

Customer Experience Management in Online Retailing- A Literature Review.

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ABSTRACT

A customer experience is an interaction between an organization and a customer as perceived through a customer's conscious and subconscious mind. Customer experience with product or service results in customer satisfaction which results in loyalty. A customer experience is an interaction between an organization and a customer as perceived through a customer's conscious and subconscious mind Customer Experience originates from a set of connections between a customer and a product, a company, or part of its organization. Managing customer experiences is an integrated approach to create distinctive customer value through systematic design and implementation of various context clues Customer satisfaction resulting in loyalty. Customers become loyal because of experiences they get, as a result of excellent organized process and relationship management initiatives. The concepts of customer equity and brand equity are highly associated. Trust is the belief that a party's word or a promise is consistent and that a party will accomplish its obligations in an exchange relationship.

KEY WORDS: Customer experience, Emotional, Touchpoint, Repurchase, Intangible.

INTRODUCTION

Customer experience management (CEM) is the collection of processes a company uses to track, oversee and organize every interaction between a customer and the organization throughout the customer lifecycle. The goal of CEM is to optimize interactions from the customer's point of view and, as a result, promote customer loyalty. Customer experience management (CEM) is defined as "the discipline of managing and treating customer relationships as assets with the goal of transforming satisfied customers into loyal customers, and loyal customers into advocates of your brand." A customer experience is an interaction between an organization and a customer as perceived through a customer's conscious and subconscious mind. It is a blend of an organization's rational performance, the senses stimulated and the emotions evoked and intuitively measured against customer expectations across all moments of contact.

Importantly:

- A customer experience is not just about a rational experience (e.g. how quickly a phone is answered, what hours you're open, delivery time scales, etc.).
- More than 50 percent of a customer experience is subconscious, or how a customer feels.
- A customer experience is not just about the 'what,' but also about the 'how.'
- A customer experience is about how a customer consciously and subconsciously sees his or her experience.

Beyond Philosophy's focus on improving customer experience helps to drive value, reduce cost and build competitive advantage. Customer experience is defined as the customers' perceptions – both conscious and subconscious – of their relationship with your brand resulting from all their interactions with your brand during the customer life cycle. Customer experience management is about more than serving our customers. CEM is about more than knowing where customers shop and what brand of dog food they buy. It's about knowing the customers so completely that one can create and deliver tailored experiences that will entice them to not only remain loyal to you, but also to evangelize to others about you – and that's the most expensive form of publicity.

DEFINING EXPERIENCE

According to consumer behavior study "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" (Holbrook and Hirschman, 1982: cited by Caru & Cova, 2003.p.270). This definition acknowledges that experience is subjective and personal in nature. Here, subjectivity refers to a personal psychological state, for example, consumers' emotions during consumption experience are subjective, which changes according to change in environments (Addis & Holbrook, 2001). Moreover, the above definition also recognizes the roles of emotions as important features of experience, which have been neglected before. (Ibid).

DEFINING CUSTOMER EXPERIENCE

Meyer and Schwager (2007) define CE as "the internal and subjective response that customers have to any direct or indirect contact with a company" (p. 118). CE 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, Spiller, and Noci 2007; Gentile, Spiller, and Noci (2007) find evidence of six components of OCE. They are defined as:

sensorial, emotional, cognitive, pragmatic, lifestyle, and relational. The two psychological constructs of cognition and affect have been consistently identified as influential components of customer behavior and customer experience (Frow and Payne 2007; Tynan and McKechnie 2009) and are incorporated in models of CE such as that of Verhoef et al. (2009). The outcome of CE is the formation of a “take-away impression” that is created as a result of the contact and stored in the customer’s long-term memory (Carbone and Haeckel 1994). Impression formation is highly personal, being based on the individual’s interpretation of incoming sensory data from the external environment (Carbone and Haeckel 1994). One of the recent Customer Experience definitions proposed by Gentile, Spiller and Noci in 2007: “The Customer Experience originates from a set of interactions between a customer and a product, a company, or part of its organization, which provoke a reaction. This experience is strictly personal and implies the customer’s involvement at different levels. Its evaluation depends on the comparison between a customer’s expectations and the stimuli coming from the interaction with the company and its offering in correspondence of the different moments of contact or touch-points” (Gentile et al., 2007, p.397). This definition gives a rather broad view on the concept of customer experience. Firstly, the definition conceptualizes that customer experience is multidimensional, which means that it includes sensory, cognitive, affective, physical and relational components (Gentile et al., 2007). Secondly, it recognizes the importance of both rational and emotional aspects of customer experience, which correlates with one of the distinguished features of experience that was mentioned in the previous section. Thirdly, moments of contact or touchpoint notion consider all stages of customer experience specifically - pre-purchase, purchase and post purchase experiences (Davis & Dunn, 2002). Finally, the above definition also sheds light on customer experience measurement by comparing customers’ prior expectations with the actual experience in various touchpoints.

Another important and related definition of customer experience is presented by Meyer and Schwager (2007). According to the authors “Customer Experience is the internal and subjective response customers have to any direct or indirect contact with a company. Direct contact generally occurs in the course of purchase, use, and service and is usually initiated by the customer. Indirect contact most often involves unplanned encounters with representatives of a company’s products, service or brands and takes the form of word-of mouth recommendations or criticisms, advertising, news reports, reviews and so forth.” (Meyer & Schwager 2007, p.118).

ONLINE CUSTOMER EXPERIENCE

Online shoppers encounter incoming sensory data from a range of stimuli on the e-retailer’s website such as text-based information, visual imagery, video, or audio delivery. Consistent with Gentile, Spiller, and Noci (2007) we posit that the customer interprets this data from a cognitive and affective perspective creating impression formation of the e-retailer website. Novak, Hoffman, and Yung (2000) explore OCE using a cognitive view of the online interaction. They define OCE as the “cognitive state experienced during navigation” (Novak, Hoffman, and Yung 2000, p. 22) and propose a number of person-centered, cognitively-based determinants of OCE (Hoffman and Novak 2009; Novak, Hoffman, and Duhachek 2003; Novak, Hoffman, and Yung 2000). Our study extends the work of Novak, Hoffman, and Yung (2000) by inclusion of the affective state in our conceptualization of OCE.

It is assumed that OCE to be a psychological state manifested as a subjective response to the e-retailer’s website (Gentile, Spiller, and Noci 2007; Meyer and Schwager 2007). The customer engages

in cognitive and affective processing of incoming sensory information from the website, the result of which is the formation of an impression in memory.

DEFINING CUSTOMER EXPERIENCE MANAGEMENT (CEM)

Similar to Customer Experience, many definitions of Customer Experience Management are found in literature. Schmitt (2003) defined "Customer Experience Management is the process of strategically managing a customer's entire experience with a product or a company" (Schmitt, 2003, p.17). Schmitt emphasized on integrating different elements of customers' experience across a variety of touchpoints. However, the above definition does not vividly recognize integrational and emotional aspects into the CEM framework.

In this respect, CEM definition provided by Carbone and Haeckel (1994) adds value to the overall CEM concept. As mentioned by them, managing customer experiences is an integrated approach to create distinctive customer value through systematic design and implementation of various context clues. These clues emanate from the product or service itself; behaviors of people i.e. service providers and other customers and the physical environment in which the service is being offered.

THE CEM CONSEQUENCES

- **Customer Satisfaction:**

An important forerunner of loyalty is customer satisfaction. Several authors have reported the impact of customer satisfaction on repurchase behaviour (Sambandam and Lord, 1995; LaBarbera and Mazursky, 1983), repurchase intent (Anderson and Sullivan, 1993; Cronin et al., 2000). Customer satisfaction resulting in loyalty has been covered extensively in literature. It is not the only variable which results in loyalty. Image and loyalty studies have received less attention. Studies that integrate image, loyalty and customer satisfaction are even rare. Experience plays an important role because image changes with positive or negative customer experience. However customer experience with product or service results in customer satisfaction which results in loyalty.

- **Customer Loyalty:**

Wong and Sohal, (2003) in their research on a large chain department store concluded that service quality is positively associated with customer loyalty, and that the relationship between the two is stronger at the company level, rather than at the interpersonal level. It was also noted that at the company level the main predictor of customer loyalty was tangibles while at the interpersonal level it was empathy. Interpersonal relationship quality enhances customer satisfaction with the service firm but was also directly linked to loyalty to the firm and positive word-of-mouth about the firm (Macintosh, 2007). Firms engage in customer satisfaction surveys with the end goal of measuring customer satisfaction. There is the belief that high satisfaction results in high loyalty and repeat purchase. Authors Bennet and Thiele, (2004) argue that high level of satisfaction does not always result in high level of loyalty. Customers become loyal because of experiences they have, as a result of quality control processes and relationship management initiatives (Garret, 2006). CEM strategy helps to deliver increased loyalty, increased growth and financially optimal performance.

- **Customer Equity**

For firms, customer relationships could be a source of major intangible assets. There is a need to address the issues in managing and harnessing such relationships based equity, for superior competitive advantage and financial performance (Bejou and Iyer, 2006). Rust et al, (2000) have defined customer equity as a subtotal of "the discounted lifetime values of all customers". According to the authors, the customer equity is made up of three drivers: value equity (the customers objective assessment of the brand's utility, based on perceptions of what is given up, for what is received), brand equity (the customers subjective and intangible assessment of the brand, above and beyond its objectively perceived value), and retention equity (the customers tendency to stick with the brand, above and beyond his or her objective and subjective assessments of the brand). Authors Biedenbach and Marell, (2010) in their studies concluded that customer experience has a positive effect on all dimensions of brand equity such as brand awareness, brand associations, perceived quality and brand loyalty. The study advances the finding from previous research indicating that customer experience affects brand attitudes. The concepts of customer equity and brand equity are highly related. These two concepts have an interactive effect such as marketing actions to improve customer equity. It also improves the brand equity and vice versa (Keiningham et al. 2005). Schmitt, (2003) propounded the theory that customer equity is CEM outcome through the three dimensions of customer acquisition, customer retention and add-on selling.

- **Customer Trust**

Trust has generally been defined in terms of beliefs and behavioral intentions. For example , Schurr and Ozanne defined trust as " the belief that a party's word or a promise is reliable and that a party will fulfill its obligations in an exchange relationship "Lagace and Marshall defined trust as " a person committing to a possible loss contingent upon the subsequent behavior of a specific other person" Integrating the main ideas from various definitions , Mayer et al defined trust as " the willingness of a party to be vulnerable to the actions of another party, based on the expectation that other will perform a particular action. It is important for the trust or, irrespective of the ability to monitor or control that other party."

The e-shopping literature has also considered the importance of these attributes .In E-shopping ,the attributes is defined as above are referred to as e-merchant attributes. Lee and Turban (12) reported that students with no experience of internet shopping considered the factor of ability as a major positive determinant of e-shopping trust.

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