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The Customer Experience Framework as Baseline for Strategy and Implementation in Services Marketing

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Abstract

Researchers in service marketing have recently considered customer satisfaction from the viewpoint of what and how they experienced the service encounter resulting in the concept of customer experience management. Whilst several works have been developed in this area, there is still much that can be done to provide a comprehensive guide for marketers in understanding the service encounter from the point of view of customers. Building on the work of Verhoef *et al's* article in the Journal of Retailing (2009) and other works in the field, we propose a new customer experience framework (CEF) that focuses more centrally on the journey of the customer in experiencing the service. Our framework consists of five interacting layers: (1) Customer values, needs and wants; (2) Experiential Marketing Strategy; (3) Customer Experience Stages; (4) Accumulated Customer Experience (5) Customer Behavior Change. This differs from Verhoef *et al's* framework, which primarily focuses on looking at designing the optimal consumer experience from the viewpoint of the provider. We propose that the CEF will be useful both as a tool for experience creation and to analyze consumer experiences post-encounter.

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1. Introduction

Within the past few decades, services, as opposed to goods moved to be primary growth driver of the gross domestic product in many developed economies (Wölfl, 2005). Pine and Gilmore (1998) explained the resurgence of services as means to provide added value emerged as a differentiation strategy in the evolution of economic value. The authors wrote that as raw materials and goods have become commoditized, services became the way in which most providers sought to differentiate themselves from their competitors. However, they also noted that given the increasing ubiquitousness of services, it will also inevitably become commoditized and no longer sufficient as

means of differentiation. Literature from more recent research seems to have confirmed this notion (Meyer & Schwager, 2007; Shaw, 2007) of service commoditization. The importance of evolving to the next step of value creation was also realised by other researchers (Christopher, Payne, & Ballantyne, 1991; Grönroos, 1997). They stressed on the need for businesses to go beyond providing services into providing unique experiences. This notion was also echoed in Gilmore and Pine (2002) who wrote that the contemporary consumer seeks more than competent services but also experiences that are "engaging, robust, compelling and memorable".

Thus, practitioners and scholars alike have paid increasing attention to the term 'customer experience'. However, Palmer (2010) noted that scholars in particular could not reach a consensus regarding the scope and breadth of the concept of customer experience. Although several prominent works in the area have surfaced recently (eg: Maklan & Klaus, 2011; Verhoef et al., 2009), their works focuses on specific aspects of the customer experience process. The purpose of this paper is to forward a framework derived from past literature, which attempts to capture the journey of the consumers in interacting with the provider throughout the different stages of the experience. Our framework's primary objective is to serve as an appraisal tool, which practitioners and scholars can use to scrutinize the creation of the customer's experience and to be able to diagnose points of interest should the overall experience outcome was deemed unsatisfactory.

2. Literature review

As mentioned briefly above, the paradigm regarding the primary tool to provide value in marketing have undergone major shifts in the last few decades shifting from creating brands to building excellent service marketing and now to creating compelling customer experiences. The first major shift was acknowledged in the 1990s where authors implored a change in organisational strategies to emphasize the service component as much as, if not more than the intrinsic utility of the goods and services offered (Payne & Frow, 2005; Storbacka, Strandvik, & Grönroos, 1994). These authors spoke of primarily customer relationship management as means to add value, and argued that whilst product marketing was still necessary, it was no longer sufficient to remain competitive.

Briefly after this major transformation, the growth of the Internet spurred for a second change. The Internet allowed for a lower barrier of entry towards implementing a relationship-centric strategy thus transforming relationship marketing into an ubiquitous element of products and services (Ngai, 2005). The implementation of an effective customer relationship strategy was also hindered by the internet's ability to empower consumers into online communities where they can talk to each other and share their positive or negative experiences, often without the company's involvement. (Duan, Gu, & Whinston, 2008; Vermeulen & Seegers, 2009). Christopher et al. (1991) were among the first to foresaw this 'commoditization' of services. The authors indicated that services such as finance, warranties and insurance were once valid differentiators, which became generic, to be replaced by relationship marketing, which inevitably has become generic as well. Thus, practitioners evolved to provide differentiation through developing unique experiences in their offering. Pine and Gilmore (1998) were among the first to propel the terminology of the 'experience economy' to the mainstream literature. Their work draws upon examples of premier providers at the time such as Starbucks and Harley Davidson to argue that people buy goods and services as a means to fulfil deeper emotional, sensory and hedonic aspirations. Thus, the primary objective of consumption is not the product itself, but how customers experience the extended process of acquiring, integrating and ultimately achieving fulfilment of their aspirations.

However, whilst scholars and practitioners acknowledge that experience should be the new focus of managerial attention, they are less unified on both its precise definition and its measure. Currently, given the broad spectrum of the concept of customer experience, there exists a diverse definition of the term, which hinders clear and synchronous understanding of the subject matter by marketers. Palmer (2010) recently provided a relatively thorough review of the discussion surrounding this matter. Some notable definitions defined customer experience as the accumulation of knowledge in response to observation and/or participation in an event (Collins, 2007), while others similarly defined it as something that "..occurs when a customer has any sensation (or knowledge acquisition resulting from some level of interaction with different elements of a context created by the service provider" (Gupta & Vajic, 2000). Others defined experience as service perceptions through each touchpoint with the firm (Swinyard,

1993). Gentile, Spiller, and Noci (2007) suggest customer experience "...is strictly personal and implies the customer's involvement at different levels (rational, emotional, sensorial, physical, and spiritual)". Importantly, Verhoef et al. (2009) recognizes that customers may perceive value through any part of this journey, including those parts outside the firm's direct control such as other consumers, culture and the economic climate. However, to add to the complexity of conceptualizing customer experience, Verhoef and colleagues proposed no less than eight elements to be considered in strategizing the optimal level of customer experience, including items such varied categories as social environment, service interface, to the retailer's brand and atmosphere.

Similarly, Maklan and Klaus (2011) proposed 19 aspects in addition to the traditional service quality items to measure customer experience, categorized into four dimensions of peace-of-mind, outcome focus, moments-of-truth, and product experience. The author argues for the importance of these separate items, specifically distinct from the SERVQUAL instrument, because of SERVQUAL's origin from a quality-dominant paradigm limits its usefulness in capturing the construct within a service experience context. Service quality is originally conceptualised as a gap between expectations and the consumer's overall assessment of the service encounter (Parasuraman, Berry, & Zeithaml, 1991). Thus, differing from goods marketing where quality is defined as meeting or exceeding the required product specification, service quality is achieved by "delighting" customers by always exceeding their expectations. Thus SERVQUAL was constructed to measure customers' assessment of the performance versus their prior expectations using a five point Likert scale on a 22-item scale whose dimensions are: reliability, assurance, tangibility, empathy and responsiveness. Maklan and Klaus (2011) argued several points against the usefulness of SERVQUAL. First is that experience cannot be defined using the same function of comparing against expectations. Secondly, although individual components of a service encounter may be assessed as "good quality", the overall experience of the service may not be. Lastly, customers take a longitudinal perspective when assessing their experiences may have had "experience" with a company even before the point of sale either through advertising, promotion or word-of-mouth which is not accounted for by SERVQUAL. The matter is complicated further by the notion that consumers are likely to formulate their experience from the amalgamation of several encounters across channels. (Chandon, Morwitz, & Reinartz, 2005; Sharma & Patterson, 2000). Furthermore, they forward that in order to capture the broad spectrum of consumer experience, marketers must be mindful of several things such as the overall cognitive and emotional assessment of value from the customer's point of view, the totality of the provider's offer in terms of its experience, and the importance to include pre and post purchase experience in the analysis.

Palmer (2010) also elaborated upon the similar notion as Maklan and Klaus (2011) in that scholars need to consider the customer's own level of involvement, emotional and interpersonal factors in conceptualizing customer experience. Furthermore, he details how challenging the conceptualization and measurement of the construct of customer experience can be, highlighting that the amount and complexity of the variables involved in the creation of experience may become too unwieldy to be summarized into a succinct and usable instrument. A second problem in the creation and measurement of a customer experience strategy derives from the non-linearity of customer experience, meaning that the same set of stimulus may have different, fluctuating effects both within and across individuals depending on a host of moderating factors. Third, given the fluctuating role of stimulus in the creation of experiences, the determination of an 'optimal' level of experience is difficult to achieve. This is made more complicated if we take into account that novelty plays a large part in the determination of an experience and that it can wear off significantly with repeat encounters. Thus, a set of stimulus that succeeded to delight in the first encounter may not achieve the same result in subsequent purchases.

To summarize, this section highlights the complexity surrounding the conceptualization of customer experience and attempts to develop an instrument to capture and measure the overall customer experience has so far proven difficult. In the next section we will begin to elaborate upon our proposed framework, which we forward to resolve these issues.

3. The customer experience framework

Our proposed framework has looked towards past literature and the issues surrounding the conceptualization and formulation of customer experience. We derive and build upon our framework based the definition of customer

experience following Swinyard (1993), which metaphors customer experience as a journey the customer undergo where they accumulate of perceptions and responses through every touchpoint with the service provider. The Customer Experience Framework (CEF) was designed as layers indicating this journey from the innermost layer outwards, as seen in figure 1 below.
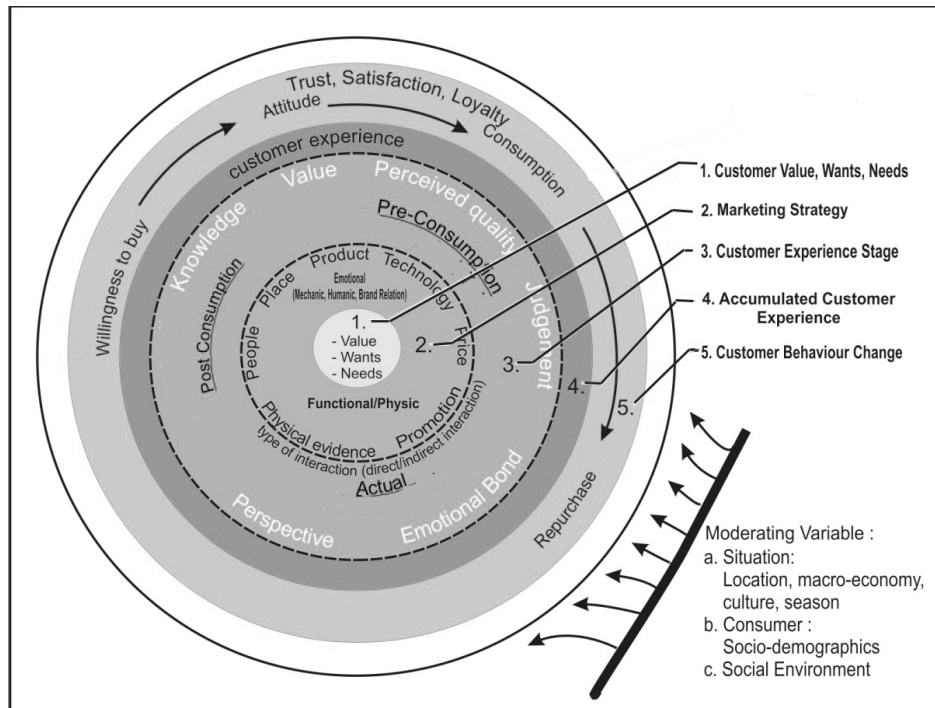

Fig. 1. The Customer Experience Framework

We will elaborate on each of the layers in the CEF more thoroughly in the next section but will first briefly explain the elements and their uses here. The first use of the CEF lies in depicting the process of customer experience formation. We propose that the start of the journey, which will seed the formulation of the customer experience is their values, needs and wants. The next step of the journey will see the customer and their characteristics interacting with the provider's marketing strategy, which results in the third layer of customers having experience with said provider. These experiences are divided into three categories of pre, during and post consumption of the service. The accumulation of these experiences will then coagulate, represented by the fourth layer, to ultimately impact on the customer's future attitude and behaviour towards the provider depicted in the fifth layer.

Secondly, we propose that the CEF can also be used as a diagnostics tool to examine the cause of negative attitude or behaviour towards the provider in relation with the customer's experience. To utilize the CEF in such a way, examiners should utilize the CEF as a 'checklist' and start by analysing the outermost layer and continue inwards. If a negative customer behaviour change was detected, the analyst should examine what role the moderating variables play towards the change, if any. If none was encountered in that particular set of variables, the examination should continue to analyse whether the negative behavioural change was caused by any phase in the pre, during or post consumption process which had negatively accumulated. Examinations then can continue to identify whether the cause of the problem lie in the execution of the provider's marketing strategy, or the incongruence between the strategy and the customer's characteristics, needs and wants.

3.1. Customer value, wants and needs

Gupta and Vajic (2000) operationalizatied customer experience as being an interaction of an individual with different elements of a context created by the service provider Thus, we started the CEF with the most basic element of the customer experience, the individual. Theories and findings are abound which stresses the importance to make the customer the central focus in marketing. Gopalani and Shick (2011) found that individuals have different and often unique needs and wants at different stages of the service encounter. In order to provide value, the company must provide products and services which satisfies these needs. This is the primary rationale for a company to take a customer central view.

Several researchers (Lemke, Clark, & Wilson, 2011; Palmer, 2010) have identified the need to consider the role of the individual's personal characteristics as well as their inter-personal relationships towards their experience quality. Albrecht (1994) elaborated about the importance of understanding customer needs, specifically with regards to their problems, values and interests and laments that in the pursuit of strategy and competitive advantage, businesses often disregard to consider these basic factors. With regards to needs and values, Park, Jaworski, and Maclnnis (1986) identified three basic customer needs that reflect value dimensions: functional needs, symbolic needs, and experiential needs while Sheth, Newman, and Gross (1991) identified five types of value that drive customer choice (functional value, social value, emotional value, epistemic value, and conditional value). Understanding these values and needs are instrumental in the success of devising a good marketing strategy. Thus, in relation to the CEF, we position these needs and values as the central core to be considered.

3.2. Experiential marketing strategy

To provide satisfactory customer experience, companies try to develop whole packages of experiential marketing strategy consisting of various stimuli designed to be touch points with the firm (Swinyard, 1993). These stimuli may include the traditional or the extended marketing mix (Kotler, Brown, Adam, Burton, & Armstrong, 2004) to branding aspects designed to illicit favourable sensations, feelings, cognitions, and behavioral responses towards the provider (Schmitt, Zarantonello, & Brakus, 2009). These strategies needs to be designed whilst keeping the customer's values and needs in mind in order to maximize the potential to attract customers to interact and be involved with the product or service and providing excellent emotional and physical experiences. Prior work by Verhoef et al (2009) focuses mainly on the elements that make up a good customer experience management strategy. Our extension towards it is to forward the importance of considering the consumer's needs and wants as a precursor of strategy. Palmer (2010) also stated that experiences are non-linear and context specific. A good CEM strategy needs to take into consideration and be able to adapt to the changing values, needs and wants of its customer.These stimulus or touchpoints are often orchestrated to be interactive and repetitive, to encourage a state of flow (Hoffman & Novak, 1996) which illicit engagement and a sense of accomplishment on the part of the customer.

As pointed out by Palmer (2010), individual differences might cause the same set of stimulus to be processed differently, thereby producing a spectrum of customer experiences. Whilst there is little the provider can do to control these differences, scholars and practitioners have developed a bountiful array of tools designed to optimize and measure the outcome of the marketing strategy in providing the best customer experience. These include but not limited to the experience audit (Berry, Carbone, & Haeckel, 2002), a service-enabled customer experience strategy (Gopalani & Shick, 2011), servicescape design (Bitner, 1992; Lin, 2004), and customer journey mapping (Johnston & Kong, 2011; Shaw & Ivens, 2002). Through the right set of experiential strategy, marketers can trigger customer to interact with the product and services that companies offers and move them to the next stage of customer experience process.

3.3. Customer experience and accumulated experiences

Experiential marketing strategy is designed to attract customer to interact and be involved with the product or service, and specifically designed make the customers experience favourable responses, either through direct contact or indirect contact with the company through the intermediaries that connect them (Gopalani & Shick, 2011). These interactions will result in customer experiences with the provider. Interaction can be classified to three phase of customer changing experience; pre consumption, actual and post consumption. As stated by Verhoef et al (2009), customers may have come into contact with a company's presence through indirect means of advertising, promotions or word-of-mouth. These pre-purchase experiences may have a significant impact on whether the customer decides to move forward into having a consumption experience with said provider. In different phases of the consumption process, customer will experience different palettes of experiences, which means that companies need to be mindful of these distinct processes and plan accordingly (Schmitt et al., 2009).

The customer experience itself is conceptualized as a psychological construct, which is a holistic, subjective response resulting from customer contact with the retailer and which may involve different levels of customer involvement (Gentile et al., 2007; Lemke et al., 2011). These stimulus interact with the customer, and provides six distinct responses which construes the customer experience, defined as sensorial/physical, emotional/affective, cognitive, pragmatic, lifestyle, and relational. Those interaction and customer involvement accrues as the accumulation of knowledge, value and perceived quality in every stage of the experience process resulting in the increased likelihood of customers establishing an emotional bond with the offering. The amalgamation of customer experiences throughout the consumption process and whether or not repeat consumption was made will then form the layer of accumulated customer experience.

3.4. Customer behaviour change

Customer behavior in the context of CEF takes place when customer chooses to engage in the formation of attitude or behavior that relates to buying, or using a product, services, ideas or experience in a way that serves a need. In the process of decision-making, we contend that the customer will be significantly influenced by the accumulated experience they have gathered throughout their interaction with the service provider. Elements of the marketing strategy which may have come into contact with the customer in either the pre, during or post consumption phase is likely to have an effect on the customer's attitude towards the offering, thereby influencing their willingness to buy and purchase intention. The customer behavior change in relation to the offering is the most detectable element of the overall framework. Thus, as previously mentioned before, manifestations of positive or negative experiences can be more readily diagnosed at this point than in other layers. To be able to effectively diagnose a positive or negative behavior change, we propose that examiners do so systematically using the layers of our framework. We follow Verhoef et al's (2009) model by also considering the existence of moderating variables outside of the control of the company. Examinations should begin by inspecting whether these moderators have a significant causal effect before moving on to examine the inner layers of the framework.

4. General discussion and conclusion

Interest in the concept of customer experience management (CEM) in contemporary literature is currently high. This interest is partly sparked by what Palmer (2010) notes as CEM being heralded as the successor of customer relationship management (CRM) as the latest step to create added value to customers. . Christopher et al (1991) also foresaw that since tangible elements, services and relationships have become generic, companies would need to move to a differentiation based on customer experience in the evolution of strategies to provide added value. However, CRM has been argued to bring unintended negative consequences for business in its application, most notably the erosion of trust and perceived intrusiveness of its strategies. Unfortunately, given that CEM is in its nature a broader and thus more complicated concept to operationalize than CRM, its efficacy for businesses also remains in doubt. As we have discussed earlier, scholars and practitioners are relatively in consensus regarding the

importance of CEM in providing value, yet could not yet formulate a succinct, holistic and useful conceptualisation of the concept. Our framework attempts to address this issue by putting the process of the customer experience in the perspective of a journey which starts with their personal values, needs and wants interacting with the company's strategies and ultimately resulting in a positive or negative behavioural change. Our goal is for scholars and practitioners alike to be able to utilize this framework as both a guide to better understand the process of customer experience as well as a diagnostic 'checklist' in examining the cause of either a positive or negative behavioural outcome of a CEM strategy.

At this point in time, this paper is still at its early stages of conceptual review. Thus, we have not yet empirically tested our propositions. In terms of measurement and the development of a scale of customer experience, the challenges that scholars face in terms of measurement speaks to the need of developing a measurement scale that is robust and exhaustive to be able to capture the sensitivities described above. However, lengthy questionnaires have been known to pose issues of fatigue and unreliability (Gofton, 1999). Palmer (2010) suggests that the complicated nature of customer experience would then be more suitably measured via qualitative means but acknowledges the drive within the scholar community to formulate a quantitative scale to measure the concept. Our framework at this current stage does not favor one method over the other. However, given that the layers of our conceptual framework are designed to emulate a sequential process, we believe it will serve as a flexible guide to future scholars to consider when developing either qualitative or quantitative measures of customer experience.

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