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Customer experience – a review and research agenda

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Abstract

Purpose – The purpose of this paper is to review the literature on customer experience to develop a better understanding of the concept and propose a research agenda.

Design/methodology/approach – The paper is based on a thorough review of 69 full-text articles, 12 books and one published dissertation related to customer experience.

Findings – The review describes the relevance of experiential perspective, service experience and customer experience to attract, delight and retain customers. Customer experience is regarded as a holistic interactive process, facilitated through cognitive and emotional clues, moderated by customer and contextual characteristics, resulting into unique and pleasurable/un-pleasurable memories. The study provides a deeper understanding of the concept and research issues for customer experience.

Research limitations/implications – It provides important insights into the emergence, development, management and measurement of customer experience-related issues for future research.

Practical implications – Customer experience needs to be considered and managed as a holistic strategic process for creating customer value, differentiation, customer satisfaction, loyalty and competitive advantage.

Originality/value – The study contributes to the understanding of customer experience and research agenda based on a thorough review of literature spanning 25 years.

Keywords Customer experience, Experience, Co-creation, Service experience, Customer value

Paper type Literature review

1. Introduction

Customer experience has emerged as an important marketing concept aimed at creating a unique, pleasurable and memorable experience. It is a relatively new concept, in both theory and practice, which has gained larger attention in the recent past, particularly in the last three decades. Scholars and marketers describe it as a strategic process for creating holistic customer value, achieving differentiation and sustainable competitive advantage (Carbone and Haeckel, 1994; Pine and Gilmore, 1998; Shaw and Ivens, 2002; Gentile *et al.*, 2007; Verhoef *et al.*, 2009).

There is a gradual shift from consumption of commodities to goods, services and experiences. The fourth wave in the economic progression has been described as "experiences" and the emergence of new economy as the "experience economy" by Pine and Gilmore (1998, 1999). Traditional product/service value proposition is no longer adequate for reaching customers or creating differentiation, and businesses need to focus on the customers' experience, similar to the importance given to products and services, for creating a seamless total experience (Carbone and Haeckel, 1994). Gronroos (2006) maintains that "customer value is not created by one element alone, but by the total experience of all elements". Organizations are redefining their offerings in terms of "personalized co-created experiences" (Prahalad and Ramaswamy, 2004b). This shift represents managing business with experiential perspective. It calls for the need to develop new competencies in creating and managing great customer experiences that provide pleasurable experiential memories to customers. Managing each customer's experience is perhaps the most important ingredient in building customer loyalty (Crosby and Johnson, 2007).

A number of efforts have been made to define and conceptualize customer experience and understand its relationships with a wide range of variables, yet there is no consensus about the construct and definitions. Theoretical frameworks are yet to be developed and validated. Most of the researches have emerged from industry, and scholarly researches are few. The present study aims at developing a meaningful understanding of the emergence, growth, theorization and management of customer experience by doing a thorough review of literature on customer experience spanning 25 years and developing a research agenda for future researches. The paper has attempted to address following research questions:

RQ1. How has the concept of customer experience emerged, developed and theorized in the literature?

RQ2. How has the customer experience management been suggested in the literature?

RQ3. What is the research agenda for customer experience?

This paper is organized with a view to provide an insight into the literature on customer experience. The methodology adopted for the present study is described at length. The remainder of this paper presents the emergence, development and theorization of customer experience, followed by the elements of total customer experience including design, process, outcomes and measurements. The paper ends with the research agenda for customer experience highlighting important issues for future research, implications and contributions of this study.

2. Methodology
The present study is based on a thorough review of literature related to customer experience. This review has followed the guidelines provided for review of literature by Gabbott (2004), Denyer and Tranfield (2009) along with application of these techniques in the works of Helkkula (2011) and Mustak *et al.* (2013). The purpose was to examine the extant literature on customer experience spanning last 25 years (from 1990 to 2015) to develop a clear understanding of the conceptualization, management and research gaps in this area. In line with the prescribed guidelines, the relevant literature was identified, classified, summarized, examined and synthesized to develop a meaningful understanding of the relevant work on customer experience, with supporting evidences.

The review was carried out in three phases. In the first phase, full-length scientific research papers were searched starting from the year 1990-2015 from three electronic databases including Emerald, EBSCO and Science Direct. For the initial search, keywords "service experience" and "customer experience" were respectively used for searching the articles having these terms in their title or abstract or keywords. The search was confined only to the peer-reviewed scholarly articles. The year 1990 was selected as the starting point as this decade saw emergence of experience era as described by Pine and Gilmore (1998), and many other prominent works related to customer experience were published in this decade, and the end point for this paper was the year 2015 as it represented completion of 25 years. This resulted into a total of 1,850 articles. Table 1 presents distribution of these articles in three databases.

Database	Keyword – service experience	Keyword – customer experience	
Emerald	712	637	**Table I.** Results of database search for service experience and customer experience
Ebsco	41	36	
Science Direct	210	214	

In the second phase, a total of 432 duplicate entries corresponding to service experience and customer experience were removed from the selection of articles from three databases. The remaining 1418 articles were thoroughly checked for their relevance to service experience or customer experience in terms of conceptualization, characterization, dimensions, determinants, process and measurement after reading their abstract, introduction and conclusion. This resulted into a list of 91 articles. All these articles were completely read, as available in their full-length text version, for checking their relevance to service experience or customer experience. In addition to the earlier mentioned criteria for relevance, these articles were also examined in terms of their orientation, purpose of study, scope, variables, relationships, research design, findings, implications and contributions of the study. At this stage, only 66 articles were selected, and remaining 22 articles were excluded for this study. Table II presents details of some important journals from where the articles are taken for the present study. Three other articles published before 1990 were also included in this list considering their importance in the area of study. They were Hansen (1981), Holbrook and Hirschman (1982) and Donovan and Rossiter (1982). This increased the total list of selected articles to 69 for review, thus making the total number of articles to be 91. This phase also involved inclusion of 12 books and one published dissertation considering their significant contribution and relevance in the study on customer experience. Industry, government or any other type of professional reports were not included in the present study.

In the third phase, all the finally selected 69 articles, 12 books and dissertation were thoroughly read more than once. The relevant content was classified, summarized, analysed and synthesized as per the structure of the present study under different headings in order to develop a better understanding of customer experience in a systematic manner.

3. Emergence, development and theorization of customer experience

Customer experience occupies an important place in the performance of organizations. There is a wider agreement that providing positive customer experiences is essential for

Name of the journal	Articles Count
Journal of Marketing Management	6
Managing Service Quality	5
Journal of Service Management	5
Journal of Retailing	5
International Journal of Retail and Distribution Management	3
Marketing Theory	3
Journal of Academy of Marketing Science	3
Journal of Marketing	3
Journal of Services Marketing	2
The Marketing Review	2
Harvard Business Review	2
Journal of Business Research	2
Journal of Fashion Marketing and Management	2
Journal of Consumer Research	2
Advances in Consumer Research	2
Others (*Journal of Services Research; Service Industries Journal, Journal of Macro Marketing, Journal of Retail and Consumer Services, European Management Journal, Journal of Customer Behaviour, Journal of Brand Management, International Journal of Marketing Research*, etc.)	22

Table II.
List of journals and distribution of articles referred in the study

achieving competitive advantage, customer satisfaction, differentiation, image, loyalty and word-of-mouth communications (WOMC) (Carbone and Haeckel, 1994; Pine and Gilmore, 1998, 1999; Schmitt, 1999; Lucas, 1999; Shaw and Ivens, 2002; Berry *et al.*, 2002; Wong and Sohal, 2003; Vargo and Lusch, 2004; Prahalad and Ramaswamy, 2004a; Arnold *et al.*, 2005; Gentile *et al.*, 2007; Crosby and Johnson, 2007; Verhoef *et al.*, 2009; Palmer, 2010; Rawson *et al.*, 2013). Experience has emerged as the new basis for exchange. Schmitt (1999, p. 53) opined that "companies have moved away from traditional "features-and-benefits" marketing towards creating experiences for their customers". This progression towards experience-based economy is strongly supported by many scholars and practitioners (Pine and Gilmore, 1998, 1999; Schmitt, 1999; Shaw, 2007; Palmer, 2010). Growing research and widespread applications have given rise to the emergence of an experiential perspective to marketing. This approach is based on the foundation that a consumer lives by consuming experiences offered by products, services, events or a series of multisensory interactions between customers and organizations at every touchpoint in pre-purchase, purchase and post-purchase situations.

There is a shift from "commoditization" to "personalization" – personalized co-created consumption experiences. The customer value is derived during the entire consumption process as "internal and subjective responses" through co-creation experiences (Vargo and Lusch, 2004, 2008; Prahalad and Ramaswamy, 2004a). The organizations act as resource integrators to facilitate experience creation by providing experience environment. Prahalad and Ramaswamy (2004a) further proposed that "in time, new approaches and tools consistent with a new experience-based view of economic theory will emerge". Later in a critical review Palmer (2010) supported that "Customer experience is a potentially important construct that is unlikely to go away, despite the problems of conceptualization and measurement […] Increasing number of companies are appointing 'customer experience managers'". Maklan and Klaus (2011) explicitly stated that "Marketing practice and research have undergone a series of large-scale transformations over the past 25 years, shifting focus from (1) creating fast moving consumer product brands to (2) building customer relationships through service marketing, and now to (3) creating compelling customer experiences". This shift towards customer experiences will open up newer possibilities for theory development and business practices.

An exploration in the foundation of customer experience reveals that it is grounded in the theories/works of stimulus organism response (Mehrabian and Russell, 1974), consumption experience (Holbrook and Hirschman, 1982), experience economy (Pine and Gilmore, 1998, 1999), co-creation experiences (Prahalad and Ramaswamy, 2004b) and service-dominant logic (Vargo and Lusch, 2004, 2008). All these theories provide sufficient ground for development of customer experience.

Interaction is central to experience creation. Mehrabian and Russell (1974) proposed that consumer responses (approach or avoidance) are determined by interaction between stimulus (organizational or environmental) and organism (consumers – emotional state of pleasure, arousal and dominance). Holbrook and Hirschman (1982) brought experiential perspective and described consumption experience as "a phenomenon directed towards the pursuit of fantasies, feelings, and fun". They further commented that "the consumer behaviour is the fascinating and endlessly complex result of a multifaceted interaction between organism and environment". Addressing the dimensions of customer value, Holbrook (1994) explained that "Value is an interactive relativistic preference experience". Further, in a review essay, Holbrook (2000) presented a detailed historical account of experience by citing the classical works of earlier scholars. He continues to maintain that "All experiences are 'consumption experiences' and that these consumption experiences constitute most of what we do during our waking and even our non-waking lives" (Woodward and Holbrook, 2013).

In spite of the early recognition of experiential perspective, most of the literature on customer experiences, by scholars and practitioners, has emerged after the influential article of Pine and Gilmore (1998) on experience economy which was followed by their book in 1999. They described emergence of experience economy as the "fourth stage in the economic progression, after agrarian economy, industrial economy and service economy" and proposed that "experiences are a distinct offering, as different from services as services are from goods". This resulted in a stream of researches and practices related to customer experience and experiential marketing. Following these ideas, Schmitt (1999) opined that "in a new era, it is necessary to shift attention from the feature-and-benefits approach advocated by traditional marketing to customer experiences". These writings initiated early debates and discussions about shift in marketing orientation in theory as well as in practice.

Prahalad and Ramaswamy (2004b) maintained the notion of experience and stated that "The traditional system is become obsolete […] In the emergent economy, competition will centre on personalized co-creation experiences resulting in value that is truly unique to each individual". They emphasized on customer value derived from purposeful and meaningful personalized interaction between customer and organization. Vargo and Lusch (2004) argued that there is a shift from "goods-dominant" logic to "service-dominant" logic which represent the shift from "value in exchange" to "value in use". They further supported that "Value creation is phenomenological and experiential in nature" (Vargo and Lusch, 2008). Later in their foundation principles of S-D logic they presented that "The customer is always a co-creator of value. Value creation is interactional" and "Value is always uniquely and phenomenologically determined by the beneficiary. Value is idiosyncratic, experiential, contextual and meaning laden". In another study, Poulsson and Kale (2004) also supported the dominance of experience-based business perspective by stating that "Commercial experiences need to be considered as a product offering to avoid commoditization and price competition".

The spurt in scholarly literature and widespread growing practices of experience management is providing a ground for conceptualizing customer experience. The authors believe that in order to formally accept and conceptualize, customer experience needs to be widely debated, discussed, challenged, researched and validated for its theoretical foundation and business applications. During review of literature, it was observed that the terms service experience and customer experience are widely used. At many a places these terms are used interchangeably as synonyms. The following sections present a detailed discussion on the concepts of service experience and customer experience and also explain similarities, differences and relationships between these two concepts.

3.1 Service experience

Service experience is an important concept in service research for understanding value creation. It primarily focusses on consumption of services as compared to consumption of goods. It has been approached from different perspectives to explain its role in service value creation and delivery. A brief summary of some important definitions of service experience is presented in Table III. Based on a detailed literature review of service experience, Helkkula (2011) classified them as phenomenological service experience, process-based service experience and outcome-based service experience. In one of the earlier studies, service experience was described as "theatre" by Grove and Frisk (1992) based on the notion that "services themselves are drama and may be understood as theatrical performances […] the various principles that it engenders provide a framework for describing, understanding, and communicating about services experiences". They explained the experiential dimensions of services in terms of theatrical components as actors, audience, setting and performance. Berry *et al.* (2006) argued that "Customers always have a service experience when they interact with an organization. They may interact in person, over the telephone, through the internet, or through other means, but

Scholars	Definition	Orientation/focus
Berry *et al.* (2006, p. 43)	"Customers' perceptions of a service experience are based on "the technical performance of the service (functional clues), the tangibles associated with the service (mechanic clues) and the behaviour and appearance of service providers (humanic clues). Functional, mechanic and humanic clues play specific roles in creating the customer's service experience, influencing both rational and emotional perceptions of service quality"	Service clues/rational and emotional perceptions of performance
Sandström *et al.* (2008, p. 118)	"A service experience is the sum total of the functional and emotional outcome dimensions of any kind of service […] The service experience is always individual and unique to every single customer and every single occasion of consumption, and it assumes that the customer is an active co-creating part of the service consumption process"	Output/value in use
Helkkula (2011, p. 367)	"Three characterisations of the concept of service experience are identified in the literature review: phenomenological service experience, process-based service experience and outcome-based service experience"	Typology/characterization as phenomenological, process and outcome
Klaus and Maklan (2012, p. 21)	"Service experience is the customer's assessment of all attributes of their direct and indirect dealings with a service provider that explains their behavioural loyalty through repeat purchasing. Its dimensions are product experience, outcome focus, moments-of-truth and peace-of-mind"	Customer assessment/multidimensional construct
Olsson *et al.* (2012, p. 413)	"Service experience is multidimensional, consisting of a cognitive dimension related to service quality and two affective dimensions related to positive activation, such as enthusiasm or boredom, and positive deactivation, such as relaxation or stress"	Cognitive and affective response
Pareigis *et al.* (2012, p. 679)	The customer's cognitive, emotional and behavioural responses that result in a mental conception	Cognitive, emotional and behavioural responses
Jaakkola *et al.* (2015, p. 186)	"Service experience is an actor's subjective response to or interpretation of the elements of the service, emerging during the process of purchase and/or use, or through imagination or memory"	Subjective response

Table III.
Summary of some important definitions of service experiences

they will always have an experience". They explained the role of clues – functional, mechanic, and humanic – in creation of service experiences which influence rational and emotional perceptions of customers. Most of the studies maintain that service experiences are explained as a combination of both rational or functional, and affective or emotional customer responses or assessment (Berry *et al.*, 2006; Sandström *et al.*, 2008; Olsson *et al.*, 2012; Jaakkola *et al.*, 2015). It is also reported that services are largely subjective responses which are unique to every individual customer and the service consumption situation (Sandström *et al.*, 2008; Jaakkola *et al.*, 2015). Service experiences serve as the basis for value creation in services. Sandström *et al.* (2008) proposed that "value in use is the evaluation of the service experience, i.e. the individual judgment of the sum total of all the functional and emotional experience outcomes". Value in pre-use is also created during pre-purchase experience of service test drives in the experience rooms (Edvardsson *et al.*, 2005). Studies further report relationships between service experience and organizational performances. Helkkula and Kelleher (2010) observed a relationship between customer service experience and customer perceived value. Klaus and Maklan (2012) found that service experience has a significant impact on customer satisfaction, loyalty and

word-of-mouth intentions. Service experiences are also characterized by co-creation phenomenon. Customer involvement and participation in the service experience creation is widely observed. Jaakkola *et al.* (2015) described service experience as "dynamic, experiential, relational activities and interactions, thus highlighting the collective, collaborative, evolving and dynamic nature of service experience". The context of co-creation of service experiences has been further extended to include consumer communities for creating collective service experiences (Caru and Cova, 2015).

3.2 Customer experience: construct and characteristics

In one of the earlier studies, Holbrook and Hirschman (1982) described customer experience as involving various playful leisure activities, sensory pleasures, daydreams, esthetic enjoyment and emotional responses. They opined that the consumption as an experience to be seen as involving steady flow of fantasies, feelings, and fun. Customer experience was later defined as the "aggregate and cumulative customer perception created during learning about, acquiring, using, maintaining and disposing of a product or service" (Carbone and Haeckel, 1994). They further explained it as feelings customers take away from their interaction with a firm's goods, services and atmospheric stimuli. An experience occurs when a company intentionally uses services as the stage, and goods as props, to engage individual customers in a way that creates a memorable event (Pine and Gilmore, 1998). They described experiences as inherently personal responses occurring only in the mind of an individual who has been engaged on an emotional, physical, intellectual or even spiritual level. Berry and Carbone (2007) proposed that the "organization needs to create a cohesive, authentic and sensory-stimulating total customer experience that resonates, pleases and differentiates organization from the competition to build an emotional connection with customers". Customer experience is often explained as the internal and subjective response customers have to any direct or indirect contact with a company (Meyer and Schwager, 2007).

Experiences occur as a result of encountering, undergoing or living through things, which provide sensory, emotional, cognitive, behavioural and relational values (Schmitt, 1999). Shaw (2007) has defined customer experience as "an interaction between an organization and a customer, which is a blend of an organization's physical performance, the senses stimulated and emotional evoked, each intuitively measured against customer expectations across all movements of contact". In another study Gentile *et al.* (2007) described the customer experience as an evolution of the concept of relationship between the company and the customer. They defined the concept of customer experience as "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 (rational, emotional, sensorial, physical and spiritual)". Pareigis (2012) proposed an empirically grounded model of customer experience of resource integration and described that "customer experience is a holistic evaluation of the interactive value formation and can be understood as consisting of three dimensions: a cognitive evaluation and two affective evaluations, positive activation and positive deactivation". Woodward and Holbrook (2013) opined that "all experiences are consumption experiences". They are largely regarded as an interactive phenomenon resulting into a state of pleasure or displeasure.

Customer experience has been approached both as a process (noun) as well as an outcome (verb). Referring to a number of dictionary meanings and definitions, Palmer (2010) and Schmitt (2010) have described that the experience as a verb refers to "ongoing perceptions, feelings and direct observation" or a process of learning resulting into learned response, whereas, as a noun it refers to accumulation of knowledge, skills, emotions, sensations and attitudes.

The studies suggest that customer experience is both a formative construct representing interactivity with environmental element, as well as, a reflective construct involving customers' expression of their responses. It has been described as a phenomenon, process and output. A brief summary of important definitions is presented in Table IV. On the basis of reported studies, customer experience can be defined as follows:

> Customer experience is the aggregate of feelings, perceptions and attitudes formed during the entire process of decision making and consumption chain involving an integrated series of interaction with people, objects, processes and environment, leading to cognitive, emotional, sensorial and behavioural responses.

3.3 Service experience vs customer experience

The concepts of service experience as well as customer experience are positioned in the S-D logic of Vargo and Lusch (2004, 2008) and focus on "value in use". The notion that "value creation is phenomenological and experiential in nature" is of significant relevance in both types of experiences. The review of literature revealed that the terms service experience, customer service experience and customer experience have been commonly used in many studies. Service experience and customer experience are similar in their conceptualizations and share many common features such as follows: characterization as phenomenological, process and output-based experience; functional/rational and affective/emotional responses or perceptions; internal, subjective and unique; co-creation involving individuals, communities and company; holistic evaluation as an integrated series of activities; relationships with organizational performance such as perceived value, customer satisfaction, loyalty, WOMC and others.

The important difference between the two concepts can be described in terms of the subject of the experience. While the concept of service experience refers to customers (or any actor) who experience the service, the concept of customer experience addresses customers as experience actors. Service experiences, in addition to customers, include service provider representatives who also experience the service, and other people in the social experience network, thus characterizing it as occurring in multi-stakeholder network (Helkkula, 2011), whereas the customer experience is described largely as internal and subjective response of the customer (Meyer and Schwager, 2007). It focusses on customer's personal interaction, evaluation, interpretation and subjective response to holistic interaction.

It is clearly evident that in spite of certain differences in the two concepts, customer is the central focus in both service as well as customer experience. Service experience is an integral part of the customer experience. It becomes imperative to have a deeper understanding of service experience in order to fully understand and mange customer experience.

4. Customer experience management

A large number of studies have dealt with identifying and explaining the major steps involved in managing the process of customer experience. It has been found that most research studies have adopted scientific methodology focussing on analysis, design, implementation and control issues. Management of customer experience involves recognizing all the clues that people detect in the buying process and sending the right set of clues to create value for its customers (Berry *et al.*, 2002, 2006). It calls for gaining an understanding of the customer's journey – from the expectations they had before the experience occurs to the assessments they are likely to make when it is over, followed by orchestrating an integrated series of clues that collectively create a deep-seated preference for a particular experience. Schmitt (1999) proposed the concept of experiential marketing and suggested five ways to engage customers: sense, feel, think, act and relate. Schmitt (2007) further suggested five steps for the customer experience management: analyse the experiential world of the customer, building the experiential platform,

Table IV.
Summary of important definitions of experiences/customer experiences

Scholars	Definition	Orientation/focus
Holbrook and Hirschman (1982, p. 132)	"Experiential perspective is phenomenological in spirit and regards consumption as a primarily subjective state of consciousness with a variety of symbolic meanings, hedonic responses, and esthetic criteria ...... and consumption experience is a phenomenon directed toward the pursuit of fantasies, feelings, and fun"	Process/phenomenon
Carbone and Haeckel (1994, p. 18)	"Customer experience is the aggregate and cumulative customer perception created during learning about, acquiring, using, maintaining and disposing of a product or service"	Customer response
Pine and Gilmore (1998, pp. 97-99)	"Experiences are a distinct offering, as different from services as services are from goods [...] an experience is not an amorphous construct; it is as real an offering as any service, good or commodity [...] they are inherently personal, existing only in the mind of an individual who has been engaged on an emotional, physical, intellectual, or even spiritual level"	Offering/value
Schmitt (1999, p. 57)	"Experience occurs as a result of encountering, undergoing or living through things. Experience provides sensory, emotional, cognitive, behavioural and relational values that replace functional values"	Offering/value
Shaw and Ivens (2002, p. 6)	"A customer experience is an interaction between an organization and a customer. It is a blend of an organization's physical performance, the senses stimulated and emotions evoked, each intuitively measured against customer expectations across all moments of contact"	Process
Poulsson and Kale (2004, pp. 270-271)	"An engaging act of co-creation between a provider and a consumer wherein the consumer perceives value in the encounter and in the subsequent memory of that encounter [...] consumption phase itself is the main product"	Offering/value
Prahalad and Ramaswamy (2004b, p. 16)	"The co-creation of value through personalized interactions that are meaningful and sensitive to a specific consumer"	Offering/value
Gentile et al. (2007, p. 397)	"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 (rational, emotional, sensorial, physical and spiritual). 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 contacts or touchpoints"	Customer response
Meyer and Schwager (2007, p. 118)	"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 the representation of a company's products, services, or brands and takes the form of word-of-mouth recommendations or criticisms, advertising, news reports, reviews, and so forth"	Customer response
Grundey (2008, p. 138)	"Subjective episode in the construction/transformation of the individual, with however, an emphasis on the emotions and senses lived during the immersion at the expense of the cognitive dimension"	Process
Verhoef et al. (2009, p. 32)	"Customer experience construct is holistic in nature and involves the customer's cognitive, affective, emotional, social and physical responses to the retailers [...] this experience is created not only by those elements which the retailer can control	Customer response

(continued)

Scholars	Definition	Orientation/focus
	(e.g. service interface, retail atmosphere, assortment, price), but also by elements that are outside of the retailer's control (e.g. influence of others, purpose of shopping) [...] encompasses the total experience, including the search, purchase, consumption, and after-sale phases of the experience"	
Tynan and McKechnie (2009, p. 508)	"Consuming an experience can be viewed as a process that takes place across stages including pre-consumption, the purchase and core experiences, to the remembered consumption experience (Arnold et al., 2005). The value created is both enabled and judged by customers throughout this consumption process and not merely at the point of exchange"	Process
Palmer (2010, p. 199)	"Customer experience construct as an integrated framework "beginning with stimuli (tangible and product quality; brand relationships; interpersonal relationships), mediated by sequencing of the stimuli and the emotional predisposition of the individual, leading to the development of an attitude that is most likely to influence behaviour"	Process
Johnston and Kong (2011, p. 8)	"Customer's experience is their personal interpretation of the service process and their interaction and involvement with it during their journey or flow through a series of touchpoints, and how those things make the customers feel"	Customer response
Lemke et al. (2011, p. 848)	"The customer's subjective response to the holistic direct and indirect encounter with the firm, including but not necessarily limited to the communication encounter; the service encounter and the consumption encounter"	Customer response

Table IV.

designing the brand experience, structuring the customer interface and engaging in continuous innovation.

Three fundamental principles are proposed by Haeckel *et al.* (2003) for creating distinctive customer value through experiences requiring cross-functional organizational perspective: fuse experiential breadth and depth, use mechanics and humanics to improve function and connect emotionally. Henry and Greenhalgh (2006) suggested that the key steps for wider management of customer and user experience which includes experiential aspects and life cycle "touchpoints" involves four steps: plan for customer experience, build a "value proposition experiential platform", develop customer interfaces and life cycle touchpoints and assess and improve. Customer experience management can be understood as the systematic identification, prioritization and incorporation of right set of clues at touchpoints across all the stages; designing and developing interactive processes for experience creation; and measuring customer responses using appropriate performance metrics.

4.1 Customer experience creation stages

Customer experience occurs at all the stages of consumer decision-making and consumption process. They can be broadly categorized into three stages: pre-purchase, purchase and post-purchase. Loughlin *et al.* (2004) have also proposed three levels of customer experience: brand experience, transactional experience and relational experience. Brand experiences are those perceived by consumers as representing corporate values and brand images of organizations, predominantly communicated through marketing communications and advertising. Transactional experiences relate to the day-to-day experiences that customers encounter throughout their normal dealings with service providers. Relationship experiences are only enjoyed by a small number of privileged customers and appeared to play the central role in their overall decision making and in providing important benefits and advantages. Schmitt (1999) proposed the concept of experiential marketing and suggested five ways to engage customers: sense, feel, think, act and relate.

Customer experiences are holistic in nature. They are consumed as an integrated series of activities from pre-purchase to post-purchase stages. Haeckel *et al.* (2003) opined that business strategies centred on the holistic design and delivery of total customer experiences consistently create superior customer value. Holistic experiences begin and end long before and after actual transactions. They incorporate functional and affective attributes. They are orchestrated to deliver both intrinsic and extrinsic values, resulting in stronger, more sustainable customer preferences. The holistic nature of experiential designs makes it very difficult for competitors to copy them. Rawson *et al.* (2013) reaffirm that it is the full journey of customer interactions with the organization which lead to a complete customer experience. The holistic nature places emphasis on the customer experience created during all the moments lived in the entire life of a being a customer/client of a specific organization.

Customer value is created by total experience of all the elements (Gronroos, 2006). Following this perspective, customer experience creation process can be understood as consisting of three value creation stages: value in pre-use, value in use and value in post-use. A brief description of these stages is given below:

Value in pre-use. This stage refers to a pre-purchase situation where customers get familiar, acquire knowledge, develop an understanding and if possible try the product or services before actual purchase. This stage helps customers in shaping their perceptions and formation of attitudes which are instrumental in decision making. Edvardsson *et al.* (2005) argued that service organizations can provide a pre-purchase experience of services referred as "test drives". They proposed the concept of "experience room" as the place which provides simulated reality (hyper reality) of a service experience. Edvardsson *et al.* (2010) introduced the notion of "value in pre-use" to explain the pre-purchase service experience which provided a vivid image of a real consumption experience. Their study explained that

some value is derived from the pre-service experience of the test drive. This has a significant impact on the customer's willingness to purchase the service. They further extended their earlier proposed five dimensions of experience room (Edvardsson *et al.*, 2005) by adding a sixth dimension. The experience room dimensions include the following: physical artefacts, intangible artefacts, technology, customer placement, customer involvement and interaction with employees. It helps service organizations in understanding customers, designing new services and increasing the possibility of converting a prospective customer into an actual customer. Pareigis (2012) in his study on resource integration referred to "identifying" and "sense-making" as two of the three activities in customer experience creation. These studies establish the relevance and description of value in pre-use as an essential activity at the first stage in the customer experience creation process.

Value in use. The second stage in customer experience creation refers to the situation of actual consumption of services of purchase and consumption of goods. This is in line with the service-dominant logic proposition of "value in use" where the value is created during consumption experience (Vargo and Lusch, 2004, 2008). This notion is widely discussed in the literature. After 2004 articles by Vargo and Lusch, value in use has been extended not only to the factual use of service but also to the use of service (a process) as application of operant resources which serve as the fundamental basis of exchange and source of competitive advantage. It relates to the customer experience created during purchase of merchandise/service, transaction at the point of sale, billing and payments, goods or service delivery and consumption of goods/services. In this stage, value is created during acquisition and consumption of products, or service consumption. The emphasis is placed on customer interaction and co-creation activities. Loughlin *et al.* (2004) have described this as transactional experiences. Sandström *et al.* (2008) proposed that the value in use is created through customer's evaluation of service experience.

Value in post-use. It refers to the value created in the post consumption experience characterized by after sales customer service, exchange/returns, repairs and maintenance, product up-gradation or buy-back, handling customer complaints or feedback, loyalty programmes, customer communities and managing a regular communication with all the customers. It is equally important to create good customer value in post-use along with the value in pre-use and value in use. Loughlin *et al.* (2004) have described this as the third level in customer experience known as relational experience. The value in post-use, created in this stage, collectively with value created in previous two stages, has important implications for overall customer satisfaction, WOMC and customer loyalty. The description in this stage requires further empirical verification and validation.

The overall value is created in a holistic manner by integrating the three successive stages of value in pre-use, value in use and value in post-use. Organizations of all types and sizes benefit by adopting experiential approach in managing their businesses. The nature and composition of customer experience may vary with industry and scale of operations. Nonetheless, delivering great customer experience is not an option to them, it is imperative for managing business in today's customer-driven market place. The following section discusses major factors governing customer experience.

4.2 Determinants of customer experience
Customer experience is governed by a large number of determinants described as marketing mix, objects, processes, people and environment (Bitner, 1992; Mathwick *et al.*, 2001; Baker *et al.*, 2002; Carpenter *et al.*, 2005; Carpenter and Moore, 2006; Verhoef *et al.*, 2009). It is created in all three stages through customer's interactions with a large number of touchpoints. It has been observed that everything and every person and every message that touches a customer communicates something positive or negative about the organization

(Duncan, 2005). Any situation in which a customer comes in contact with a brand or a company is described as a touchpoint. Duncan (2005) has further classified touchpoints into following four categories: company-created touchpoints, intrinsic touchpoints, unexpected touchpoints and customer-initiated touchpoints. Every touchpoint can be converted into a well-planned and well-staged activity to engage and involve customers through multisensory multidimensional clues interacting with the sensory receptors to create positive or desired cognitive, emotional and behavioural response. The organizations use a wide range of functional and emotional clues, which are further classified as mechanics (object based) and humanics (people based) clues for customer experience creation and management (Berry *et al.*, 2002). These clues may appear to the customers as brand name, marketing communication messages, helplines, website/call centres, social media, sales staff, physical environment, social environment, marketing mix, billing and payment systems, delivery systems, value-added services, self-serving technologies and other process. Customers' selective interactions with such clues at all the stages during buying process contribute towards experience formation.

Customer experience is also moderated by a large number of variables such as customers – demographic, psychographic, personal, social and cultural characteristics; macro environment – economic and technology; situational – competition, type of store, product/service category, location, timing of purchase, etc. (Bitner, 1992; Wakefield and Baker, 1998; Verhoef *et al.*, 2009). Changing demographics and psychographics have empowered the modern consumer to choose from a variety of value propositions. Growing purchasing power coupled with changing lifestyle of young customers has a major impact on choices of product categories. Coley and Burgess (2003) and many other studies have reported a significant difference between the shopping behaviours of men and women. Different customers have different experiences under the influence of different sets of moderators. Customer experience in B2B purchase situation is different from B2C purchase situation; buying essentials from hypermarkets provides different experience as compared to buying lifestyle or luxury products from exclusive flagship stores; on-line shopping presents different experience as compared to shopping in physical environment; and self-service technologies and processes create different experience than full service, human processes. Moderators may play a dominant role in determining the extent of personalization and co-creation in customer experience creation.

4.3 Customer experience formation

Experience occurs as a result of encountering, undergoing or living through things, which provide sensory, emotional, cognitive, behavioural and relational values (Schmitt, 1999). Customer experience formation refers to the internal mechanism involving customer interaction in three value creation stages through sensory receptor: mental processing – cognitive and emotional, experiential value creation and customer responses. Pareigis *et al.* (2012) suggested that internal mechanisms that form the customer service experience consist of "a framework of three constellations of activities and interactions: namely, identifying, sense-making, and using". Customer experiences are formed as an outcome of interactive process involving environmental clues and sensory receptors. Customers interact with the clues through five senses – sight, sound, smell, taste and touch. This leads to cognitive and emotional processing inside the brain and results into a wide range of consumer responses. Experiential process can be explained and understood in line with the theories of environmental psychologists which report that customer interaction with clues or stimulus result into the emotional states of pleasure, arousal and dominance (PAD) which further leads to approach or avoidance behaviour (Mehrabian and Russell, 1974; Donovan and Rossiter, 1982).

The human brain is primarily responsible for both cognitive and emotional processing. Studies in neuroscience and psychology clearly establish the role of left and right brain in

decision making. Turkington (1996) explained that the brain interprets sensory impulses that it receives from a variety of sensory organs (the eyes, ears, nose, taste buds, skin, etc.) that lead to sensations (sight, hearing, smell, taste and touch). Feelings, drives or urges that make up behaviour are all dependent on brain activity, from which all voluntary acts are initiated. Perception, understanding, thought, reasoning, judgement, memory and learning are all possible only through the activity of the brain. Turkington (1996) further explained that left side of the brain is the home of logical thought and the right brain controls intuition. Schiffman and Kanuk (2007) provide a cognitive and emotional view of consumer decision making. They described two models of consumer decision making based on rational motives and emotional (personal or subjective) motives. Decision making is a cognitive – affective process, crucially dependent upon the emotional evaluation of potential actions (Litt *et al.*, 2008). Customer experience is formed as an outcome of all the cognitive and emotional processes taking place in the human brain during all pre-purchase, purchase and post-purchase stages. Every experience is a reflection of internal, subjective and unique mental processing by a customer. Perceptions about personalized co-created customer value are formed as the result of this phenomenon.

4.4 Customer responses

Holbrook and Hirschman (1982) described that customers express their experiences with organization in terms of playful, leisure, sensory pleasures, daydreams, aesthetic enjoyment and emotional responses. It was further explained that the interactions with physical settings lead to individual internal responses (cognitive, emotional and physiological) resulting into approach (avoidance) behaviour (Bitner, 1992). Experiences occur as a result of encountering, undergoing or living through things, which provide sensory, emotional, cognitive, behavioural and relational values (Schmitt, 1999). Customer experiences are also described as occurring at emotional, physical, intellectual or even spiritual level (Pine and Gilmore, 1998, 1999). Customer responses to organizational experiential efforts have been discussed on similar dimensions in many more studies. Verhoef *et al.* (2009) described that the customer experience creation is composed of multiple independent contact points during the entire process resulting into cognitive, affective, social and physical responses. Customer experience may be good (pleasurable) or bad (un-pleasurable) leading to positive or negative responses by the customers with regard to satisfaction, value, quality, image, purchase intentions, patronage, loyalty and recommendations. Experiential memories are relatively more stable which often reinforce favourable or unfavourable response towards products, services, brands, stores or firms leading to approach or avoidance behaviour.

4.5 Metrics – measuring customer experience

Experience has largely been regarded as a personal and subjective phenomenon. Measurement of customer experience has been challenging owing to complexities in description, lack of clear definition of the construct and its dimensionalities. Customer responses have traditionally been measured as satisfaction, purchase intentions, loyalty, WOMC, recommendations, etc. Studies on customer experience emphasize the need for development of a robust metrics for its measurement (Verhoef *et al.*, 2009). Some measurements are available in the related area such as experiential value scale (Mathwick *et al.*, 2001), brand experience scale (Zarantonello *et al.*, 2007), experience quality scale (Chang and Horng, 2010), Customer Experience Index (Kim *et al.*, 2011), service experience quality scale (Klaus and Maklan, 2012), and retail customer experience scale (Bagdare and Jain, 2013). The need for developing a measure for customer experience is felt in the light of growing importance of customer experience. It can be measured as experiential value, experiential quality, experiential satisfaction and/or experiential memories. The metrics may also be developed while considering customer experience as formative construct as well as reflective construct.

5. Research agenda for customer experience

The review of literature reveals that although there is a wide agreement on the importance of customer experience, there are divergent views about its conceptualization, characterization, process and other related issues. The concept of customer experience requires more studies for its conceptualization, theoretical development and professional applications. In a recent article, McColl-Kennedy *et al.* (2015) have taken a dynamic, multi-actor centric perspective of customer experience and suggested three directions for future research – broadening customer role, taking a practice-based approach and better understanding the dynamic holistic nature of customer experience. The subjective and complex nature of customer experience creates major challenges in its management. It has been approached as formative construct and as reflective construct in different studies demanding a comprehensive framework for its description, relationships and management. It occurs as "personalized co-creation experience" at successive stages of value creation – value in pre-use, value in use and value in post-use – that requires different set of metrics for measurement purposes. Value for the customers as well as for the organization largely depends upon the quality and economies of operations. Defining and managing experiential satisfaction, quality and productivity require more studies for better insights. Each industry/sector differs in its structure and unique features, which further demands a unique strategy for customer experience management in each specific application area. The agenda for future research are presented below:

(1) Conceptualization and validation of customer experience: future researches need to bring a sound conceptualization of customer experience based on theoretical foundations and empirical validation. The researches should also focus on debating on experiential value and characterization, typologies, antecedents, and consequences of customer experience. The scope and contexts of customer experience also needs to be examined.

(2) Management of total customer experience: there is a need for developing and validating a framework for management of total customer experience which can be generalized across industries. The researches should explore the operational dimensions of customer experience design, development and delivery processes using process mapping or other quantitative techniques. Methods of standardization of customer experience process may also be examined and validated. Roles of different types of resources, skills, competencies, various actors, internet and technology in management of total customer experience should also be investigated. Industry practices for customer experience management can be studied, documented and validated for theory development.

(3) Customer experience metrics: earlier researchers have developed some measures of customer experience-related dimensions, but there is still a need for development of robust measurement of customer experience quality, customer responses towards customer experience practices and experiential memory. Researches should also identify or develop metrics for measuring the effect of customer experience practices on financial performance of the firm.

Increasing global concern for sustainable development has led to reorienting marketing research and practices towards societal welfare. Customer experience, as a holistic process, may extend itself to include dimensions of societal well-being. Future researches may also explore the role and applications of customer experience in issues related to social causes, customer happiness, quality of life and sustainability.

6. Managerial implications

The present study brings important insights for managers. Emergence and evolution of customer experience in the last 25 years has provided theoretical and practical insights into designing, developing and delivering superior customer experiences to enhance

customer satisfaction. Based on the present literature, some important managerial implications are presented below for their applications in the industry:

(1) The organizations of all types and sizes must realize the importance of customer experience as a tool for achieving competitive advantage. Reported studies have established the impact of customer experience on perception of customer value, differentiation, customer satisfaction, image and loyalty. Therefore, it can be considered and managed as a holistic strategic process for improving business performance.

(2) The nature of customer experience in terms of co-creation process, and personal and subjective evaluation of customer interactions during the entire process, presents many challenges before managers. Further, holistic customer experiences may be a combination of rational, emotional, sensorial, social, physical or spiritual experiences. Managers need to adequately understand customers' expectations and clearly define the role of customers and organization in the co-creation process for creating positive customer experiences.

(3) The business organizations should plan for required level of resources, including knowledge and skills, for delivering seamless customer experiences. The studies suggest that customer experience is created during three stages: pre-purchase experience, purchase and consumption experience and post consumption experience. An understanding of customer experience determinants, resources, process, experience formation and customer responses can help organization in effective management of customer experiences. Organizations can make use of appropriate tools and techniques for mapping of experiential process or customer touchpoints, and designing strategies for shaping and influencing customers' perceptions about their experiences.

(4) The studies also suggest that customer responses should be measured on regular intervals. Managers can use an available/standardized metric or design their own system for regular measurement of customer experiences. Considering the personal and subjective nature of customer experience, a combination of qualitative and quantitative measurement can be used. This would help managers in assessing the impact of their marketing strategies and also help in identifying any gaps in creating unique, pleasurable and memorable customer experiences. If required, it would facilitate revision or redesign of customer experience management strategies.

As we are moving towards experience-based economy, the present review can serve as the basis for developing a better understanding of customer experience theory and practice. Managers can ascertain possible challenges associated with the management of customer experiences and develop strategies for the benefit of organization, customers and society.

7. Conclusion

A comprehensive and through review of literature presents a deeper understanding of different issues related to customer experience in a structured manner. The review highlights the emergence of customer experience as an important concept for achieving competitive advantage. An overview of different perspectives and definitions of customer experience and service experience brings the revelation that both the concepts of service experience as well as customer experience are positioned in the "S-D logic" and focus on "value in use". They are similar in their conceptualizations and share many common features. The differences between these concepts can be understood in terms of their focus: service experience involves customers (or any actor) and has also focussed on the co-creation process, whereas the concept of customer experience addresses customers as experience actors. The review also discusses

determinants of customer experience, process and stages, experience formation, moderators and measurement parameters. Customer experience is described as a holistic concept, representing sum total of feelings, perceptions and attitudes created during successive stages of consumption process as a result of interactive process. It is created by integrating customer interaction, co-creation and personalization in the experiential value creation involving value in pre-use, value in use and value in post-use.

This study significantly contributes by exploring and discussing the concept of customer experience, differentiating it with service experience, proposing a definition, describing its dimensions as formative and reflective construct, measurement difficulties and highlighting important issues for research and practice. The review of existing literature reveals gaps in the conceptualization of customer experience from theoretical and business perspective. It highlights lack of consensus and clarity about its concept, definitions, characterization, formation and measurement which are yet to be answered with adequate exploration and validation. There are a large number of research issues which further need to be addressed by both researchers as well as practitioners. In spite of a large amount of work in the field of customer experience, it has yet not clearly emerged and developed as an academic discipline for management education and business application. The need for reliable and valid techniques for integration, implementation and measurement is also reflected in a large number of studies. There is a need for more empirical studies for developing a sound conceptualization of customer experience, examining its relationships with other constructs, and its generalization in different contexts.

The reported studies, research gaps and issues can guide scholars and practitioners in further debating, discussing and validating foundations and formulating strategies for customer experience. From managerial perspective, the review of literature on customer experience establishes its significance for creating customer value, achieving competitive advantage and enhancing overall business performance. Its relationships with perceived value, customer satisfaction, loyalty and WOMC are well established in empirical studies. Providing a positive customer experience is imperative for customer value creation. The emergence of experience economy, experiential marketing practices and growing consumer expectations for holistic experiences provides a valid argument for the practice of customer experience by marketers of all types and sizes.

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