THE EFFECT OF EXPERIENTIAL MARKETING ON CUSTOMER LOYALTY: THE ROLE OF CUSTOMER SATISFACTION AS A MEDIATOR

Nabila Aufa Nadya
Faculty of Economics and Business, Padjadjaran University, Bandung
Corresponding author: nabilaaufa17@gmail.com

Abstract

This research examines experiential marketing and its effect on customer loyalty with customer satisfaction as a mediator. This research is based on two theories; expectation-confirmation theory (ECT) and satisfaction-loyalty theory. This article was made because the development of the marketing concept has grown rapidly, therefore, that it no longer focuses on its products, but focuses on its consumers, hence, that an interesting experience will provide something different for consumers to enjoy their products or services. In an effort to provide a theoretical basis for the role of customer satisfaction in mediating experiential marketing on customer loyalty, researcher propose a framework that describes consumer behavior. These are expected to have an impact on the perceived experience by customer will create satisfaction, therefore, customers become loyal. Researcher further posit that the relationships between experiential marketing and customer loyalty are indirect, but through the perceived satisfaction by customers. Finally, researcher present customer satisfaction as a mediator between experiential marketing and customer loyalty. Implications for management and future research are presented.

Keywords: Customer Loyalty, Customer Satisfaction, Experiential Marketing, Theoretical Framework

Introduction

Customer loyalty is one of the best intangible assets that an organization can have. Effectively enhancing customer loyalty have been addressed by marketing practitioners and researcher (Blut, M., Frenneea, C.M., Mittal, V., & Mothersbaugh, D.L., 2015). In realization of the importance of loyal customers in an increasingly competitive environment, organizations have begun to build long-term relationships with customers, known as marketing relationships (Schneider & White, 2004). Hence, a business must organize and implement marketing activities to create and maintain excellent long-term relationship with the customer, and partner inside as well as outside the organization (Kotler, Keller, Goodman, Brady, & Hansen, 2019).

Marketing is essential in the development of an organization’s competitive strategies (Storey, 2017). The increase in competition in the marketing of products has forced companies to think about differentiating strategies for the purpose of attracting and retaining customers, therefore, that customers become loyal. Among the marketing strategies that have been used by companies is experiential marketing (Beatty, S.E., Ogilvie, J., Northington, W.M., Harrison, M.P., Holloway, B.B., & Wang, S., 2015). Experiential marketing refers to the strategies of staging and creating offerings for the purpose of facilitating these extraordinary experiences (Carù & Cova, 2003). Since the industrial buyer experiences in trade shows are instrumental, this preliminary understanding of experiential marketing in business markets is followed by a call for further research on other experiential marketing instruments and the determinants of their effectiveness, because some experiential marketing tactics that are based on autotelic activities and involve fantasies, feelings, and fun, and which work in consumer markets, may prove to be ineffective or even counter-productive in industrial environments (Rinallo, 2010).

Various studies have found that higher level of customer satisfaction ultimately leads to a greater customer loyalty and word of mouth recommendations (Yoo, S.J., Huang, W.H.D., & Kwon, S., 2015). The business community has realized that customer satisfaction is key to business success, as satisfied customers are found to not only have higher return rates but to also bring in more customers, while dissatisfied customers lead to negative publicity and shrinking corporate profitability (Yu & Lin, 2010). Similar studies were said that attractive physical environment can be used to develop positive consumption emotions and satisfaction among customers, which can then increase their loyalty (Ali, F., Amin, M., & Ryu, K., 2016).

Therefore, this study proposes a research framework that draws on two theories: expectation-confirmation theory (ECT) and satisfaction-loyalty theory. Expectation-confirmation theory (ECT) is used to explore customer satisfaction by evaluating initial expectation and the comparison between expectation and actual performance of a product and service (Lin, H.H, Wang, Y.S., & Chang, L.K., 2011). Customer expectation is created when a product or service is offered, hence, that it will create an experience for the customer. After the customer expectation is established, the customer then will compare their expectation with what they get from the product (Fu, X.M, Zhang, J.H., & Chan, F.T.S., 2018). When the actual performance aligns with the expectation, confirmation is created. Alongside expectation, this confirmation will lead to customer satisfaction (Lin et al. 2005). The Satisfaction-loyalty theory explains the interrelated relationship between satisfaction and loyalty, this theory is applied successfully in many fields with the purpose of understanding customer loyalty (Lin et al. 2005).
The latest research that discusses about expectation-confirmation theory (ECT) was examined by Wu, I.L., Chiu, M.L., & Chen, K.W. (2020), said that expectation-confirmation model (ECM) issue, e-store performance confirmation variable has an important link to perceived usefulness, but it is opposite to consumer satisfaction with e-stores. Further, perceived usefulness has a significant effect on customer satisfaction. The expectation-confirmation model (ECM) integrates expectation-confirmation theory (ECT) (Bhattacherjee, 2001b), and a technology-based feature, perceived usefulness, to examine intention of continued use in the context. ECT indicates a customer’s repurchase intention from their satisfaction in terms of a confirmation for expected and perceived performance of products/services. In this study, found other variables that can provide more insight and certainly explore ECT, such as perceived usefulness, e-store performance confirmation, satisfaction, and online impulsive buying. All of these variables are related to the perceived experience by customers and in the end, loyalty will be formed.

There is a number of marketing studies that have discussed about customer loyalty such as (Chen & Lee, 2009) mentioned that loyalty exists when customers feel satisfied with a product and have intentions to repurchase and spread positive word-of-mouth about the product. One way that can be used to maintain consumer loyalty is by touching the emotional side of the customer through experiential marketing (Caru & Cova, 2007). The development of the marketing concept has grown rapidly, therefore, that it no longer focuses on its products, but focuses on its consumers, hence, that an interesting experience will provide something different for consumers to enjoy their products or services. With this experience, customers are expected to be loyal. Thus, the main objectives of the study are to examine the effect of experiential marketing on customer loyalty with customer satisfaction as a mediator.

**Literature Review**

**Relationship Between Experiential Marketing and Customer Loyalty**

Lee & Kang (2015) defined experiential marketing as an individual customer perceiving certain stimulation through observation or participation in events and being induced the motivation to present thinking identity and precede consumption behaviors to further enhance the product value. Katherine & Peter (2016) argued experience as a phenomenon, such as various recreational activities, happy feeling, and visual enjoyment as well as various emotional reactions; novelty, feeling, and fun should be covered in consumers’ experience process. Agrawal VV, Atasu A, Van Ittersum K. (2015) defined experiential marketing as an individual customer perceiving certain stimulation, after observation or participation in events, inducing the motivation, and generating thinking identity or consumption behaviors to enhance the product value. Etkin & Sela (2016) defined experiential marketing as the marketing through sense, emotion, action, thinking, and relations, hence, that an individual customer presented unique experience and identified the products or service to enhance the overall consumption value. Özgen & Argan (2017) showed the similar opinion but further explained that, in addition to the stimulation resulted from the form of experience and the application of media, it expected to have consumers perceive the value and achieve the brand loyalty of the product. Referring to Chen & Lin (2017), the idea of experiential marketing is applied to describe consumer experience in this study: (1) Sense experience, the five basic sense marketing appeals of human senses of sight, sound, touch, taste, and smell which means marketing that affects the five basic human senses, namely vision, hearing, touch, taste, and smell. The main purpose of sense marketing is to generate pleasure, excitement, beauty, and satisfaction through the sensory stimulation that produces output in the form of the product's brand identity itself; (2) Feel experience, is a strategy providing consumers with certain experience as to present emotion to the company brand. The purpose of the feel experience is to move emotional stimuli (events, agents, objects) as part of the feel strategies, therefore, that they can affect the heart and atmosphere of the consumer; (3) Think experience, thinking appeals to the intellectual, it engages customers in solving real or imagined problems where thinking can stimulate one's intellectual abilities and creativity with the aim of creating awareness. The purpose of think experience is to encourage consumers to be interested and think creatively, therefore, that it might be able to produce a re-evaluation of the company and the brand; (4) Act experience, act is a marketing technique to create consumer experiences related to the physical body, behavior patterns, and long-term lifestyles and experiences that occur from interactions with others. The purpose of act experience is to give an impression of behavior patterns and lifestyles, as well as enrich patterns of social interaction through the strategies carried out; (5) Relate experience, shows relationships with other people, other groups (work, lifestyle) or wider and abstract social communities (state, society, culture). The purpose of relate experience is to connect these consumers with the culture and social environment reflected by the brand of a product.

Maintaining customers is the same as maintaining the survival of the company, therefore, that it can increase loyalty. Further indicators of customer loyalty are repeat purchase which is loyalty to product purchases, retention which is resilience to negative influences regarding the company, and referrals which is referring to the total firmness of the company (Kotler & Keller, 2011). Customer loyalty to a product is reflected through the customer’s habit to purchase a product continuously. Therefore, in order to understand the customer’s needs and expectations as well as to achieve the objectives, a company needs to observe customer loyalty. Oliver (in Kotler & Keller, 2006) defines customer loyalty as a strongly held commitment.
to repurchase or re-subscribe a certain product in the future, although there is an effect of situation and marketing efforts that can potentially cause the change of behavior.

In order to boost customer loyalty, one cannot ignore experiential marketing for customers as well as the brand image established (Lee & Chang, 2012; Chao & Kuo, 2013; Chao, Wu & Yen, 2015). Given that experiential marketing is of great importance to brand image and customer loyalty (Lee & Chang, 2012; Chao & Kuo, 2013). Experiential marketing positive and significantly affects customer’s satisfaction and loyalty (Abadi, Rahmat, R., & Nursyamsi).

Proposition 1: Experiential marketing positively influences customer loyalty.

**Relationship Between Experiential Satisfaction and Customer Loyalty**

Chou S., Chen C., Lin J.Y., (2015) proposed that consumers’ prior experience in service or product purchase would affect the evaluation of the service or product to further affect the repurchase behavior. In consumers’ experience evaluation, Kotler & Keller (2015) discovered that consumers would evaluate the functional benefits of product effectiveness and enjoyment to induce positive or negative consumption emotion and eventually affect consumer satisfaction. Hair J.F., Hult G.T.M., Ringle C., Sarstedt M., (2016) considered that customers, after purchasing products or receiving service, would give satisfactory or dissatisfactory evaluation of the experience process; such inner psychological changes would affect the successive behaviors of repurchase when customers were satisfied. Robbins & Judge (2016) indicated that consumer satisfaction was caused by the expectation and anticipation before consumption and the service performance after the consumption; after comparing the value difference before and after the consumption, positive or negative satisfaction would be generated. Luo Y, Hu Z, Yu K., (2018) proposed the when the actual performance exceeded the anticipation, positive difference or higher satisfaction would be generated. On the contrary, negative difference or dissatisfaction would appear when the actual performance was not as expected. When the actual performance was just as the expectation, medium satisfaction or indifference might be presented (Valenzuela Fernández & Villegas Pinue, 2016).

According to Kotler (2012), satisfaction is a feeling of pleasure or disappointment that arises after comparing the product results that are thought of the perceived results. Moreover, satisfaction is a function of the perception or impression of performance and expectations, if the performance is below expectations then the customer is not satisfied, and vice versa. Customer satisfaction indicators: (1) Stay loyal to the company; consumers will continue to buy products offered by the company; (2) Buy back products offered by the company on an ongoing basis; (3) Willing to pay more when buying, especially when the company promotes these products; (4) Provide feedback to the company.

Many studies of customer satisfaction have shown a positive relationship between customer satisfaction and customer loyalty or future behavioral intention (Anton, Camarero, & Laguna-Garcia, 2017). Customer satisfaction positively affects customer loyalty (Lee & Chang, 2012; Avourdiadou & Theodorakis, 2014). Loyalty is formed because consumers feel satisfied with the products and services they obtain (Griffin, 2005). Thus, this study hypothesized:

Proposition 2: Customer satisfaction positively influences customer loyalty.

**Relationship Between Experiential Marketing and Customer Satisfaction**

Zhang (2015) mentioned that consumers, according to the subjective psychological state, would change with personal feeling and distinct environmental factors. Different consumer experience would result in distinct effects that customers would generate distinct reaction from individual different perception. Merriam & Tisdell (2016) pointed out the positive correlation between service experience and re-consumption decision. Stein & Ramaseshan (2016) regarded satisfaction as customers’ emotional reaction to the different evaluation between expected products or service and actual experience; experiential marketing showed positive correlations with customer satisfaction. Jung (2017) pointed out satisfaction as the perception of anticipation as well as the real experience and the experience difference before and after purchase; experiential marketing presented directly positive effects on satisfaction. Accordingly, the following hypothesis is inferred.

Customers compare their experiences with their prior expectations, which cause positive or negative disconfirmation (Kao, Y. F., Huang, L. S., & Wu, C. H., 2008). The emotional responses resulting from positive or negative disconfirmation form the basis for customer satisfaction or dissatisfaction (Bigne, J. E., Andreu, L., & Gnoth, J., 2005). The concept of experiential satisfaction is proposed based on an experiential perspective and it is defined as “the result of customers’ evaluation of the contents presented by service providers” (Kao et al., 2008).

Proposition 3: Experiential marketing positively influences customer satisfaction.

**Relationship Between Experiential Marketing to Customer Loyalty Mediated by Customer Satisfaction**

Enhancing the experience during the purchasing process can help to maintain customer loyalty. Many studies in the past also confirmed that experiential marketing can promote the improvement in customer satisfaction (Tsaur, 2007; Lee, Hsiao and Yang, 2011; Alkilani, Ling & Abzakh, 2013), which subsequently
affects customer loyalty (Lee and Chang, 2012). In other words, customer satisfaction plays the role of the mediating variable during the process where experiential marketing promotes the increase in customer loyalty.

Proposition 4: Customer satisfaction positively mediates experiential marketing and customer loyalty.

Based on the goals of this research and other theoretical studies, this study proposed the following structure after inferring the influence of experiential marketing on customer loyalty with customer satisfaction as a mediator, as presented in Figure 1.

![Figure 1. Theoretical Framework](image)

**Result and Discussion**

This article is a literature review. The purpose of this article was to address the role of customer satisfaction as a mediator on experiential marketing and its effect on customer loyalty. This article also wants to see the direct effect and the indirect effect caused by mediating variables, namely customer satisfaction on experiential marketing on customer loyalty.

To contribute to future research, researchers want to present about the experiences that customers have when they shopping will make them loyal or customer have to feel satisfaction in order to be loyal. An understanding of customer behavior that feels satisfaction will lead to loyalty is very important to explain how the experiential marketing affects customer loyalty. This research highlights a number of research

**Conclusion**

Regarding theoretical contribution, a framework research is developed to explain consumer behavior from a customer loyalty perspective. In comparison with other models, this framework has more explanatory power because there are more variable roles explored. Toward this end, researchers have discussed the role of customer satisfaction in mediating the effect of experiential marketing on customer loyalty. Researchers also discussed the relationship between the variables. Researchers have been to facilitate empirical research by providing testable propositions. Researchers encourage other researchers to continue investigating experiential marketing, which is one of the trends in marketing strategies to attract and keep customers satisfied and loyal. Hence, customizing experiential messages to increase customer interest to be satisfied and loyal is highly recommended.

1. **Theoretical Development and Future Directions**

   This research provides many theoretical contributions to the literature. First, the researcher discussed the literature about changing trends in customers, marketing generally only talks about the product and then changes to the experience felt by customers. Second, there’s a lot of research on the role of customer satisfaction and customer loyalty, but researchers find research conducted by previous research on customer behavior such as marketing experience in influencing loyalty and also the role of satisfaction that indirectly mediate the experiential marketing and customer loyalty. In the present article, researchers summarize and integrate the literature and point towards directions for future research.

   Most customer believe their decisions to be derived from a rational calculation of available choices, emotions play a great role in influencing, even determining their decisions. The findings of this research, for instance, support the assertion of emotions as an influential ingredient in decision making. The examination suggests that customers buy products not only based on relational reasons, such as because they need or want, but also take the emotional value offered from the product purchased to get unique experiences or entertainment, perceived a special atmosphere, socialize, etc.

   This research also presents differences in each of the dimensions of experiential marketing. Of the five dimensions that support experiential marketing (sense, feel, think, act, relate), some previous research present different results because there are several dimensions that have no effect. Therefore, this research discusses what predicts the emergence of customer loyalty because it is influenced by experiential marketing dimensions.

   This literature review is supported by other opinions that found in the research conducted by Razi & Lajevardi (2016) which shows a positive relationship between experiential marketing and customer satisfaction at Moss Burger Restaurant in Taiwan. Lee, Hsiao & Yang (2010) explored the relationship between customer
satisfaction, customer loyalty, and experiential marketing for a number of shopping centers located in Taiwan. It was found that experiential marketing has a significant positive impact on customer satisfaction. It was also found that customer satisfaction and experiential marketing had a significant positive impact on customer loyalty. Through the experiential marketing, the company strives to meet the needs and wants of consumers with satisfying through a variety of exceptional and excellent experience (Schmitt, 2003). Ganiyu, Uche & Elizabeth (2012) support the theory that loyal customers will commit to the company and go out to promote the company and its products by word of mouth. Yee, Yeung & Cheng (2010) found that customer satisfaction has a positive influence on customer loyalty in the high contact service industry. In addition, according to Oliver (1999), loyalty can be developed through different phases, namely cognitive taste, affective feelings, conative ways and finally ways of behavior. However, only a small number of research have examined the role of customer satisfaction on the effect of marketing experience on customer loyalty.

Researchers suggest the relationship between experiential marketing, customer loyalty, and customer satisfaction. Overall, researchers hope that all dimensions forming experiential marketing will bring up and strengthen the satisfaction felt by customers, hence, that they become satisfied, because the ability of consumers to make decisions depends not only on the product, but also on the experience that they felt.

2. Practical Implications

There are several practical implications for management practice from this discussion. To succeed, customer have to be loyal through the interesting experience they have. Customers have also get satisfaction in order to be loyal. Managers need to have a clear vision of keeping customers from planning stage and developing values for customers. Managers have also show commitment to customers. Managers must have a strategy that can build the mood of customers to create an interesting atmosphere felt by customers, as to create a new experience that’s felt by customers. If the experience is good and in accordance with customer expectations, that customers will perceived satisfied, then it will build a loyalty relationship with customers.

While, the practical implications for future research are: (1) future research should heed the factors forming customer loyalty, not just experiential marketing and customer satisfaction variables; (2) future research have also explore more other factors that influence customer behavior in order to be loyal.

References


