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Exploring the link between customer experience–loyalty–consumer spend

Mala Srivastava^{a,*}, Dimple Kaul^b^a Indian Institute of Management, Kashipur, India^b SVKM's Institute of International Studies, Mumbai, India

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ABSTRACT

Customer experience has drawn significant interest in recent times from both academicians as well as practitioners. There is growing understanding in literature that attitudes are formed by past and present experiences and are expected to change as a function of consumer experience. Attitudes are described as one of the most important determinant of the behaviour. Dick and Basu (1994) were precise in suggesting that a favourable attitude and repeat purchase were required to define loyalty as they viewed loyalty in an attitude-behaviour framework, loyalty is an important concept related with repetitive purchasing behaviour and high Consumer spend. Literature suggests that building loyalty is found in successful management of Customer experience yet little research exist that incorporated this variable into explaining customer loyalty therefore signifying a gap in existing substantive knowledge. The current paper studies the impact of customer experience on attitudinal and behaviour loyalty. The study extends the findings by adding an observed behaviour- share of spend in the frame work. The present study will provide valuable insights to theorist in the retail context as well as practitioners ability to develop more effective strategies.

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1. Introduction

Retailers recognize that greater understanding of customers can enhance customer loyalty and retail performance. As commoditisation of many service offerings continues, new sources of competitive differentiation/advantage will come from focusing on the management of customer experiences. In recent years, managers have become increasingly aware of the need to create value for their customers in the form of experiences. To compete effectively, businesses must focus on the customer's shopping experience. Literature suggests that building loyalty is found in successful management of Customer experience(CE) yet little research exist that incorporated this variable into explaining customer loyalty therefore signifying a gap in existing substantive knowledge. The current paper studies the impact of CE on attitudinal loyalty (AL) and behavioural loyalty (BL) and observed consumer action. Our research extends the work available in loyalty literature by adding a new dimension of customer experience which is under researched as an antecedent. Secondly we reinforce the importance of the influence of attitudinal loyalty on behavioural

loyalty. We also extended the framework by introducing consumer spend (CS) studied by measuring share of wallet as consequence of loyalty.

A resume of research literature is offered, relating to understanding the concept of focal construct. From this, a conceptual model is developed. The fieldwork methodology adopted is then outlined, followed by presentation of result and discussion of the main findings.

2. Theoretical background and hypotheses

2.1. Customer experience

Consumers use visit to department store not only for purchase but also for enjoyment and entertainment purposes and evaluate service in terms of how much pleasure or fun they have received. Department stores in India attract affluent clients who have emotional gratification as a major consumption motive and hence consumers often form affective expectations and the actual happiness they receive in service consumptions will directly influence their satisfaction. Thus Customer experience in retail context is extremely relevant. Babin et al. (1994) reconfirm this in their study found that consumer evaluation of a retail store is not only influenced by its functional quality but is also influenced by its

* Corresponding author.

E-mail addresses: malasriv@gmail.com,
mala.srivastava@iimkashipur.ac.in (M. Srivastava),
Kauldimple123@gmail.com (D. Kaul).

“emotional-induced quality” that consumers attribute to the retail setting. This is reinforced by [Russell and Pratt \(1980\)](#) study on consumers' evaluation of stores.

In consumer behaviour an experience is above all a personal occurrence, often with important emotional significance, founded on the interaction with stimuli which are the products or services consumed ([Donora Grundey, 2008](#)). It is important to understand that the process of customer experience creation in retailing is formed of many independent touch points or contact points during the exchange journey. A review of literature reveals that [Holbrook and Hirschman \(1982\)](#) were the first who researched that consumption has experiential aspects meaning that customer behaviour was approached through customer experience. [Pine and Gilmore \(1999\)](#) identified that retail experiences consist of holistic realms (aesthetic, entertainment, education, escapist), which allow flow between the various static and dynamic elements within the experiential environment. The ‘experience’ concept came to the fore in the management discipline with the publication of [Pine and Gilmore work](#).

[Schmitt \(1999\)](#) was the researcher who proposed a detailed framework of experiential marketing having two elements: strategic experience modules (SEMs), which are different types of experiences, and ExPros (short for experience producers) which are the various agencies that deliver these experiences. According to [Schmitt](#) experience marketing is the discipline of creating products and services that produce five different types of experiences (Think, feel, act, sense, and relate) the ‘strategic experience modules’ (SEMs). It is with his work that CE emerged as a distinctive construct in the marketing literature.

[Fornerino et al. \(2006\)](#) identified five dimensions of customer experience namely sensorial-perceptual, affective and physical-behavioural and social and cognitive (facets). [Gentile et al. \(2007\)](#) worked on six components of customer experience, but not empirically tested, namely sensorial, emotional, cognitive, pragmatic, lifestyle and relational, which create value with the customer and enhance loyalty. [Gentile et al. \(2007\)](#) defined customer experience as “originating from a set of interactions between a customer and a product, a company or a part of the organisation, which provokes a reaction. This experience is strictly personal and implies customer's involvement at different levels. However the concept of involvement is different from that of customer experience”.

[Verhoef et al. \(2009\)](#) describe experience as involving “cognitive, affective, social and physical responses to the retailer” without further elaboration. [Brakus \(2009\)](#) said that the experience construct varies from evaluative and affective constructs like attitudes, attachment and involvement. [Brakus et al. \(2009\)](#) empirically measured the four dimensions of brand experience namely sensory, intellectual, affective and behavioural. Thus it is evident from the review that empirical study on customer experience as a construct use dimensions like think, feel, sense, act and relate to capture a customer experience. [Schmitt \(2009\)](#) argued that the ultimate goal of marketers is to integrate the five experiences to create a holistic experience. The present study conceptualized CE as a second order reflective construct with the four experience dimensions.

2.2. Loyalty

Customer loyalty is a dream that all retailer chase. In India post 2000 there has been manifold growth in the modern retail format. As a consequence of this department stores are facing tremendous competition and are struggling to retain customers. Thus, loyalty as a phenomena is gaining impetus in research in Indian context. Loyalty is a phenomenon that has always received a great deal of interest among market researchers, particularly in retail context. However, research suffers from a lack of agreement over the

operationalization of the construct of the loyalty. The early conceptualisation was led by equating behaviour patterns to infer loyalty. Thus researched used number of visits, consumer spend, frequency of purchase, etc. measure of loyalty. They assumed that repeat purchasing can capture the loyalty of a consumer towards the brand of interest. [Newman \(1966\)](#) was the first to challenge this conceptualisation. It was then that research in loyalty explored it as a latent construct. Furthermore, the latent mental construct view gained support from the works of researcher like, [Jacoby \(1971\)](#), [Jacoby and Kyner \(1973\)](#), [Jacoby et al. \(1978\)](#), [Zeithaml et al. \(1996\)](#) and [Oliver \(1999\)](#). They visualised loyalty as a latent mental Construct and viewed “loyalty” as a mental state felt by an individual towards a specific choice object, which is then reflected in the behaviour of the individual.

Once the loyalty emerged as a latent construct it dimensionality became an important area of study. Many researchers (e.g., [Kahn et al., 1986](#); [Ehrenberg et al., 1990](#)) have defined loyalty only from a behavioural perspective. Other researchers like, [Day \(1969\)](#), [Dick and Basu \(1994\)](#), [Baldinger and Rubinson \(1996\)](#), [Rundle-Thiele and Bennett \(2001\)](#), [Rundle-Thiele \(2005\)](#), however, suggested that attitude should be included along with behaviour to define loyalty. The concept of customer loyalty became more complex and was considered as an important key to the success of an organisation. [Oliver \(1997\)](#) described customer loyalty as “A deeply held commitment to re-buy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand-set purchasing despite situational influences and marketing efforts, having the potential to cause switching behaviour” thus highlighting the behavioural aspect. On the other hand loyalty as an attitude may lead to a positive relationship with the brand ([Jacoby et al., 1978](#); [Foxall, 1994](#); [Reichheld, 2006](#)) suggested that strong attitudinal commitment to a brand is necessary for loyalty to exist.

However, the need for the inclusion of “attitude” along with behaviour to define brand loyalty has been felt by many researchers in the late sixties. [Day \(1969\)](#) was perhaps the first to recognize and articulate this need followed by [Jacoby's \(1971\)](#), [Jacoby and Kyner \(1973\)](#) and [Dick and Basu \(1994\)](#). If we see the review much of the work in loyalty in 1970 and 1980 was dominated by behaviour based approach it was only in post 1994 that a strong attitudinal approach was developed when [Dick and Basu](#) emphasized the two construct model.

[Garland and Gendall \(2004\)](#) confirmed [Dick and Basu's](#) loyalty descriptions and said that attitude and behaviour were the most important measures of loyalty. According to [Jones and Taylor \(2007\)](#) loyalty, a higher order factor, is comprised of two dimensions: a behavioural element and a combined attitudinal/cognitive element and this model is more consistent in the service sector. A meta-analysis by [Yoo and Bai \(2013\)](#) reveals that behavioural loyalty is more researched than attitudinal loyalty in business journals. [Cheng \(2011\)](#) and [Baumann et al. \(2011\)](#) also expounded the need for two distinctive construct of loyalty. [Baumann et al.](#) also proposed one as reflective and the other as formative. Therefore, there is enough evidence to study the two construct of loyalty as distinct constructs as against a composite construct. The present study proposes a two factor model for loyalty the attitude /cognitive called (attitudinal) and the behavioural intention.

2.3. Behavioural loyalty

[Cunningham \(1956\)](#) was one of the first researchers to empirically study the behavioural aspect of brand loyalty. Measures of behavioural (repurchase) intentions, which have developed into the perhaps most common way of measuring loyalty, are problematic for several reasons. From a loyalty as behaviour perspective, such a measure is only valid to the extent that stated behavioural

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