

# BUILDING CUSTOMER LOYALTY THROUGH CUSTOMER EXPERIENCE MANAGEMENT

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## Abstract

**Customers are more demanding than ever. Creating superior customer experience is crucial in gaining competitive advantage in any business environment.** Companies need to have a well-defined customer experience management strategy to determine a place in the competitive world. *Customer Experience Management has gained importance in recent years. As companies are faced with the issues like decreasing customer loyalty, reduced scope of differentiation through product features, and with increasing costs of customer acquisition, it has become immensely important for companies to practice experience based differentiation in every stage of customer interaction. This paper focuses on the various aspects that impact customer experience and its impact on customer loyalty.*

**Keywords:** Customer Experience, Customer Loyalty, CEM.

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## Introduction

In recent times, the differentiation created based on goods and services is not applicable, so the organizations are in an urge to adapt to new distinguishing factors that cannot be imitated by the industry competitors. The one way of distinguishing an organization from another is by creating customer experience.

Experience occurs when a company uses its services as a mean of delivering products and goods to bond individual customers. Creating competitive advantage by building a delightful customer experience is the most powerful marketing strategy today to increase loyalty of the customer.

Shaw (2002) states that the customer experience creation gets more and more advanced and become the standard in business. Customer experience creates a distinctive value to the customer that is very difficult to be imitated by competitors, and provide a strong effect on loyalty and recommendations behavior of the consumers (Berry et al. (2002) ; Pine & Gilmore, 1999). The organizations that focus on finding the various aspects that impact customer experience and create memorable experience to customers and wow them are able to achieve customer loyalty than the organization that doesn't focus on the same.

## Customer Experience Management

The internal, subjective and emotional response, a customer have from interactions with a product, a company, or part of its organization (Clark, and Wilson 2011; Verhoef et al. 2009; Zomerdijk and Voss 2010).The complete interactions that a customer has with a company

and its products is very vital for all the businesses to provide customers a positive experience because only those customers are more likely to become repeat customers and loyal customers of the business. Customer experience is a point of differentiation from competitors. Positive customer experience increases customer advocacy and referrals, reduces customer churn, creates competitive advantage, increases revenue and sales and ultimately improves customer loyalty.

### **Objectives & Methodology**

This conceptual study aims at achieving the following objective:

- To identify the *dimensions and various aspects that impact customer experience and its impact on customer loyalty.*

And this study is based on Secondary data collected from various journals, articles, blogs, publications and other websites.

### **Dimensions of Customer Experience**

Customer experience is a multidimensional construct that gives it a holistic view and it is experienced by customers either at the conscious level or at the subconscious level. Customer experience is categorized into five dimensions which includes sensory, cognitive, affective, physical and social.

The aesthetics and sensory qualities experienced during an interaction refers to sensory dimension which are obtained by customers through sound, sight, taste, touch and smell that give aesthetic pleasure. The consumers' thinking or conscious mental processes refers to cognitive dimension. Affective dimension refers to customer's moods, feelings and emotional responses experienced during an interaction. It is also known as emotional dimension of customer experience. Physical dimension includes consumer actions and behaviors acquired as a result of an interaction with a company or brand. Social dimension refers to relationships that are social in nature that occurs with other individuals or groups, inanimate objects such as brands or the company as a whole.

Different authors have classified differently, the dimension of customer experience. Holbrook and Hirschman (1982) proposed that the customer experience is multidimensional which includes fantasies, feelings and fun. Pine and Gilmore (1998) identified four dimensions of customer experience as entertainment, educational, aestheticism and escapist differentiating at two different levels based on the degree of customer involvement and the desire with which the customer connects with the event. Verhoef et al. (2009) proposed that the customer experience encompass social and physical components in addition to cognitive and affective responses. Rose et al. (2012) indicates that there are only two experiential states: affective and cognitive in the context of online customer experience. There is still a plethora of different dimensions of customer experience that exist which indicates that there is no general consensus as to what the dimensions of customer experience might be in the marketing literature.

### **CEM Vs CRM**

CRM and CEM terms are used inconsistently within the industry. CRM practitioners assume "Inside out" or operationally centric approach to customer management and strategy whereas CEM practitioners assume "outside in" or highly customer centric work approach. CEM focuses deeply in conducting comprehensive customer analysis and environmental analysis which includes demographic, behavioral, ethnographic, profitability factors and also market, channels and competition analysis. CEM is a "next generation" term that signifies a focus shift in CRM. CEM approaches helps in solving issues created by CRM implementations

focused operationally. CEM methodologies facilitate business stakeholders to effectively manage next-generation customer experiences across channels.

### **Different ways to create memorable experience for the customers**

It is always easy to sell new products to customers who already exist than to sell the existing products to new customers. Hence, it is very vital to retain existing customers and make them a biggest source for future sales. The different ways to boost loyalty by creating memorable customer experience are attentiveness, recognition, personalization, consideration, appreciation and delight.

Paying close attention and listening to customers problems sincerely boost customer loyalty. Through customer surveys and through support calls, the problems should be identified and corrected. Recognition would always add greatly to the customer experience. If the customers are greeted by their name when walking into a place of business would make them feel that he is known already by them and happy to receive him. It is always very important to ensure that your customers know that you not only pay attention to their preferences, but remember them and caters to them for each and every operation. This kind of personalization definitely adds value and inculcates a huge amount of loyalty.

Feeling appreciated and considered adds to the customer experience which is universally meaningful too. Organizations should prove the customers who prefer to patronize you that you value and appreciate their transaction. Place a smile on customers face and in their heart by doing little special and delight them. It's about the little things. It's not about what you say or do, it's about how you listen to customers. Positive language does matter. A small human touch can make a big difference in a world where companies function like machines.

**In common, the funniest, memorable, meaningful, unusual and unexpected experiences persuade the manner in which the customers perceive the business products and services. These small points can easily be neglected as unimportant but with those little details, always ends up with far more value than the businesses would do without them.**

### **Various aspects that impacts customer experience**

Delivering a brilliant customer experience is all about balancing genuine emotions with the right tools. A complete and holistic approach is the main objective of CEM for all the interactions that a business has with the customers for the entire customer life cycle. Here are the various aspects that impacts customer experience.

### **Impact on Senses on Customer Experience**

The sensory experience has to create the right impact. It involves the use of suitable music, color, sound effects to create the right stimulus. The various categories of the impact on senses include visual impact, auditory impact, and olfactory impact. Visual Impact focuses on the visual aesthetics by ensuring a suitable décor and furnishings. The visual impact created by the logo and the signage, viewed by customers should be in such a manner that it ensures a pleasant experience to the customers and puts them in the right mood. The impact on the auditory and olfactory senses presumes immense importance particularly in the case of services. Luxury hotels like the Taj Group play a soft music that is audible inside the hotel entrance and the walkway and also they use suitable fragrances that ensure a pleasant olfactory impact.

### **Impact of Processes on Customer Experience**

The process executed during interactions that the customer has in the course of purchase and usage of a product/service determines the customer's experience. The method of interaction should be convenient and easy for customers.

Unified view of the customer ensures that there is no duplication of efforts and the same customer is not targeted improperly also it enables personalization of offerings for customers. Amazon.com was able to offer a better customer experience ensuring a unified customer view and proper personalization. The customer was treated as an individual wherein their needs and interests were of foremost importance to Amazon and was manifested during the interactions with customers through the website. By investing in the proper tools, the service delivery and customer experience are enhanced.

### **Impact of Communication on Customer Experience**

In the modern era of multi-channel marketing, connectivity and interaction has gained the main focus. The aspect of properly managing the communication experience has a noteworthy impact on the customer experience. The Communication Formats followed by the personnel for communication should ensure a good experience for the customer. The language used should be easily comprehended and also serve the need of the customer. The aspects of courteousness, compassion need to be given due concern while planning the communication. Also, the communication needs to follow certain norms that would ensure the consistency across multi-channels.

### **Impact of Relationship on Customer Experience**

Pine and Gilmore (1998) states that even when companies not able to satisfy customers but if they make the interactions pleasurable, customers tend to stay loyal even there is a mistake. The problem that need to be managed for maintaining proper relationship experience includes preferential treatment to loyal customers which they would identify through the experience. Essentially, difference must be made between loyal customers and occasional customers. The experience offered to loyal customers needs to be created with due consideration. The customer experience across the entire product life cycle has to be considered. Generally, salespeople tender customers a very nice experience during the pre-purchase stage. However, the customer experience across the entire life cycle of the product should be taken into account to enable a judgement on the customer's experience. Therefore, the post-purchase experience needs to be considered.

The customer experiences across various aspects or categories are analyzed and measures should be framed and implemented accordingly which in turn builds the customer loyalty.

### **Customer Experience Management and Customer Loyalty**

The most relevant research, theories and models pertaining specifically to customer experience management are discussed which provides a theoretical assessment of the major concepts of customer experience management to understand its relationship with customer loyalty.

Alisha Stein (2015) explores the impact of customer experience on customer intentions and actual behavior in multichannel retail and service settings. He identified seven distinct elements of customer experience touch points. He revealed that customer experience assessments are influenced by both the past customer experience and the overall touch point evaluation, which are based on the individual touch point elements. He also proved that positive customer experience enhances customer loyalty intentions.

Yan Yang et al. (2015) studied the impact of customer experience on customer-based brand equity for tourism destinations. He studied different constituents of CE such as service performance, word-of-mouth (WOM), and advertising and proved that destination service performance has the most significant impact on destination brand equity, followed by WOM. Advertising does not have the significant effect.

Cetin and Dincer (2013) conducted a research on a five-star hotel in Istanbul found that customer experience has a significant positive effect on customer loyalty and WOM both partially and simultaneously.

Philipp Klaus et al. (2013) prove that the customer experience is key to developing customer loyalty though quality, value and satisfaction are accepted as the general constructs of loyalty. Klaus and Maklan (2012) proved that there is a stronger relationship between the experience of the customer and his loyalty intentions than between customer satisfaction and loyalty intentions.

Dhruv Grewal et al. (2009) examined the influence of macro factors in the retail environment in shaping customer experiences and behaviors. He identified promotion, price, merchandise, supply chain and location to deliver better customer experience for higher customer satisfaction, more frequent shopping visits, larger wallet shares and higher profits.

Verhoef et al. (2009) explored the holistic perspective of the customer experience creation and proposed a conceptual model on the determinants of customer experience. They focused on issues such as how and to what extent an experience-based business can create growth, argued that prior customer experiences will influence future customer experiences, discussed the importance of social environment, self-service technologies and the store brand.

Lywood and Stone Ekinci (2009) argue that creating superior customer experience has become an essential component of business profitability and customer loyalty.

Johnston & Michel (2008) concludes that customers having continued good experience will have a higher propensity to remain loyal and due to the lower cost structure of retaining existing customers, an organisation's profits will increase. Conversely, customers having a poor experience will have a tendency to be less loyal and therefore leave the organisation or "churn", thereby reducing revenues and profits.

Badgett et al. (2007) states that companies who wish to create customer loyalty should begin by creating suitable customer experiences. Berry and Carbone (2007) explain that a consumers' appeal to return to a business again is due to how they feel about the overall experience they have and are provided; rather than from their thoughts about the firm's products and services. Thus, the emotional connection is key between that of the firm and the consumer because it creates stimulating customer experience that differentiates the organization from the competition.

Crosby and Johnson (2007) argues that one of the most important ingredients in building customer loyalty is managing each customer's experience. Mascarenhas et al. (2006) research indicates that lasting customer loyalty is approachable by implementing total customer experience management. Pullman and Gross (2004) shows that the type of customer emotions evoked in a hospitality setting significantly influences loyalty behaviours.

The reviews summarize the contribution of customer experience management in shaping customer loyalty. Simply by having greater understanding of customers and building good relationships with the existing customers, the companies can actually have the potential to increase the customer base over time by building customer loyalty.

### **Challenges in Customer Experience Management**

Designing a successful CEM strategy is a difficult task. Businesses must identify their customers, recognize them well to get the right customer experience management.

Brand consistency is very essential at every point of interaction but customers can interact with a brand through different means such as online, customer service, in person and more. Thus multi-channel brand experience becomes a toughest challenge in this current scenario. Getting a single view of the customer is another challenge in the customer experience management. Customer's data can be collected by companies from a large number of sources but all those data need to be merged into a single view to get a 360 degree view of the customer.

Another challenge of customer experience management is personalization. Customers have expectations and know that companies have more details about them. So, businesses must remember to personalize every interaction knowing what they want and when they want.

## Conclusion

Organizations need to have greater understanding of customers to build their customer base. This article seeks to enrich this understanding by providing an overview of the dimensions of customer experience management and various aspects that impact customer experience management. The various reviews discussed in this article conclude that customer experience management is the most important ingredient in building customer loyalty.

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