

## Customer Experience Management Overview

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### Abstract

**Purpose of the article:** The purpose of this paper is to examine the phenomenon of customer experience and customer experience management through years and summarize recent knowledge in this area.

**Methodology/methods:** The paper is built upon secondary research of research papers of renowned authors in the area of customer experience management.

**Scientific aim:** The aim of the article is to find out potential avenues of further research.

**Findings:** Findings confirmed that customer experience is still trending topic in the field of research and management. It constantly evolves raising new questions to be answered and areas to be researched.

**Conclusions:** The paper presents reasons to embrace customer experience management in organizations, brief overview of managerial recommendations and points to potential avenues of further research, such as, co-creation of customer experience, exploration of the experience in business-to-business sphere, public sector or development of customer experience management framework.

**Keywords:** customer experience, co-creation, customer satisfaction, customer loyalty

**JEL Classification:** M31

### Introduction

The idea of customer experience (CX) and customer experience management (CXM) is in the spotlight in both the academical and managerial area for several years for now (Frow, Payne, 2007; Johnston, Xong, 2011; Klaus, Maklan, 2013; McColl-Kennedy et al., 2015). Since the early days of customer experience the focus was on hedonic consumption of individuals and perfect, superior, peak or critical experiences (Schouten et al., 2007). But nowadays customer experience is getting more and more into the space of day-to-day situations and across the range of contexts, for example, business-to-business and public services (Klaus, 2014a; Hardyman et al., 2015). Managers are still trying to better understand processes of value creation in order to improve customers' experiences and new areas, like co-creation of customer experience are showing up (Akaka et al., 2015; McColl-Kennedy et al., 2015).

On the following pages the phenomenon of customer experience and customer experience management will be examined through the years, recent knowledge in this area will be summarized and possible avenues of further academic research will be presented.

### 1 Evolution of marketing approaches

Through the years companies went from the marketing concept over customer satisfaction to the customer relationship management (CRM) in order to gain the competitive advantage. Product-focus and sales-orientation, expected product functions vs. real product performance, focus on information about customer and transactions are the main characteristics of these approaches. Unfortunately all of them, despite their essence, failed in taking enough focus on customer, which proved essential to differentiate against competitors and create competitive advantage (Schmitt, 2003).

The Customer Experience Management trend of several last years is supposed to be solution to this very problem (Schmitt, 2003). It once again revives the idea of relationship, but builds a much more complex view of the experience around it. It rediscovers arguing that people buys goods and services to fulfill their deeper emotional, sensory, hedonic aspirations and puts great emphasis on how they experience processes that are necessary for them to achieve their aspirations and higher-order goals (Maklan, Klaus, 2011).

Frow and Payne (2007) create connection between customer experience and satisfaction with their statement that customer satisfaction reflects all the previous and present encounters and experiences with the product or brand. In relation to the customer relationship they point out that experience needs to be considered over the full lifecycle of the customer experience, not just for the sales and service activities. Meyer and Schwager (2007) see difference between CRM and CXM in what company captures about customer and a timing of this capture. Customer relationship management cares about

things such as customers' history of requests and returns whereas customer experience management cares about customers' subjective thoughts about a particular company. In terms of timing, CRM captures data after the fact while CXM captures customers' immediate responses to its encounters with the company.

Another essential claim supporting importance of customer experience is that experience is replacing quality as the competitive battleground for marketing (Klaus, Maklan, 2013). an interesting point is made by Reinartz, Ulaga (2008), who argued that differentiation is increasingly obtained through service because goods are becoming commoditized. Meyer and Schwager (2007) takes that even further and indicate that service is commoditized too and that contemporary consumers are seeking compelling experiences.

After all, organizations and researchers agreed that CX may provide new ways for competition and that customer experience is an issue for all organizations, business-to-consumer (B2C), business-to-business (B2B) (Klaus, 2011), that want memorably engage with their customers.

## **2 Definition of Customer Experience**

Customer Experience is defined as holistic in nature, based on personal interactions between a customer and a brand, service provider or product that is composed from various cognitive, affective, emotional, social and physical responses of this customer (Gentile et al., 2007; Verhoef et al., 2009). Meyer and Schwager (2007) explains it more concretely, that customer experience encompasses every aspect of a company's offering, for example, advertising, packaging, features of product and services, ease of use, reliability or the quality of customer care. From another point of view, Maklan and Klaus (2011) state that customer experience blurs traditional distinctions between products and services, because of its focus on customers' value, which arises from their combinations and as a result measuring CX is far more complex. Voss et al., (2008) confirms that by statement that customers evaluate their experiences by the means of the customer journey, customer's sequence of touch points with the firm. As an extension to his opinion is statement by McColl-Kennedy et al., (2015) that customer experience is also created by elements outside of company's control such as other customers or devices that customers use to get in touch with a company; suppliers even can, with a help of knowledge sharing processes, use their own customers as the support for the creation and delivery of the customer experience (Frow, Payne, 2007). They also support and concretize the view on customer experience as a dynamic phenomenon that is present in all kind of phases of the customer journey, for example, search, purchase, consumption and after-sale encounters (McColl-Kennedy et al., 2015). Significant remark is that everything happens through multiple channels and multiple touch points. Each such touch point can also have its own role that the customer plays from the perspective of the customer experience. Depending on how much a customer influences such experience, roles can be, according to Bolton et al. (2014), for example, a consumer, user, participant or co-creator. In relation to the multiplicity of roles, Cho and Park (2001) point out that in case of online shopping, customer shouldn't be recognized as just shopper, but also as, for instance, technology user and visitor. McColl-Kennedy et al., (2015) state that CX also depends on what a customer alone can and is willing to do.

Whole experience containing these touch points with its roles is determined by elements such as social environment, service interface, retail atmosphere, range of products, price, customer experiences in alternative channels and the retail brand (Verhoef et al., 2009). Another interesting point of view on customer experience, that supports complexity of the whole CXM approach, is that CX is response to not only direct but also indirect encounters with a company (Gentile et al., 2007). In terms of time framing, Maklan, Klaus (2011) made interesting finding that the longer time frame we are using while looking at experience, the harder it is to distinguish such experience from overall brand perception.

## **3 Outcomes of Customer Experience Management**

Klaus (2011) summarizes positive outcomes of great customer experience, claiming that it influences expectations, affects customer satisfaction, supports customer loyalty, instills confidence and creates emotional bonds between customer and company. Except satisfaction and loyalty he considers share-

of-wallet and positive recommendations as the most important marketing outcomes. His study from area of online customer experience points to another outcomes - profitability and superior financial performance (Klaus, 2011). Through the positive effect on satisfaction CX builds market share, improves shareholder value and improves cash flow while reducing risk (Maklan, Klaus, 2011). Demangeot and Broderick (2006) state that companies even can, thanks to managing customer experience, significantly shape positive attitudes and influence customers' behavior. The fact is that today, the most of companies is already aware of that and they are more and more focusing on creating encouraging customer experiences to boost customer loyalty and competitive advantage (Badgett et al., 2007).

#### **4 Customer Experience Management Advices**

Based on his research, Klaus (2011) recommends customer experience managers to improve quality of the experience across the four areas - product experience, outcome focus, moments-of-truth and peace-of-mind. The last mentioned has the most significant influence on loyalty and word-of-mouth so is, with outcome focus, very important for service companies.

Companies must take into account that experience arises from a longer process of company-customer interaction and through functional as well as emotional clues (Klaus, Macklan, 2013). Likewise it is important to consider the role of both normal, day-to-day experience as well as hedonic, emotional or peak experiences; and while most companies operate through multiple channels, strategies should ensure that the improvements in experience are created both within channel and across channels (Frow, Payne, 2007).

Parasurmant et al. (2005) suggest, while designing experience, choosing perceptual attributes over technical aspects because perceptual attributes are more experiential, they are able to capture more permanent evaluative aspects and while technical aspects will change through the time, for example, in par with advances in technology, more abstract perceptual attributes won't be so sensitive.

In terms of building trust, as an important part of experience, between customer and company, Nguyen et al. (2014) claim that trust increases loyalty and has significant influence on positive experience and can even compensate customers' negative perceptions. Moorman et al. (1992) define the trust as „a willingness to rely on an exchange partner in whom one has confidence”. Trust itself has a positive impact on commitment and so is an essential in its creation and leads to customers' satisfaction and loyalty - factors which are also influenced by customer experience (Ballester, Alemán, 2001). Besides satisfaction and loyalty other important outcomes of trust are, for example, better relationship quality, increased relationship duration and improved cooperation (Ballester, Aleman, 2001; Britton, Rose, 2004; Moorman et. al, 1992). According to Nguyen et al. (2014) for creation of a long-lasting and trustworthy relationships companies must assert equality, goodwill, reputation and transparency through their relationships.

An important element influencing CX, that should not be overlooked, are customers' existing expectations - customers, for instance, expect online shopping experience to be close to the physical shopping experience (Klaus, 2013). Frow and Payne (2007) point out to the very important fact, that consideration of the context of a customer experience is necessary - achieving perfect score in luxury market requires something completely different to achieving perfect score in low-cost market, because customers' expectations of each segment will vary from one another - expectations of low-cost market will be naturally much lower.

Given the today's online environment, where customers are frequently getting in touch with companies, shop and so create experiences, Klaus (2013) claim it has it's downsides like that customers can't just wander around the store, touch the products, chat with knowledgeable staff, all of that with such deep and emotional involvement as in offline. To compensate this in still developing and growing technology business, marketers should use them to offer new and more interactive ways to exhibit their products, for example through video demonstrations of usage, look-inside features or content previews (Klaus, 2013).

In terms of perception of goods and offers there are opinions recommending that marketers should conceive all of them as services and that offers must be thought as product-service systems - systems providing experience and value that customers demand, but without the need to own the products that create these experiences (Vargo, Lusch, 2004).

Frow and Payne (2007) then recommends that companies that want create perfect customer experience must consider creation of experiences from both rational and emotional points of view; while business-to-business might be more connected with rational perspective then on the other hand business-to-consumer might be more connected with emotional perspective. Analysis of customers' emotional attachment in the customer experience process is, according to McColl-Kennedy et al. (2015), essential. After all, investment decisions in customer experience must be, of course, based on the profit potential of different customer segments and service strategies and must be achieved at an affordable cost (Frow, Payne, 2007).

#### **4.1 Customer Experience Management Guide**

Frow and Payne (2007) suggest that organizations should consider following points for being able to create as perfect as possible customer experience:

1. undergoing detailed analysis of customer's perceptions of experience and identifying opportunities for improvement
2. identification of the opportunities for co-creation
3. usage of the mapping tools for understanding shortcomings in the customer experience
4. managing customer touch points
5. considering appropriate metrics for measurement of the customer experience
6. providing a consistent customer experience inside and across multiple channels
7. finding out how customer requirements differ across the customer journey
8. ensuring collaboration across all staff and departments
9. understanding economics and different desired experiences of customer segments
10. ensuring the brand consistency within communication and services - emphasizing rational or emotional experiential perspectives

intensifying employee motivation to deliver as perfect as possible customer experience

#### **4.2 Co-creation of Customer Experience**

McColl-Kennedy et al. (2012) claim that customers can't be no more seen as passive recipients of companies' outcomes but as co-creators and definers of outcoming values. Frow and Payne (2007) support that with statement that co-creation has a significant role in creation of perfect customer experience and highlight the importance of state where customer is always a co-creator of value and the whole becomes the experience. On top of that Klaus (2014b) found out companies, that are most effectively using customer experience management, involving customers in value creation through, for example, collecting feedback from complains, suggestions, contributions or open two-way communication on social media.

### **5 Analyzing and Measuring Customer Experience**

A lot of researches, popular quality measurement techniques and frameworks are based on customer satisfaction or loyalty, for example SERVQUAL or Net Promoter Score. Whilst SERVQUAL's main purpose is to examine gap between customers' expectations and actual service delivery, Net Promoter Score is presenting the level of advocacy through the subtraction of the customers who are highly likely to recommend the company from those who are detractors (Frow, Payne, 2007; Laming, Mason, 2014). Jones and Sasser (1995), on this topic found out that only highly satisfied customers can be considered truly loyal, because there is only slight difference in loyalty between just satisfied and dissatisfied customers and so they support the fact that it is crucial to seek high level of customer satisfaction.

While these measures can help companies see the progress of improving customer experience, measures of customer experience produce much better informative power compared to measures of customer satisfaction, because simplified view of customer satisfaction measures only a current state that leads to

the desired behaviors (Frow, Payne, 2007; Klaus, Maklan, 2013). In contrast to this, methods analyzing customer experience, such as EXQ, reveal which factors are responsible for these behaviors and deliver knowledge for better managerial decision making through connecting actions and results of marketing programs (Klaus, Maklan, 2013). McColl-Kennedy et al. (2015) claim that from a longitudinal point of view, research on customer experience can be approached in three ways:

1. retrospectively - by reconstructing and analyzing the journey and events
2. in real time - by long-term observation of events and interactions
3. through extrapolations of the future - by simulations and modelling

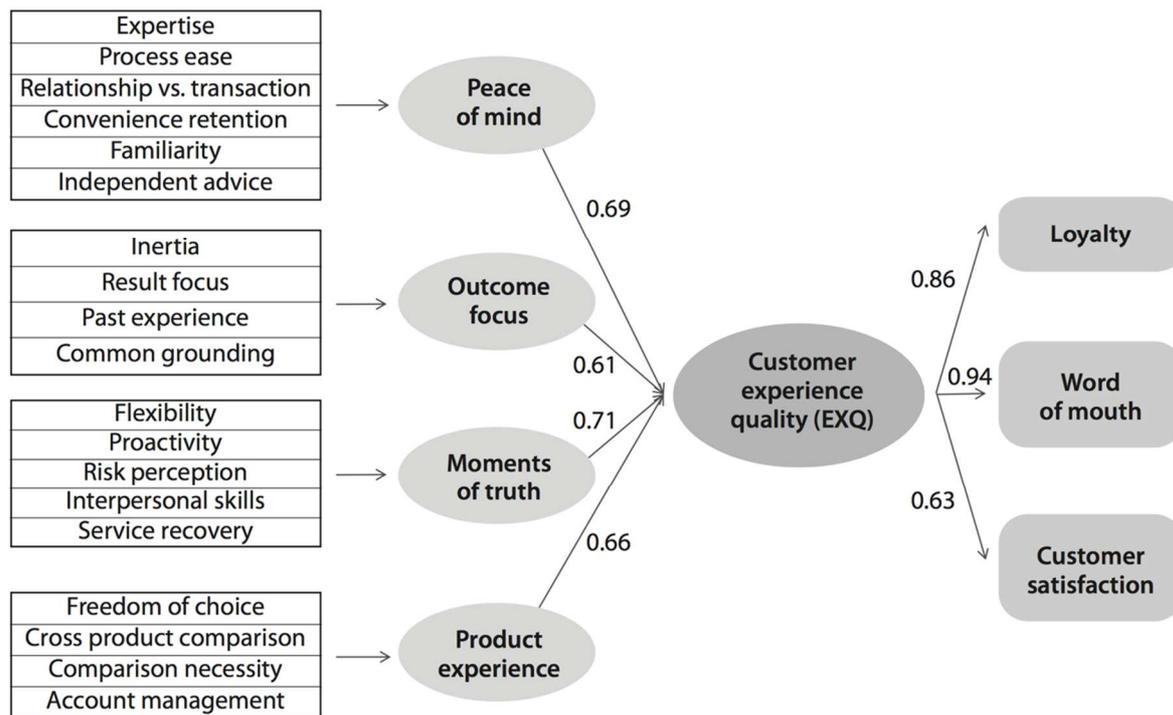


Figure 1. Customer experience quality scale. Source: Maklan et al. (2011).

Klaus (2010) assert that empirically derived measures of CX are necessary for company to be able to design and manage customer experience leading to purchases, loyalty, recommendations (word-of-mouth), advocacy or any other desired customer behaviors. Voss et al. (2008) advocate approach where customers' perceptions are explored during different stage of experience - before, during and after the purchase.

There are many suitable tools available for customer experience analysis creating the foundations for improvement, for example, customer-firm touch point analysis, process mapping, customer activity cycles and service-blueprinting (Frow and Payne, 2007). McColl-Kennedy et al. (2015) point out that while analyzing customer experience there are several risks that recent approaches (e.g., in areas like moments of truth and service blueprinting) have - seeing customer as being passive, capturing information through surveys only at one point in time, building only on respondent's memory and looking only from the company's perspective.

### 5.1 Example Methods

Klaus (2013) recommends, at a first stage of customer experience analysis, usage of interviews with the soft laddering technique to explore the perceptual attributes - consumers' cognitive structures and motivations. After collecting data this way it is appropriate to clean and thoroughly explore them with, for example, systematic comparison approach and hierarchical coding and finally, in the third stage, reexamine them by panel of judges (Klaus, 2013). Klaus (2013), for the panel of judges, invented

emerging consensus technique (ECT), based on grounded exploratory approach and Q-sorting technique. Other techniques that can be used while analyzing customer experience are, for instance, grounded approach for interviews analysis, exploratory factor analysis (EFA) for purification of results and summaries of the captured data (Maklan, Klaus, 2011).

## **6 Development of the Potential Further Research in Customer Experience**

Klaus (2010) identified that the main obstacle in building a successful customer experience strategy is absence of proper definition and measurement.

Lemke (2011) claim that researches demand the development of framework which would help understand customer experience in a single context.

Klaus and Maklan (2013) state that it would be useful to explore changes in perceptions of customer experience through the time - between first-time, returning, regular customers and over time.

In today's connected, interactive and community-centric world it is necessary to develop new strategies and practices that can address these challenges (Klaus, 2013).

Challenges in the area of privacy and personal data create another interesting branch of research because of their importance to effective customizations (Nguyen et al., 2014).

McColl-Kennedy et al. (2015) claim that area regarding what resources customers can and do bring to co-produce services is under-researched. They also suggest to explore the boundaries of customers' role and influence in situations when customer did not chose to be part of the experience (McColl-Kennedy et al., 2015).

## **Conclusion**

This paper highlights main stages of evolution of marketing approaches leading to the most recent customer experience approach, summarize different definitions and point of views on customer experience, how it is perceived by scholars and researchers and thus it helps to create better understanding of this concept. At the same time it contains overview of benefits and outputs of customer experience management with suggestions for its successful implementations, customer experience analysis and measurements. Through this it presents reasons why to embrace customer experience and finally points to potential avenues of further research, such as, co-creation of customer experience, exploration of the experience in business-to-business sphere, public sectors or development of customer experience management framework.

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