

Examining the Impact of Customer

Experience in Apparel Stores

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ABSTRACT

The purpose of the study is to measure customer experience and its impact on satisfaction, brand equity and loyalty in apparel stores. The study design is based on quantitative research methods. About 250 questionnaires were distributed in Jammu City using area sampling. Of which, 203 (i.e. 81.2 %) questionnaires were found to be properly filled. The study results, established customer experience as multi dimensional construct comprising five factors namely sensory, relate, think, feel, and act. The study is conducted amidst a number of limitations and paves way for future research directions. Being primarily focused on Jammu customers' perceptions towards apparel stores, its results need to be validated in different regions across India and globe and across different service sectors.

Keywords: Customer experience, Sensory, Relate, Think, Feel and Act

INTRODUCTION

The term customer experience is first conceptualised in marketing literature by Holbrook and Hirschman (1982) and became popularised in marketing literature by Pine II and Gilmore (1998). But since then limited contribution from scholars on customer experience were made (Schmitt 1999; Schmitt 2003). However now a days the concept has started receiving paramount attention among academicians and practitioners, and this especially because of shift from service- based economy to experience- based economy (Kim et al. 2008; Verhoef et al. 2009; & Pine II and Gilmore, 1999). The customer experience as an emerging area of competitive advantage is clearly documented in the literature (Johnston and Kong 2011; Pine and Gilmore, 1998). And this is primarily because favourable experiences are considered as a base for companies' to attract customers, differentiate themselves from competitors, achieve competitive advantage and make profit (Pareigis, Edvardsson and Enquist, 2011; Chang and Horng, 2010). Pine and Gilmore (1999) stated that competitive advantage cannot be achieved by looking at the traditional elements of price, quality and service but focus on customer experience (Johnston and Kong 2011; Pine and Gilmore, 1998). To be competitive, service companies need to understand the uniqueness of their customers and what contributes to their value (Walter, Edvardsson and Ostrom 2010). Vast number of organisations are centered on the holistic design and delivery of total customer experience which consequently create superior customer value (Haeckal, Carbone & Berry 2003). Further, Chang and Horng (2010) in their paper on conceptualising and measuring customer experience quality (EXQ) categorically remarked that “ products and services might not be the most important offerings anymore; experience, which

represents customers' personal sensations and fulfils customers' inner needs, is becoming a key element of a new economic stage". Adhikari and Bhattacharya (2015) give insight and direction into an understanding of customer experience from the consumption of an experience product as well as interaction with sensory memorabilia. They remarked that this would help the marketer to categorise the customer experience in a more meaningful way than considering it as an overall marketing phenomenon. Hence, there is significant need in the literature to theorise the customer experience concept with respect to its antecedents, dimensions, intervening factors and outcomes.

II. REVIEW OF LITERATURE AND HYPOTHESES DEVELOPMENT

From last three decades customer experience has been mentioned, discussed, and theorised by scholars and practitioners. The pioneer scholars have introduced the term experience in general framework and they described experience as playful leisure activities, sensory pleasures, aesthetic enjoyment, and emotional response. However customer experience as one of the significant streams of research got attention by the marketing scholars from late 1990s. The work on customer experience was primarily initiated by two scholars namely Gilmore who wrote book on 'Experience Economy' and Schmitt's book on 'Experiential Marketing: How to Get customers to sense, feel, think, act, and relate to company and brands (1999). The term customer experience in the literature is discussed in terms of impressions, feelings, and intangible assets which result from the interaction between customer and service provider. It is defined as the user's interpretation of his total interactions with the brand, perceived value of the encounter; and encounters between a customer and a product or a company or part of its organisation which provokes his reaction (Biedenbach & Marell, 2009; Verhoef et al., 2009; Frow & Payne, 2007). Pine and Gilmore (1999) argued that it is important to realise that actual experiences are distinct from services: "when a person buys a service, he purchases a set of intangible activities carried out on his behalf. But when he buys an experience, he pays to spend time enjoying a series of memorable events that a company stages -as a theatrical play to engage him in a personal way" (p.2). Carbone and Haeckel (1994) defined "experience as take away impression formed by customer's encounters with products, services and businesses- a perception produced when humans consolidate sensory information" (p.9).

2.1 Customer Experience Dimensions

Because of limited empirical research on customer experience literature, standardised dimensions of customer experience are yet to be established. However some researchers have tried to explore its dimensions in service and manufacturing contexts. Schmitt (1999a & 2000b) was the one of the few scholars who has discussed five types of experience, viz., *sensory experience (sensing)*, *affective experience (feeling)*, *cognitive experience (thinking)*, *physical experience (acting)* and *social identity experience (relating)*. He put forth that:

- (i) sense- related experiences appeal to the five senses through sight, sound, touch, taste and smell;
- (ii) feel related experiences appeal customers inner feelings and emotions;
- (iii) cognitive experience appeals to the intellect with the objective of creating cognitive, problem solving experiences that engage customers creativity;

- (iv) act reflects bodily experiences, lifestyles and interactions and lastly;
- (v) relate experiences include social experiences. That is, it creates value for the customers by providing social identity and sense of belongingness.

Haeckel, Carbone and Berry (2003) discussed three types of clues - functional, mechanics and humanics that lead to customer experience. These clues can be considered as three dimensions of customer experience. Functional clues are linked to the reliability of services. However Berry, Wall and Carbone (2006) linked functional clues with technical quality. They suggest that it is important for the service providers to manage functional clues to meet their expectations. The mechanics is referred to service encounters, service environment, servicescape, atmospherics, physical environment, and mechanic clues. It involves the place, where service is assembled, service provider - customer interactions, combined with tangibles that facilitate performance or communication of the service. Mechanical clues are physical representations of services and include building, designing, equipping, hearing, smelling, or any other stimuli that communicates more about the service than any word and action. Berry and Seltman (2007) mentioned in their paper that mechanical clues in certain situations have the ability to influence customers before humanics and functional clues; and hence contribute to creating first hand expression. Employee's behaviour and performance represents the third category of clues that is humanics. The humanic clues are concerned with action and appearance of employees and service providers such as tone of voice, body language, appearance, level of enthusiasm etc. The customer – provider interactions are very significant and may result in a higher performance than was their expectations, creating an emotional involvement and added service experience. Humanic clue behaviour includes behaviour and performance of employees, perceived efforts of employees, credibility, and competence. All the three clues play synergistic role in creating customer experience.

Hypothesis 1: All five dimensions contribute significantly to customer experience creation.

2.2 Outcomes

The study focuses on the impact of customer experience quality on the marketing outcomes namely, customer satisfaction, word-of-mouth and loyalty intentions (Klaus and Maklan 2013). In this, context it is important for companies to optimise the experience to ensure the continuity of customer relationship. However, to create an ultimate experience for the consumer company needs to understand factors influencing customer decision-making and especially motivation for initiating such an act. Lohani and Bhatai (2012) asserted that different people may have different expectations based on their prior experience which consequently leads to customer satisfaction. Schmitt (2003) very categorically stated that satisfaction is an outcome –oriented attitude (based on customers experience) while experience is process-oriented concept. Puccinelli et al. (2009) also supported views of Schmitt (2003). On same line, Meyer and Schwager (2007) suggested that customer satisfaction is the cumulation of a series of customer experience, where degree of satisfaction is the net result of good experience minus bad experiences. Khan, Garg and Rahman (2015) examined the direct influence of customer experience on customer satisfaction, brand loyalty and word of mouth. Recently Khan, Garg and Rahman (2015) examined the direct influence of customer experience on customer satisfaction, brand loyalty and word of mouth and also

measures indirect influence of customer satisfaction on word of mouth through brand loyalty. As such, the study hypothesised that:

H2: There exists significant relationship between customer experience and customer experience outcomes (satisfaction, loyalty and brand equity).

III. RESEARCH METHODOLOGY

Since there is no standard scale available to measure customer experience, a detailed procedure given by Churchill (1982) is followed for generation and development of scale items. The quantitative study was conducted for finalisation of customer experience items based on item purification.

3.1 Data Collection

The final data were collected from the households of Jammu city. The selection of the respondents was done using following steps:

- i) At the outset, Jammu city was divided geographically into four regions on the basis of wards.
- ii) List of wards were then selected from the municipality (Jammu Municipal Corporation).
- iii) Four localities from the Jammu region were then chosen through lottery method (Gandhi Nagar, Shastri Nagar, Bakshi Nagar, and Rehari).
- iv) About 300 questionnaires were distributed in the four selected localities of the Jammu city. Selection of household from the selected locality was done using systematic random sampling. However only one respondent, with at least five years experience and that too one per household, was selected. Out of 300 distributed questionnaires, 203 (i.e. 60%) questionnaires were found properly filled in apparel stores.

3.2 Data analysis

3.2.1 Item analysis

The scale items are analysed in the following manner:

- 1) Prior to analysing the data, the response score for items are reversed. Descriptive statistics is run to check the normality of the data. This stage resulted into sixteen outliers which were removed from the data. Further, skewness (threshold value of ± 3) and Kurtosis (threshold value of ± 8) values are also checked.
- 2) In the next stage, reliability of the scale is determined by computing its coefficient alpha. The cronbach alpha values for all the constructs - Customer Experience, comprising Sensory, Cognitive, Behavioural, Affective and Relational and Customer Outcome Scale comprising Satisfaction, Loyalty and Brand Equity are greater than the threshold value of .70. Further, with the view to improve the internal consistency of the scale items, item to total correlation (less than .15) and inter item correlation (less than .25) criteria are also examined to delete uncorrelated items in the two scales. Hence nine items in total were deleted to improve the internal consistency of data. The statistics for customer experience scale reveals overall scale mean as 92.53 and item means variance ranged between 87.25 to 88.98 and the overall scale variance as 170.23 with item variance ranged

between 159.175 to 169.659. Similarly overall scale mean for customer outcomes as 119.83 while the scale item mean ranged between 115.63 to 119.5 with overall average scale variance as 219.997 and item mean variance ranged between 198.129 to 209.330.

3.2.2 Exploratory Factor Analysis

We conducted EFA on 203 data set to evaluate and purify the scale items. A principal component analysis with a varimax rotation was applied to the scale data. Eigen value greater or equal to 1, Kaiser-Meyer-Okin (KMO) value greater than or equal to .50, communality greater than .50 and minimum factor loading equal to or greater than .40 criteria were used to purify the measurement items. Further reliability analysis was run to retain reliable items based on cronbach alpha value (greater than .70), item to total correlation (greater than .15) and inter-item correlation (greater than .30). In the study EFA was run separately on two major constructs namely Customer Experience and Customer Outcomes. The EFA results reduced 30 items of customer experience into 26 items under five factors (Table 2) after 6 iterations. Based on EFA findings, Customer Experience is five dimensional structure comprising Sensory Experience (9 items), Relational Experience (5 items), Think Experience (4 items), Feel Experience (4 items), and Act experience (3 items). Similarly EFA was also conducted on all the three measures of Customer Outcomes namely Satisfaction, Loyalty, and Brand Equity to validate the constructs. Similarly the EFA results identified three factors of Customer Outcomes (Table2) after 6 iterations. The three factors included Brand Equity (3items), Satisfaction (6 items), and Loyalty (13 items).

Table: 1 EFA Results

Dimensions	Items	Factor loading	KMO	Variance	Communality
Customer Experience Scale			.719	82.439	
Factor1 (F1) Sensory experience	Appropriate lighting arrangement	.635			.440
	Music fits the image of the store	.697			.515
	Drinking water facility	.780			.630
	Clean washrooms	.637			.534
	Attractive display of products	.757			.596
	Attractive design	.753			.606
	Appropriate sample design	.653			.524

	Music is played at an appropriate volume	.709			.555
	Colourful shop window	.651			.550
Factor 2 (F2) Relational Experience	Establish relations with others	.724			.525
	Discussion between you and friends'	.632			.431
	Sense of belonging	.761			.613
	Associate social activity arrangement'	.671			.386
	Feel friendly and talkative'	.749			.376
Factor 3 (F3) Cognitive experience	Store product can make you feel surprising	.572			.334
	New product stimulate your thinking'	.753			.547
	Store product stimulate your thinking	.762			.576
	You learn a lot by visiting the store	.804			.530
Factor 4 (F4) Affective experience	Service attitude of service provider lets you satisfy	.635			.485
	Latest products	.754			.504
	Performance has not affected your mood response	.668			.578
	Non brand meaning of store makes you a stew	.672			.375
Factor 5 (F5) Physical	Store products never stimulate creative thinking.	.792			.495

experience	Store holds special theme events'	.797			.956
	Store does not try to make you think about your lifestyle	.587			.797
Customer Outcomes			.907	74.829	
Factor 1 (F1) Loyalty	All over again will you buy from this store	.542			.642
	You will not switch to another store'	.657			.513
	Intend to purchase from this store'	.772			.728
	Concerned about the well being of the store	.701			.701
	You will repurchase from this store again'	.809			.760
	You will buy additional products from this store'	.605			.688
	Best choice	.708			.653
	Loyal patron	.631			.662
	Committed'	.729			.689
	Willing to pay higher prices in the future	.802			.751
	First choice	.697			.713
	Delighted with your visit'	.629			.645
	Purchase as long as it is profitable for you'	.761			.702

	Keep on buying as long as it offers best price	.830			.759
Factor2 (F2) Satisfaction	Satisfied with this store'	.701			.541
	Wise decision to visit this store'	.795			.738
	Enjoyable shopping experience'	.798			.712
	Did right thing to stay at this store'	.815			.760
	Repurchase	.683			.667
Factor 3 (F3) Brand equity	Superior performance'	.825			.726
	Positive personal feelings'	.663			.693
	Fond of it after availing the service'	.779			.593

3.2.3 Confirmatory factor analysis

3.2.3.1 Customer Experience

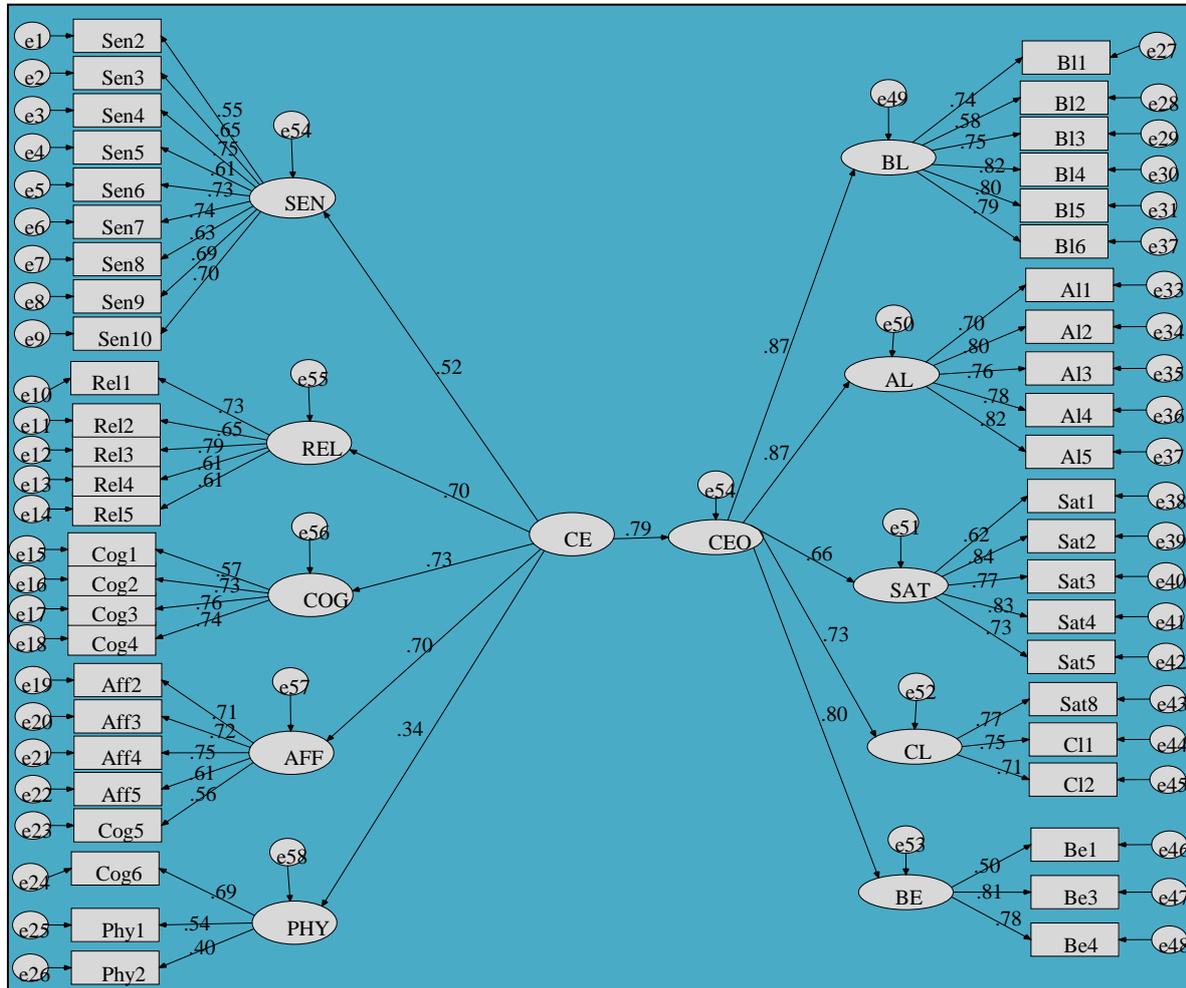
We performed CFA on all the CE Scale comprising Sensory, Cognitive, Affective ,Relational and physical and on the Customer Outcomes Scale comprising Brand equity, Satisfaction, and loyalty . These models were evaluated on the basis of the model fit indices criteria namely Chi square divided by degree of freedom (χ^2/df), Root mean square error of approximation (RMSEA), Normed fit index (NFI),Comparative fit index (CFI), Tucker, Lewis index (TLI), Relative fit index (RFI) and Incremental fit indexThe model fit measures viz: χ^2/df (2.032) and RMSEA (0.071) value is found above the threshold criteria whereas NFI (0.752), RFI (0.726), IFI (.857), TLI (0.839), CFI (0.854) suggest moderate model fit. All the items possess good factor loading, ranging between .632 and .804, suggesting that the items are good measures of customer experience. This is further supported by SMC values (that is, between .304 and .956) which are also above the cut off criteria. Moreover, all critical ratio values are also found to be significant.

3.2.4 Overall Impact

3.2.4.1 Customer experience and Customer Experience Outcomes

We used SEM (Fig. 1) to assess the impact of CE on CO-related hypotheses of the study. The model fitness indices- $\chi^2/df = 2.532$, NFI = 0.776, RFI = 0.756, TLI = 0.836, CFI = 0.850 and RMSEA = 0.094 reflect weak model fit. The hypothesis second (H2) that is, Customer Experience is positively related to Customer Outcomes,

is accepted as the value of critical ratio is 7.677 (above the threshold value of 1.96 at 5 % significance level) and standardised regression weight (SRW) is robust that is, 0.914.



Effects of Customer Experience on Favourable Customer Experience

Key: SEN-Sensory, REL-Relational, COG-Cognitive, AFF-Affective, CE-Customer experience, CEO-Customer Experience Outcomes, BL-Behavioural loyalty, AL-Attitudinal loyalty, SAT-Satisfaction, CL-Cognitive loyalty, BE-Brand Equity, e1 to e58- Error variances for model items.

IV.MANAGERIAL IMPLICATIONS

It is revealed from the findings that factors namely sensory (MV=4.34), relational (MV=4.09) think (MV=4.19) feel (MV=4.21) and act (MV= 3.57) require strategic actions to enhance customer experience in apparel stores. For improving quality of sensory experience service provider should consider ambience, lights, colours, displays and fragrance which are significant in enhancing customer experience. It is suggested that apparel stores should use sight appeal to arouse customers attention. For enhancing cognitive experience the service provider should engage customers in visualising creative ideas in products which consequently enhance customer sensation or knowledge acquisition from some level of interaction with different elements of a context created by the service provider which makes customer satisfied and in turn enhances their experience. So it is

also suggested that apparel stores should also focus on personal interactions at each point of purchase to enhance the cognitive experience of customers. Further to enhance affective experience the service providers should appeal customers inner feelings and emotions ranged from mildly positive moods linked to a brand to strong emotions of joy and pride. Therefore it is recommended that employees should deliver qualitative services at reasonable price, quality and service which create positive feelings in the customers.

V. LIMITATIONS AND FUTURE RESEARCH

The study is conducted amidst number of limitations:-

1. The first limitation of the research is related to the presence of subjective responses of the customers with respect to customer experience and related constructs in the study.
2. The study is cross sectional in nature, that is data is collected from customers of Jammu city during particular point of time.
5. The study focuses only on the five dimensions of customer experience namely sensory, cognitive, affective, physical and relational. In future, research that develops a typology of the concept of experience that is more multi dimensional and link the concept with other important concepts in service marketing and management can enrich the extant literature.

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