balasubramanian, Raghunathan et al. 2005) provides a framework for understanding channel choice amongst consumer. They argue that there are five different components that drive the utility the consumers derive from their channel choice. These components are then grouped in two groups. First are the utility derived from the *instrumental elements of the process*. This group includes three components, economic goals, self-affirmation and symbolic meaning. By economic goals the authors mean choice by consumer that is consistent with traditional models of consumer behaviour, which means a maximization of utility. Consumers pursuing purely economic goals would be more likely to choose online channels when shopping for electronic goods for instance, because it is much easier to

compare prices to find the lowest price and thereby maximizing utility. Self-affirmation is detailing the importance of the consumers' subjectively perceived expertise or thrift when choosing channels. For instance using coupons to affirm that one is thrifty, i.e. spends ones money carefully, or using ones knowledge of a certain kind of product to make the better choice. Channels obviously differ greatly when it comes to offering opportunities for consumers to experience self-affirmation in this regard. Self-help service channels like FAQ's would for instance can offer great opportunities for technically skilled consumers to fix their own software problems and thereby feeling like an expert. Symbolic meaning refers to products or services exceeding the utility of the service or product in itself by the process. Perhaps the most difficult to comprehend because it is not rational in the way economic models usually portray consumers, an example of channel choice influenced by symbolic meaning could be a consumer opting for using a long time in a retail store shopping for a gift to her mother perusing each item meticulously, thereby imbuing the present with additional value to herself, and hopefully the recipient.

*Utility from non-instrumental processes* is made up by the remaining two components, social influences and experiential impact and shopping schemas and scripts. Social influences and experiential impact describes the effects of sensory stimulation on channel choice, in addition to opportunities for social interaction. An example used by the authors is the prevalence of consumption of pornography on the internet. This may be caused by possible shame or guilt associated with shopping for these products in traditional retail channels where it can be observed. In addition, certain retail stores may have atmosphere that is pleasing (or displeasing) to the consumers. This can constitute everything from smells, music and visually pleasing decoration etcetera. The last component that could influence channel choice is shopping schemas and scripts, by which the authors mean channel choice based on routine or ritual. For instance consumers that have all their life done their grocery shopping in the same store is perhaps less likely to switch their channel of choice to another alternative, for instance groceries delivered at your door, since the shopping behaviour is mostly driven by routine or ritual.

## 6. Predictions

Based on the theoretical frameworks and ideas presented earlier, it seems suitable to try and make some predictions regarding what kind of experiences different customers are likely to have in one specific service channel. In this specific prediction, the service channel to be theorized about will be Telenor's regular customer phone service.

Earlier I have presented several experiential dimensions, which in sum will provide a customer with an experience, good or bad. The dimensions are sensory, affective, intellectual, behavioral and intellectual. It is likely that any given service channel will have the ability to evoke a different set of experiential dimensions, since they in fact can be so completely different. In addition, I have presented a framework for profiling customers in regard to their experiential preference, that is – what dimensions are most important for them to have a strong experience. The experiential profile consists of the following: Hedonistic, holistic, action-oriented, inner directed and low-experiential. In the following prediction I will speculate in what type of experiences are likely to be evoked by Telenor's customer phone service (hereby dubbed KS), and to what degree they will appeal to the customers with different experiential profiles.

When considering the sensory dimension, KS is currently restricted to comprise only auditory stimuli. Auditory in this case refers to hearing the service employee speaking, in addition to waiting music if applicable. Thus it seems probable that KS in itself offers weak sensory stimulation, although incidents such as high background noise level or particularly annoying waiting music could contribute in a negative way.

In regard to the affective dimension, KS appears to deliver more strongly. Strong feelings may be involved when dealing with service personnel to deal with for example technical problems, and it does not seem unlikely that the channel thus has the potential to evoke strong affective stimulation. Additional circumstantial factors like service employee competence level and mood will obviously influence the degree and nature of the resulting experience.

The intellectual dimension on the other hand seems moderately relevant when discussing KS. It seems obvious that interacting with service personnel will to some degree engage the

customer in thinking, but again it looks feasible that other channels, that require the customer to solve problems on their own, do more to evoke intellectual stimuli.

The behavioral dimension does not seem particularly stimulated by calling KS.

The relational dimension on the other hand, seems quite important for KS. When interacting with a service employee, the customer also relates to something outside his/her present state, thereby contributing to his/her experience.

Taking into account the different dimensions of experience that could be facilitated by the customer phone support channel, it is possible to make some assumptions regarding what type of customers that is more likely to have strong experiences when interacting with the channel. According to the different experiential profiles it looks as if KS would possibly provide stronger experiences for customers belonging to the holistic, hedonistic and inner-directed clusters, and this effect could partially be attributed to KS' high degree of affective stimuli.

## 7. Analysis and discussion

In this part of my thesis I will present the work done in relation to the two surveys that will be the basis for my discussion and recommendation. To provide an informative answer to my research question it was first necessary to map the best way to obtain useable data.

Survey design includes a description of how the analysis process should be designed so that one is able to answer the relevant research question (Gripsrud, Olsson et al. 2006). It is therefore important to find out what kind of data you need, how these should be obtained and how they are analysed. There are three main types of design: exploratory, descriptive, and causal (cause-effect) design. Which design you should use when collecting data depends on the knowledge we have of the area and what level of ambition one chooses to have in relation to the identification of contexts. Explorative design is often used when one knows little about the subject, and wants to explore and acquire more knowledge. Common techniques for data collection in an exploratory design are: focus groups and depth interviews. Descriptive design is more common when one has a fundamental understanding of the topic. The purpose of a descriptive design is to describe the situation in a particular area and provide a basis to draw fairly stable conclusions in relation to the problem. It is typical that when using descriptive design to use structured questionnaires and a relatively large and representative sample of respondents. Questionnaires are the most common techniques used in descriptive design, but observations and the “diary method” are also available. Causal (cause-effect) designs are used when one wants to investigate possible causal explanations. A causal design is just an experiment designed to prove a cause-effect relationship.

My thesis will use descriptive design, because even though literature on the subject is relatively sparse there are established frameworks to lean upon. Due to the focus on product contexts in the Brakus et al. (2009) validation of the brand experience construct, I decided to replicate their construct validation exercise in a service context. A telecommunication context was applied as the first in a series of sector specific studies investigating the limitations and applicability of this and other brand-related constructs to service organizations and service brands.

To study the effects of experience typologies of customers on channel preference in addition to the effects of brand experience on brand satisfaction and brand loyalty, an empirical study

was conducted to measure these variables for brands offering telecommunication services (exemplified as mobile services, TV services, and broadband services). The study was organized as an online survey. The study was conducted in the period between December 20 in 2010 and January 10 in 2011. It was carried out by the largest online panel data provider in Norway (Norstat).

## 7.1 Data collection

### 7.1.1 Online survey

In online panel surveys conducted by Norstat, respondents are invited to participate in the survey by clicking on a link to a website. The respondents who clicked on the link got access to the questionnaire where the following instruction were given to them; “This study is about telecom services. Examples of such services are mobile telephony, TV, and broadband services. Below you will find a list of 10 well known telecom brands. To which of these brands do you have a customer relationship?” The respondents then had to mark the brands that they had a customer relationship to. The distribution of the anonymous brands included in the study is listed in table 7.1. Those of the respondents who had a customer relationship to more than one of the brands marked all of the brands they had a relationship to. If only one of the brands were marked, the questions in the survey were then related to this brand. If more than one brand was marked, one of the brands marked were selected by Norstat as the brand focused in the questionnaire. The selection of brand conducted by Norstat in such cases was based on a rule to make the sample reflect the market share of the brands. Table 7.1 shows the number of respondents that related their responses to the various brands. The brands are represented by numbers for the purpose of anonymity.

<b>Brand</b>	<b>Frequency</b>	<b>Percent</b>
Brand 1	150	15,0
Brand 2	116	11,6
Brand 3	108	10,8
Brand 4	80	8,0
Brand 5	57	5,7
Brand 6	81	8,1
Brand 7	73	7,3
Brand 8	107	10,7
Brand 9	142	14,2
Brand 10	86	8,6

**Table 7.1** Brand frequency. Source: Field research

After choosing the brand, the respondents answered questions which made up the brand experience construct, brand satisfaction, brand loyalty and channel preference – in that succession. The questionnaire also included other questions that are not reported here.

Finally, respondents were thanked for their participation. All of the respondents were given a reward based on the Norstat panel reward system. The survey is quantitative and helps explain my research question. More specifically, the online survey tries to group customers based on experience clusters with Norwegian telecom operators and measuring the channel characteristic weights of the given groups.

## 7.2 Samples

A representative sample frame of Norwegian online consumers was recruited for the study. To make the sample representative, Norstat controls the sampling frame by age, gender, education, income and some non-disclosed consumer-related variables. Respondents were self-selected respondents from a random sample of a representative online population of Norwegian consumers aged 15 or older. The total number of invitations to participate in the survey was 4.556. Among the invited respondents, 1.699 started to answer the questionnaire. Only 1090 of these respondents completed the survey. Data were controlled for careless response setting a minimum completion time of 300 seconds for completing the entire study. In addition a criterion was applied considering respondents with no variance in the last 20 items in the questionnaire of the study to be careless. Collection of data was stopped when the sample reached 1000 serious respondents. Sample demographics are presented in table 7.2.



	<b>Sample</b>
<b>Gender</b>	
Male	54,8 %
Female	45,2 %
<b>Age</b>	
15 – 24	11,1 %
25 – 34	15,4 %
35 – 44	16,5 %
45 - 54	19,3 %
55 – 64	20,2 %
65 -	17,5 %
<b>Education</b>	
Primary	8,6 %
Secondary	32,7 %
University/College ≤ 3 years	43,0 %
University/College > 3 years	15,7 %
<b>Household income</b>	
< 200.000	6,5 %
200.000 – 399.000	14,8 %
400.000 – 599.000	19,6 %
600.000 – 799.000	20,8 %
> 800.000	23,5 %

**Table 7.2** Sample demographics Source: Field research

## 7.3 Data analysis

### 7.3.1 Primary Data Analysis (Online survey)

It is important to test the reliability and validity of the scales used to measure customer (brand) experience in the online survey part of the study to determine if the data is suitable for the purpose of this paper. The sensory, affective, behavioural, intellectual and relational constructs in addition to the brand experience construct as a whole need to be verified. At the same time, I will present the descriptive statistics of the multi-item scales.

### 7.3.2 Reliability and Validity Tests

Two important requirements for measurement are validity and reliability. Validity indicates that the measurement should be valid or accurate, while reliability indicates that outcomes of the measurement should be repeatable.

### 7.3.3 Reliability

First, I will access is reliability. According to (Gripsrud, Olsson et al. 2006) reliability refers to the extent to which measurements of the particular test are repeatable. This means that the outcomes of the measurement must be consistent when replicating the measurement several times. A greater level of consistency in the repeated sequences in which we assess measures means greater reliability. The measure I use in my thesis in order to test the reliability is the Cronbachs alpha coefficient, which is defined as the average of all possible split-half coefficients. The coefficient has a value range between 0 and 1. When the value is closer to 1 it indicates greater reliability, which refers to greater cohesion between the items. In other words, the items indicate the same thing about the construct. The recommended value of the coefficient is 0,7. The values of the coefficients calculated using SPSS reliability procedures are presented in Table 7.3. Here I can conclude that the values of reliability coefficients for all experience constructs is greater than 0,85. Reliability of the construct Brand experience as a whole is 0,953.

Dimension	Number of items	Chronbachs Alfa
Sensory	3	0,965
Affective	3	0,921
Behavioural	3	0,859
Intellectual	3	0,861
Relational	3	0,919
<b>Brand Experience</b>	<b>5</b>	<b>0,953</b>

**Table 7.3:** Reliability of scales Source: Online survey Source: Field research

At the same time I validate the much more established constructs of Customer satisfaction with a Chronbachs Alfa of 0,953 and customer loyalty with a Chronbachs Alfa of 0,862.

### 7.3.4 Validity

The second measure I need to calculate is validity. According to (Gripsrud, Olsson et al. 2006), validity is the extent to which a measurement represents characteristics that exist in the event under investigation. Two types of validity are tested in research: content validity and construct validity. Content validity is based on judgement estimation, whether the scales measure what they are supposed to measure. The content validity in this research is measured in two ways. First, all scales have been borrowed from previous studies on the same subject, as explained earlier, and has been adapted to the specifics of this research by Norwegian translation. The second way of testing the validity was that the translated version of the questionnaire was evaluated by experts from NHH. Assessment of the construct validity refers to the extent to which the measures relate to other measures in a manner consistent with the theoretically based concepts (Gripsrud, Olsson et al. 2006). Two types of construct validity were examined in the study: convergent and discriminant validity. While the convergent validity tests indicate the level to the items in the same construct converge in the same direction (homogeneity), the discriminant validity evaluates the level to which the measures deviate from each other (heterogeneity). Therefore, what should be expected is homogeneity within the construct and heterogeneity among the constructs if the survey is suitable for study. One of the measures created to test both convergent and discriminant validity is the correlation matrix. The items in each of the constructs are highly statistically significant. However, I only present the correlation matrix for the constructs, which was a result of the factor analysis. In table 7.4 it can be observed that correlations between constructs are strong and positive.

#### Correlation Matrix

	sensory	affective	behavioural	intellectual	relational
Sensory	1				
Affective	0,7881	1			
Behavioural	0,7369	0,7803	1		
Intellectual	0,4863	0,5848	0,5515	1	
Relational	0,6441	0,6588	0,6915	0,4697	1

**Table 7.4:** Correlation matrix Source: Field research

In addition, factor analysis, which is a class of procedures primarily used for data reduction and summarization is used to examine discriminant validity (Gripsrud, Olsson et al. 2006).

Factor loadings were obtained using SPSS factor analysis procedure in order to create constructs. The value of factor loadings indicates the strength of the relationship between the item and the factor. The minimum requirements for the value of factor loadings is 0,3; one should take into account all factor loadings with the value above 0,4 as important, while those which have the value above 0,5 are considered significant (Gripsrud, Olsson et al. 2006). Therefore, higher the factor loading, the claim that the item is represented by the factor which is assigned to it, is more reliable. In this section, SPSS factor analysis procedure has been used to examine the brand experience constructs. The extraction method used is principal component factoring.

#### 7.4 Brand experience construct

Brand experience consists as argued earlier of five constructs: Sensory, affective, behavioural, intellectual and relational experience, and is largely based on Brakus (2009), except for the relation dimension. The inclusion of this fifth dimension is based on my literature review earlier. First, I will explain the process of scale development and items which make up the brand experience scale. All of the five constructs that make up brand experience is in turn made up by three items measured in the questionnaire. Factor loading scores are presented in Table 7.5. All of the factor loadings for the brand experience construct except one are highly significant (above 0,7). The lowest factor loading is for the third item of the behavioural construct (0,578). Therefore, all items were included in the brand experience scale.

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**Items Factor loadings**

**Rotated Component Matrix**

	Component				
	1	2	3	4	5
S1*	<b>,826</b>	,259	,189	,267	,255
S2 *	<b>,830</b>	,286	,180	,265	,256
S1 *	<b>,800</b>	,315	,154	,274	,321
A1*	,466	,187	,317	,250	<b>,683</b>
A2*	,324	,396	,155	,315	<b>,702</b>
A3*	,355	,257	,305	,325	<b>,697</b>
B1*	,346	,279	,130	<b>,747</b>	,239
B2*	,253	,269	,245	<b>,743</b>	,244
B3*	,303	,381	,248	<b>,578</b>	,336
I1*	,075	,055	<b>,887</b>	,050	,150
I2*	,160	,149	<b>,858</b>	,185	,155
I3*	,263	,366	<b>,695</b>	,299	,153
R1*	,230	<b>,856</b>	,161	,190	,224
R2*	,229	<b>,845</b>	,125	,221	,262
R3*	,269	<b>,778</b>	,187	,274	,094

**Table 7.5** Rotated Component Matrix Source: Field research

\* S1-3 Sensory dimension, A1-3 Affective dimension, B1-3 Behavioural dimension, I1-3 Intellectual dimension, R1-3 Relational dimension

## 7.5 Effects of brand experience

As argued earlier, positive experiences should result in the consumer wanting to repeat these experiences, leading to an increase in customer satisfaction and loyalty. Customer satisfaction and customer loyalty were both measured using standard questions. Examining the data by running a regression I found, not surprisingly that customer satisfaction strongly affects customer loyalty. When repeating the exercise to measure the effects of brand experience on both customer satisfaction and loyalty I interestingly found that both the affective and the behavioural dimension consistently impacted loyalty and satisfaction negatively. Adjusting the regression-model to account for this by aggregating positive and negative dimensions in two different variables, I ended up with the following results, showed in table 7.6 and 7.7 for satisfaction and loyalty respectively.

### 7.5.1 Customer satisfaction

According to my analysis in table 7.6, brand experience does indeed affect customer satisfaction. What is interesting, although not unexpected when taking my earlier discussion of the experience concept into account, is the fact that the effect may well be negative. The nature of experiences does of course leave room for negative responses, but it is indeed surprising that the affective and the behavioural dimension should affect satisfaction and loyalty negatively in the case of telecommunications companies. What should be noted are the relatively low R-scores, which indicate that experience in this case only explains a small part of the picture.

Customersatisfaction	Coef.	t	P>t
Bexpemotion*	-0,1102145	-2.30	0,022
Bexprest*	0,1273295	2.41	0,016
_cons	4,376364	63.02	0
N	1000		
R <sup>2</sup>	0,006		
Adj R <sup>2</sup>	0,004		

**Table 7.6** Effects of 2-split brand experience on customer satisfaction

\* Bexpemotion includes the affective and behavioural dimension, Bexprest includes the other three dimensions

## 7.5.2 Customer loyalty

Much of the same applies for customer loyalty as for customer satisfaction. Similar to (Brakus, Schmitt et al. 2009) results, brand experience does have a greater direct effect on loyalty than satisfaction, indicating that it could well be a suited predictor for purchasing behaviour.

Customerloyalty	Coef.	t	P>t
Bexpemotion*	-0,1959752	-2,51	0,01
Bexprest*	0,2542075	2,95	0
_cons	4,543556	40,13	0
N	1000		
R <sup>2</sup>	0,0087		
Adj R <sup>2</sup>	0,0067		

**Table 7.7** Effects of 2-split brand experience on customer loyalty

\* Bexpemotion includes the affective and behavioural dimension, Bexprest includes the other three dimensions

## 7.6 Brand experience customer typologies

Using the work of Brakus et. al. (2010) regarding classifying different typologies of customer based on brand experience as a reference point I try to recreate his results using my newly established framework of brand experience including the relational dimension. The analysis was performed using STATA Statistical Software, and the two main goals were the following:

1. Using cluster analysis to create a typology of consumers
2. Analysing differences in customers channel preference based on customer typology.

The division of customers into cluster based on their answers on the brand experience scale was done using a hierarchical cluster analysis which doesn't require the specification of clusters beforehand. The measure of similarity used was Ward's method, which creates clusters of roughly similar size using an analysis of variance approach to evaluate the distances between clusters by calculating the incremental sum of squares. Half square Euclidean distance is therefore the only measure of distance available. The clustering variables are made up by our five dimensions of brand experience, namely sensory, affective, behavioral, intellectual and relational experience. Further validation using Brakus et. al.'s (2010) solution as a reference point leads to a five cluster solution portrayed in table 7.8. Following in Brakus et. al. (2010) footsteps I analyze the experience dimension scores in each of the clusters to understand how they differ:



<b>Social-oriented cluster</b>		
Variable	N	Mean
sensory	366	1.67
affective	366	1.65
behavioural	366	1.76
intellectual	366	1.97
relational	366	1.84
<b>Utilitarian cluster</b>		
Variable	N	Mean
sensory	237	1.01
affective	237	1.02
behavioural	237	1.07
intellectual	237	1.07
relational	237	1.09
<b>Holistic cluster</b>		
Variable	N	Mean
sensory	58	5.23
affective	58	5.27
behavioural	58	4.76
intellectual	58	3.17
relational	58	5.33
<b>Hedonistic cluster</b>		
Variable	N	Mean
sensory	141	4.10
affective	141	4.05
behavioural	141	3.73
intellectual	141	3.21
relational	141	3.65
<b>Inner-directer cluster</b>		
Variable	N	Mean
sensory	198	3.11
affective	198	2.99
behavioural	198	2.55
intellectual	198	2.78
relational	198	2.89

**Table. 7.8** Customer experiential typologies by cluster

### 7.6.1 Cluster 1: Social-oriented cluster

In the first cluster, respondents score below average on all the experiential dimensions but close to the average on the intellectual and relational dimension. The consumers in this cluster do not seem to particularly care for brand experiences, but they do seem appreciate intellectual stimulation and relational involvement to some degree. Considering their affinity for brands that evoke intellectual and relational stimuli an apt name for this consumer-group is perhaps social-oriented consumers. This cluster is not included in Brakus et. al. (2010) classification of experiential customer-typologies, but quite similar to the group which they

dubbed action-oriented. The difference is that my group score closer to the average on relational and intellectual dimension compared to behavioural and sensory dimension. Even so, the scores are all quite low. 60 % of respondents in the social-oriented cluster are above 45 years of age, and the group has the lowest income level of the five clusters.

#### 7.6.2 Cluster 2: Utilitarian cluster

This cluster includes the respondents that scored lowest on all the experiential dimensions. In fact, analysis indicates that most experiential scores are not significantly different from one with a 95% significance-level. The consumers in this cluster apparently attach little or no importance to brands providing them with an experience, and are accordingly named utilitarian consumers. 60 % of the respondents in the utilitarian cluster are above 45 years of age, and the cluster consists of respondents with the lowest average level of education compared to the other clusters, 40% without a higher level of education (no college or university education).

#### 7.6.3 Cluster 3: Holistic cluster

The next cluster is made up by the respondents that scored the highest on all of the experiential dimensions. Brands which appeal to them are brands that provide an abundance of experiences, including sensory, affective, intellectual, behavioural and relational types. The name comes from the idea that they favour all of the experiential dimensions instead of just one or two, thus Holistic seems fitting. In addition the holistic cluster has a 40 % share of respondents between 25-44 years of age with a very high average education level compared to the other clusters, about 70% with college/university education of 3 years or more. Household income is also the highest of the five clusters.

#### 7.6.4 Cluster 4: Hedonistic cluster

The Hedonistic cluster consists of the respondents that have high scores on the sensory and the affective dimensions and above average scores on the other three dimensions. They seemingly look for experiences with a sensory and emotional attraction. This should indicate that experiences involving sight, hearing, touch, taste and smell in addition to feelings should appeal strongly. The cluster also has a very high concentration of young respondents compared to the other clusters.

### 7.6.5 Cluster 5: Inner-directed cluster

The last cluster is made up by respondents who score quite high on three of the experiential dimensions, sensory, affective and relational, and above average on the behavioural and intellectual dimension, with the lowest score on behavioural. The cluster also has a high concentration of people below 34 years of age compared to the other clusters.

When comparing the cluster-structure to what was found in the study by Brakus. et. al. (2010), we find a striking likeness. The differing cluster is mainly cluster 1, which I have named the Social-oriented cluster, but also to some degree cluster 5 – the Inner-directed cluster. Even so, it should lend support to the idea of grouping customers based on experiential preference.

## 7.7 Channel preference of different experiential clusters

Following the classification of the consumers in five different clusters, the next step was exploring the effect of experiential preferences on channel preference. Respondents were asked to rate 18 different channels on a 1-7 point Likert-scale, answering how suitable they felt the channels were to do something in relation to their customer relationship. The questionnaire further explained that “do something” could include solving or discussing a problem, starting to use a new service, change subscription/customer status or change to a new provider. By comparing the average channel preference scores of the respondents in each of the clusters with the average, I was able to present the following table. (Table 1.7)

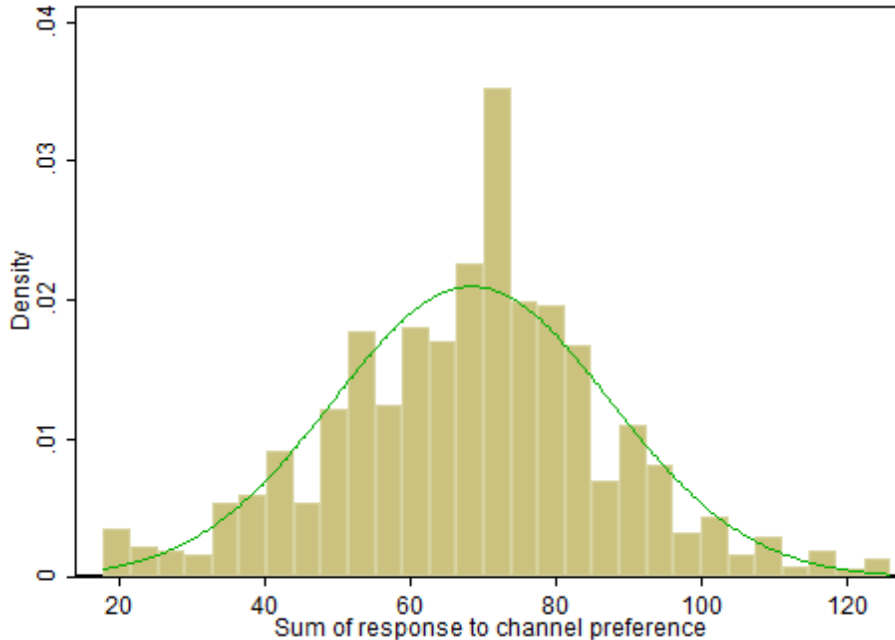
<b>Channel**</b>	1	2	3	4	5	Mean
Customer page	4.42	4.51	4.55	4.56	4.51	4.49
Web-sites	4.23	4.32	4.36*	4.35	4.19	4.27
Web-store	3.96	4.04	4.14*	4.10*	3.94	4.01
Online newssite	3.63	3.63	3.71	3.63	3.65	3.64
Chat	3.51	3.27*	3.28*	3.63*	3.39	3.43
Social media	3.19	2.99*	3.22	3.47*	3.25	3.20
Youtube	2.96	2.97	3.00	3.10*	3.02	3.00
Google	3.58	3.52	3.76*	3.72*	3.56	3.59
Forum	3.33	3.24	3.48*	3.36	3.16*	3.29
E-mail	4.40	4.50	4.52	4.49	4.63*	4.49
Mobile app	3.27*	3.43	3.38	3.67*	3.31	3.38
Mobile web	3.30	3.49*	3.31	3.62*	3.27*	3.38
IVR	3.97	4.08	3.93	4.09*	3.85*	3.99
Customer support phone	4.73	4.81	4.86	5.20*	4.66*	4.81
Paid expert-help	3.45*	3.65	3.48	3.87*	3.49	3.56
Physical store	4.02	3.93	3.83*	4.05	3.91	3.97
Paper documentation	3.89	3.83	3.79	4.05*	3.68*	3.85
Social network	4.13	4.03	4.12	4.18	3.98*	4.09

**Table 7.9** Experiential clusters' channel preference

\* statistically significant from the average, 95 % confidence-interval

\*\* respondents were offered more expressive descriptions of the channel

Using a t-test to test for differences from the average in the different clusters was deemed appropriate after confirming a normal distribution concerning channel preference responses, see table 7.10.



**Table 7.10** Histogram channel preference response

When looking at the channel preferences of the different cluster in relation to their experiential preferences, I try to answer the core of my research question.

### 7.7.1 Cluster 1 Social-oriented channel preferences

I have found that people who are in this group likely prefers intellectual stimuli and is also concerned with social relations. Emotional experiences are seemingly not so important to this group. The group has not scored significantly higher than average on any of the channels, but there are a couple of channels where they have scored lower including expert advice and the mobile app. The low score on expert help is rather surprising considering the highest experiential dimensions in the cluster could indicate preference towards channels sporting the possibility for human interaction, but may possibly be explained by the relatively high preference for intellectual experiences, indicating perhaps that the respondents in this group prefer to challenge themselves mentally by solving problems by themselves. The low income-level in the group may also suggest that paid expert help is not

preferable, and neither are mobile applications as they require investments in the appropriate hardware to be applicable.

### 7.7.2 Cluster 2 Utilitarian channel preferences

The utilitarian cluster scores higher on using the web via mobile-hardware and lower for chat and social media like Facebook and Twitter. Perhaps people who are within this cluster lag a bit behind when adopting channels. It may be they are afraid to embrace new channels and end up doing what they have done many times beforehand. This corresponds well with the relatively high average age within the cluster -typical older people who are not quite up to date with technology. Although it is now less expensive and easier to pay a bill, for instance over the Internet, you have those who still want to go to banks, have a chat with those behind the counter, and pay the bill by bank transfer as they have done over the last 10 years. These are typically people who prefer the safest alternatives and if it works well they stick to it. I would have thought that this group would typically score high on channels such as phone-support and physical stores since these channels that have been around the longest. It is therefore quite an interesting find that this group prefers the mobile web. I would be hard pressed to make the claim that the low education level of this group signifies that they do not keep up with trends like Facebook and Twitter, but looking at the extremely low experiential scores of the group could partly help explain their channel inclinations.

### 7.7.3 Cluster 3 Holistic preferences

This group of customers is the “consumers of experience”. It is therefore not surprising they prefer online channels such as websites and forums. It makes sure that long waiting times in phone-queues lines in a store can be bypassed for instant experiential gratification. They could be people who are concerned about the whole; they may be afraid that a single service client do not understand everything in terms of service, price, etc. and could therefore both seek other channels to discuss with like-minded users on forums or check reviews, press releases about companies to ensure that they can enjoy the most experiences possible. Even Google is a channel that people in this particular cluster prefer. Considering that the holistic cluster consists of consumers with particularly high preferences for all the different dimensions of experience, this corresponds well. The fact that respondents in the cluster have the highest level of income and education, on average, could indicate that enjoying experiences is easier when money is not a constraint.

#### 7.7.4 Cluster 4 hedonistic channel preferences

The cluster shows higher preferences for physical store, chat, social media, Youtube, Google, mobile applications, mobile web, customer support via phone, IVR, paid expert help and paper documentation. Perhaps one could argue that people who are within this cluster often choose what suits them best in any given situation, since they score highly on such a large variety of channels. One could in other words think that people within this cluster, consisting of a large part of young people, use the channels available in the given situation and often a bit impulsively. Many of the channels that this cluster prefers are available on mobile devices. The cell-phone has in recent years become man's constant companion, especially among the younger generation, and they generally bring them everywhere. It will therefore also be a natural choice for this group given that they often choose the channel that best matches the given situation. These are perhaps not the people who take an hour-long ride down to the nearest store to get help from service staff, but possibly someone who just use their computer or mobile phone – the channel that works out right there. On the other hand, if a physical store is nearby, it may just be that that becomes the channel of choice there and then. Although this cluster scores quite high on the emotional dimension, perhaps it can be explained by consumers choosing based on their mood at the given time.

#### 7.7.5 Cluster 5 inner-directed channel preferences

The group of people who are within this cluster is as earlier mentioned keen to acquiring sensory and relational experiences, and not so much behavioral and intellectual experience. It is then quite surprising that when looking at the results we find that those who are within this group have a preference against forums and social networks like friends and family, where relational experiences should be prevalent. One would think that those who found themselves in this group had the best experience when discussing various issues with like-minded on such forums or with friends and acquaintances and make use of social media like Facebook and Twitter. It is rather surprising and difficult to explain that this group prefers the e-mail channel to give them the best experience.

### 7.8 General sources of error

The results of any given survey can contain many different types of errors. One of the main types of error is related to lack of observations, while another main type of error are different

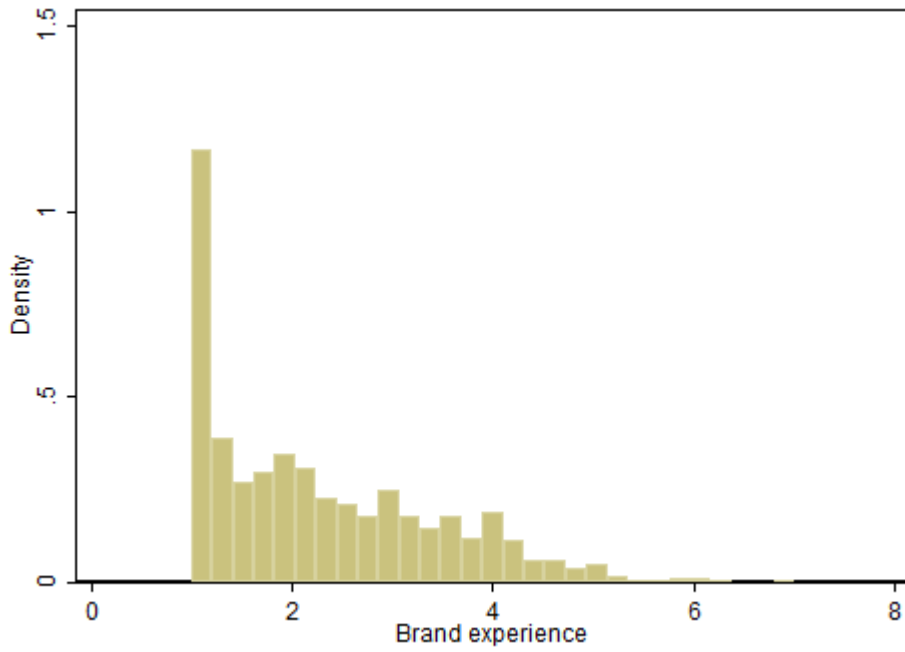
forms of measurement error (Gripsrud, Olsson et al. 2006). The three most common types of errors related to lack of observations are coverage error, non-response errors and sampling errors. Coverage errors are errors caused by the fact that the population we want to investigate is poorly covered in our sample selection. Non-response errors are errors caused by lacking responses. Sampling errors occur if we draw a sample, and make predictions about the entire population on the basis of the results from this sample (Gripsrud, Olsson et al. 2006). Measurement error is another main type of error which can occur when a respondent is answering the questions in the questionnaire. This could potentially be the cause of many different kinds of misunderstandings and errors. In this context it is possible to distinguish between errors that are primarily related to the questionnaire and errors occurring as a consequence of poor communication between the interviewer and the respondent. To avoid different types of measurement error related to the questionnaire, a thorough development process when designing surveys are required.

## 7.9 Specific weaknesses

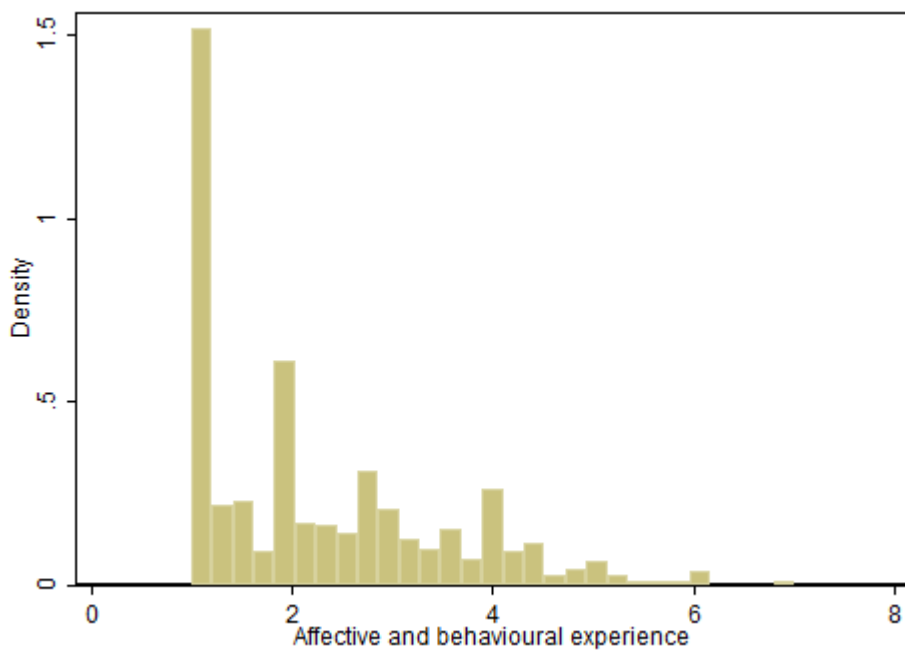
The methodology used in this thesis has not seen extensive use in relation to customer experience – indeed, the brand experience construct as a whole is currently lacking widespread empirical use. Taking this into account leads us to the next paragraph, which is perhaps even more important.

When examining the descriptive statistics of respondents' answers on the brand experience scale, the results were quite intriguing. The vast majority of respondents rated each and every one of the experience dimensions very low – even 1 in most of the cases. It may be that telecommunications companies do not provide strong experiences for the customer – this does not seem unlikely. When looking at table 7.11 through 7.13 we can observe that this does indeed seem to be the case. Considering the fact that my online survey greatly differs from the studies used by Brakus et. al. in both 2009 and 2010 in regards to brand selection, the low experiential responses may be a cause of concern. In the two previous studies examining the brand experience model and experience clusters respectively, brands were chosen from a wide range of industries, and specifically chosen because of their likely experiential appeal. Even so the scores in my survey indicate that at least some consumers have had intense experiences from their telecommunications provider – perhaps from a particularly grueling problem being solved, or perchance by it not being solved.

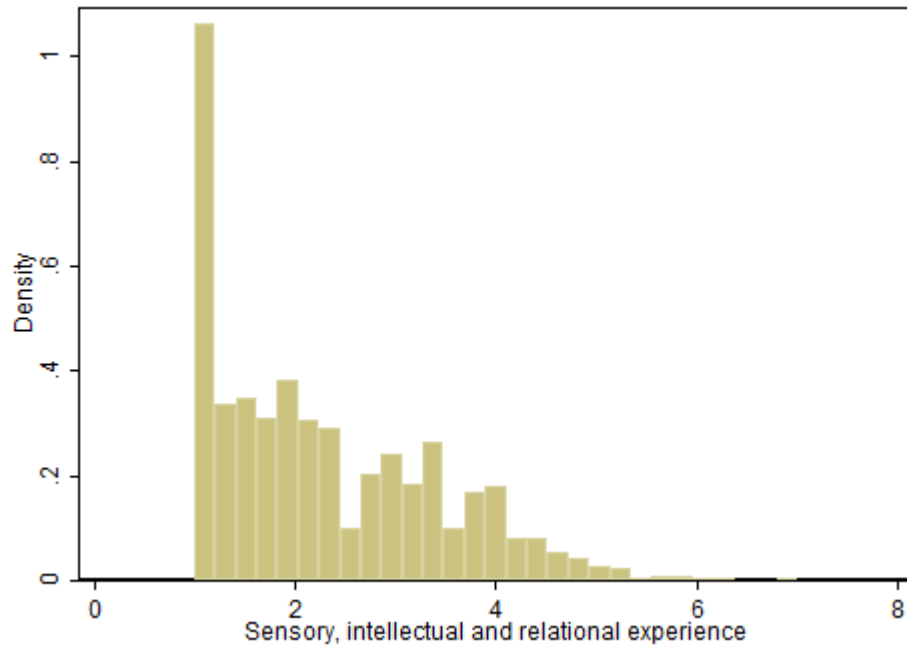




**Table 7.11** Response scores brand experience construct



**Table 7.12** Response scores affective and behavioural dimensions



**Table 7.13** Response scores sensory, intellectual and relational dimensions

## 8. Conclusion

When looking at the results as whole, it is interesting to observe the fact that when examining consumers' experience-preferences we get heterogeneous groups with different experiential appeals, some with significant differences in channel preference. Borrowing some cluster-names from Brakus et. al. (2010), the discovered groups ranged from the experience-devoted Holistic group to the utilitarian consumers not interested in experiences at all, all of them with unique preferences in regards to what channel they prefer. The large divergence in experience preference between the different groups is in my opinion not explained fully by just looking at the demographic differences, and this also leads me to believe that there are indeed unique experience preferences existent in different consumers.

Looking at the results which show that providing customers with experiences does seem to have an impact on the customer satisfaction and loyalty is also thought-provoking. What is important to note in this regard is the results showing that the effects may well be negative, as that is the nature of an experience. It leads me to believe that the construct of brand experience used in this thesis is indeed a measure of importance in marketing literature, thus usable for further studies. Even so the results of the analyses show low r-squared values, indicating that other measures are perhaps better suited to explain larger shares of the origins of customer satisfaction and loyalty.

It is obviously difficult to draw any faultless conclusion regarding channel choice based solely on the work I have done to examine customer experience and the way different preferences for dimensions of experience influences customers channel preference, but the concept of experiences should not be disregarded nonetheless.

### 8.1 Managerial implications

Validating the brand experience construct as a valid and reliable scale implies that marketers could seek to employ it directly in marketing practice. By measuring what type experiences their brand provides, they can tailor it to suit their customer segment of choice or use it for planning and tracking purposes. In addition, marketers choosing to explore their customers' experiential profiles could achieve higher accuracy when designing appropriate channel mixes to suit their customer needs. Even so telecommunications providers should be extra vigilant if they want to use experiential marketing as tool to cater to their customers, given

that my results show that this industry seemingly provides for not so strong brand experiences. More tangible measures for designing and deciding on optimal service-channel mix might seem reasonable in this case.

## 8.2 Limitation and direction for future research

What is perhaps not so fortunate is the observation that Telecommunications companies are seemingly poor providers of brand experiences. Further research utilizing the brand experience construct and clustering customers based on their experiential dimensions should perhaps seek to examine brands traditionally associated with providing customers with strong experiences, for example Disney or the Scandinavian tour operator Star Tour which characteristically offers products and services tightly linked to strong experiences.

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## 10. Appendix

### 10.1 Brand experience effects

custsat	Coef.	Std. Err.	t	t	P>t	[95% Conf.	Interval]
sensory	0,0274238	.0372892	0.74	-	0,462	-0,04575	0,100598
affective	0,0399565	.0423791	0.94	-	0,346	-0,12312	0,043206
behavioural	0,0690326	.044428	1.55	-	0,121	-0,15622	0,018151
intellectual	0,0145269	.0319164	0.46	-	0,649	-0,0481	0,077158
relational	0,0754912	.0313018	2.41	-	0,016	0,014066	0,136916
_cons	4,390621	.0711328	61.72	-	0	4,251033	4,530209

**Table 10.1** Brand experience dimensions effects on satisfaction

custloy	Coef.	Std. Err.	t	t	P>t	[95% Conf.	Interval]
sensory	0,0634647	.060816	1.04	-	0,297	-0,05588	0,182807
affective	0,0573906	.0691173	0.83	-	0,407	-0,19302	0,078242
behavioural	0,1374764	.072459	1.90	-	0,058	-0,27967	0,004714
intellectual	0,0618091	.0520534	1.19	-	0,235	-0,04034	0,163956
relational	0,1172723	.051051	2.30	-	0,022	0,017092	0,217452
_cons	4,56028	.1160126	39.31	-	0	4,332622	4,787938

**Table 10.2** Brand experience dimensions effects on loyalty



## 10.2 Cluster demographics tables

Household Income		Freq.	Percent
Cluster	1		
	1	23	7,62
	2	63	20,86
	3	53	17,55
	4	82	27,15
	5	81	26,82
Total		302	100
Cluster	2		
	1	13	6,31
	2	34	16,5
	3	49	23,79
	4	60	29,13
	5	50	24,27
Total		206	100
Cluster	3		
	1	2	3,85
	2	9	17,31
	3	11	21,15
	4	8	15,38
	5	22	42,31
Total		52	100
Cluster	4		
	1	9	7,14
	2	17	13,49
	3	42	33,33
	4	25	19,84
	5	33	26,19
Total		126	100
Cluster	5		
	1	18	10,84
	2	25	15,06
	3	41	24,7
	4	33	19,88
	5	49	29,52
Total		166	100

**Table 10.3** Cluster household income distribution

<b>Age distribution</b>				
<b>Age category</b>			<b>Freq.</b>	<b>Percent</b>
Cluster	=	1		
	1		40	10,93
	2		59	16,12
	3		61	16,67
	4		71	19,4
	5		61	16,67
	6		74	20,22
Total			366	100
Cluster	=	2		
	1		18	7,59
	2		29	12,24
	3		42	17,72
	4		46	19,41
	5		57	24,05
	6		45	18,99
Total			237	100
Cluster	=	3		
	1		2	3,45
	2		13	22,41
	3		10	17,24
	4		8	13,79
	5		14	24,14
	6		11	18,97
Total			58	100
Cluster	=	4		
	1		14	9,93
	2		28	19,86
	3		24	17,02
	4		22	15,6
	5		29	20,57
	6		24	17,02
Total			141	100
Cluster	=	5		
	1		21	10,61
	2		24	12,12
	3		31	15,66
	4		45	22,73
	5		40	20,2
	6		37	18,69
Total			198	100

**Table 10.4** Cluster age distribution

Education			Freq.	Percent
Cluster	=	1		
	1		31	8,47
	2		121	33,06
	3		151	41,26
	4		63	17,21
Total			366	100
Cluster	=	2		
bg3			Freq.	Percent
	1		28	11,81
	2		74	31,22
	3		96	40,51
	4		39	16,46
Total			237	100
Cluster	=	3		
	1		2	3,45
	2		16	27,59
	3		31	53,45
	4		9	15,52
Total			58	100
Cluster	=	4		
	1		11	7,8
	2		53	37,59
	3		53	37,59
	4		24	17,02
Total			141	100
Cluster	=	5		
	1		14	7,07
	2		63	31,82
	3		99	50
	4		22	11,11
Total			198	100

**Table 10.5** Cluster education distribution

## Category Age

1 15 – 24

2 25 – 34

3 35 – 44

4 45 - 54

5 55 – 64

6 65 -

## Education

1 Primary

2 Secondary

3 University/College  $\leq 3$  years4 University/College  $> 3$  years

## Household income

1 &lt; 200.000

2 200.000 – 399.000

3 400.000 – 599.000

4 600.000 – 799.000

5 &gt; 800.000

**Table 10.6** Demographic categories