

# A STUDY ON CONSTRUCTS OF EXPERIENCE RESULTING IN CUSTOMER LOYALTY TOWARDS RETAIL OUTLETS IN CHENNAI

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**ABSTRACT** --*The concept of customer experience has turned into an important area of study within the marketing discipline. Customer experience could also help in having a better understanding of brands and the benefits that follow it. Customer experience could influence on brand loyalty and this is especially true in the case of a service-centred marketing setup. It is hoped that this article would provide a framework for analysing the customer experience resulting in customer loyalty related to a retail outlet. The objectives of this study are to identify the identify the constructs influencing customer experience with reference to retail outlets in Chennai and to know the influence of customer experience on customer loyalty. The study has revealed that physical response is the most influencing construct followed by affective response, cognitive response and least influencing construct is social response.*

**Keywords**-- *Customer experience, cognitive, affective, social, physical and customer loyalty*

## I. INTRODUCTION

In the present digitalised world, the most happening aspect on which companies are focussing their attention is on enhancing customer experience. Customer experience has been seen as offering unlimited and exciting opportunities to companies which take efforts to focus attention on customer experience as it helps them reduce churning out of customers leading to higher rates of retention which ultimately increases profitability of such companies.

Customer experience differs from customer service in the sense it relates to the single touchpoint which a customer has with a particular brand. On the other hand, customer experience deals with the feelings and emotions of customers and includes the entire journey which the customer goes through in the process of being associated with the brand. In short such an association has its impact on all areas of any business. However as of today the problem confronting companies is how to get started with the process of identifying the determinants of customer experience which leads to customer retention, customer loyalty and thereby higher profitability.

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## **II. REVIEW OF LITERATURE**

An increasing move is seen drafting towards the creation of customer experiences with the intention of making the same more and more unique such that the company would be able to gain a competitive advantage in the market place. This could be seen to be very true especially with respect to the service sector. The very concept of customer experience cannot be taken as a new concept because for years marketing research professionals have been focusing their attention on consumption experience for the last few decades. But of late due to digitisation, the concept has emerged again as a important aspect which could provide huge benefits if properly implemented through an effective and relevant strategy.

Researchers world over have resorted to different approaches in attempting to define customer experience. LaSalle & Britton (2003) believe to be rather a holistic experience approach which talks about a person as opposed to a customer in each and every interaction between the company and the customer. Prahalad & Ramaswamy (2004) are of the conviction that in a co-creation approach which means that companies do not sell experience but instead they serve as a platform for customers to experience what can be co-created by customers using their own, unique, experiences (Carù & Cova, 2003, 2007).

Prahalad and Ramaswamy (2004) view the customers as co-creators of their own experiences. They believe that the customers make a judgment about the offerings made by company based not only on the features it has to offer, but by a larger extent to which it gives them the experiences that customers desire to have.

Kempf (1999) and Da Silva and Syed (2006) believe that cognition response serves at the basic and foundation advance in the process of creating a customer experience as expected by an individual to help in the processing of knowledge to be acquired in order to evaluate their environment either consciously or subconsciously.

Erevelles (1998) has proved that even customer's mood plays a crucial part in the overall customer experience, emotions of the individual as a customer are very influential in the delivery of an intense conclusion and therefore are more likely to have a greater effect on the consumers in-store experience.

## **III. NEED FOR THE STUDY**

The concept of customer experience has turned into an important area of study within the marketing discipline. Customer experience could also help in having a better understanding of brands and the benefits that follow it. The influence of customer experience on brand loyalty can also be understood especially in the case of a service-centred marketing setup. It is hoped that this article would provide a framework for analysing the customer experience resulting in customer loyalty related to a retail outlet.

## **IV. OBJECTIVES OF THE STUDY**

- To identify the contracts influencing customer experience with reference to retail outlets in Chennai.
- To know the influence of customer experience on customer loyalty towards retail outlets in Chennai

## V. METHODOLOGY

This study is descriptive in nature and the study has been carried out in Chennai with the target respondents being various marketing professionals employed with the retail outlet operating in the city. The sampling technique adopted for this study was convenience sampling and the sample size was limited to 118 marketing professionals. The research tool was a structured questionnaire and the same was testing for its reliability by calculating the Cronbach's alpha and the results are as shown below.

**Table 1:** Cronbach's Alpha for the constructs influencing Customer Experience

| <b>Constructs of customer experience</b> | <b>Cronbach's Alpha</b> |
|--|-------------------------|
| Cognitive response                       | 0.823                   |
| Affective response                       | 0.798                   |
| Social response                          | 0.812                   |
| Physical response                        | 0.763                   |

On the whole three types of retail outlets were covered which included speciality stores, departmental stores and super markets.

## VI. DATA ANALYSIS

**Table 2:** Benefits of customer experience strategy

| <b>Benefits of customer experience strategy</b> | <b>Frequency</b> | <b>Percent</b> |
|---|------------------|----------------|
| Increased customer satisfaction                 | 99               | 83.9%          |
| Reduced customer churn                          | 87               | 73.7%          |
| Increased customer loyalty                      | 92               | 77.9%          |
| Increased profitability                         | 103              | 87.3%          |

It cannot be denied that companies who are able to successfully implement a strategy with respect to customer experience are sure to have increased levels of customer satisfaction reduced customer churn and increased revenues and thereby the profitability of the company. 87.3% agree that it increases profitability, 83.9% feel the it increases customer satisfaction, 77.9% believe that it helps increase customer loyalty and 73.7% believe that it helps reduce churning of customers thereby helping them in retaining their customers.

**Table 3:** Mean and SD of customer experience related statements

| <b>Statements</b>   | <b>Mean</b> | <b>SD</b> |
|---|-------------|-----------|
| Customer experience model should provide a meaningful and lasting relationship between the retailer and its customers | 3.867       | 1.069     |
| Retail outlets should serve as a platform in triggering positive perception in the minds of the customers             | 3.710       | 1.084     |

|   |       |       |
|---|-------|-------|
| Retail outlets should serve as a platform in trigger customer stimuli to make purchases   | 2.743 | 1.181 |
| Customer emotions should be aroused so as to have an intrinsic effect on the formation of customer experience                                   | 2.933 | 1.207 |
| Retail outlets should ensure that emotions supersede rational instincts that drive customers purchases  | 3.860 | .985  |
| Retail outlets could influence customer experience by focussing on the social, situational, customer-related and personnel-related determinants | 2.998 | 1.333 |
| Retail outlets should ensure that previous customer experiences do not influence the formation of current and future experiences                | 2.771 | 1.047 |
| Digitalisation of retail business influences customer behaviour   | 3.995 | .984  |
| Digitalisation of retail business has pushed retailers to identify innovative ways of creating opportunities for customer experiences           | 3.855 | 1.084 |

Based on mean score, digitalisation of retail business influences customer behaviour has the highest mean score of 3.995 and thus can be taken as the most important construct influencing customer experience. This is followed by digitalisation of retail business has pushed retailers to identify innovative ways of creating opportunities for customer experiences with a mean score of 3.855, customer experience model should provide a meaningful and lasting relationship between the retailer and its customers with a mean score of 3.867, and Retail outlets should ensure that emotions supersede rational instincts that drive customers purchases with a mean score of 3.860. Aspects of customer experience that have score low include retail outlets should serve as a platform in trigger customer stimuli to make purchases (2.743) and retail outlets should ensure that previous customer experiences do not influence the formation of current and future experiences (2.771).

**Cognitive response**

Cognitive response refers to the customer gathering and processing information received by them through a marketing stimulus within the retail stores. The cognitive response leads to they forming their level of belief, attitude and feelings towards the retail store and the brands it sells. It also pays attention in prioritizing the focus of customers towards the stimuli which attract or persuade their actions.

**Table 4:** Level of Cognitive Response

| Level    | Frequency | Percent |
|----------|-----------|---------|
| Low      | 90        | 21.4    |
| Moderate | 225       | 53.6    |
| High     | 105       | 25.0    |
| Total    | 420       | 100.0   |

53.6% of marketing managers consider the level of cognitive responses to be moderate, 25% of them consider the level of cognitive response to be high and 21.4% of respondents consider the level of cognitive response to be low.

### ***Affective response***

Affective response refers to the emotional states in which customers respond to the stimulus after acquiring the necessary inputs during the cognitive process. Emotional reactions expressed by customers to the environment of the retail outlet serves as a source of valuable information for retailers in understanding the indicators of customer experience. Mood of the customers also play a vital role in providing inputs about the affective responses of customers.

**Table 5:** Level of Affective Response

| <b>Level</b> | <b>Frequency</b> | <b>Percent</b> |
|--------------|------------------|----------------|
| Low          | 94               | 22.4           |
| Moderate     | 214              | 51.0           |
| High         | 112              | 26.7           |
| Total        | 420              | 100.0          |

51% of respondents consider the level of affective response to be moderate, 26.7% of respondents consider the level of affective response to be high and 22.4% of respondents consider the level of affective response to be low.

### ***Social response***

Social response refers to an experience is created by both two-way communication or interaction between the customer and other customers or between the customer and the employees of the retail outlet. The physical environment of the retail store could serve as a breeding ground for bringing about social interaction wherein customers could engage themselves in socializing with entities beyond their circle. Thus, social response could be well assumed to exert a direct bearing with the excellence of social interactions that take place in the retail store.

**Table 6:** Level of Social Response

| <b>Level</b> | <b>Frequency</b> | <b>Percent</b> |
|--------------|------------------|----------------|
| Low          | 111              | 26.4           |
| Moderate     | 200              | 47.6           |
| High         | 109              | 26.0           |
| Total        | 420              | 100.0          |

47.6% of respondents consider the level social response to be moderate, 26.4% of respondents consider the level of social response to be low and 26% of respondents consider the level of social response to be high.

### Physical response

Physical response refers to the internal physiological responses taking place within the customers and which are the result of interaction with the store's physical environment, including brands and people. Through physical response customers are able to differentiate between comfort or discomfort areas and help in influencing the customer's behaviour.

**Table 7:** Level of Physical Response

| Level    | Frequency | Percent |
|----------|-----------|---------|
| Low      | 117       | 27.9    |
| Moderate | 178       | 42.4    |
| High     | 125       | 29.8    |
| Total    | 420       | 100.0   |

42.4% of respondents consider the level of physical response to be moderate, 29.8% of respondents consider the level of physical response to be low and 27.9% of respondents consider the level of physical response to be low.

**Table 8:** ANOVA for significant difference between type of retail outlet and constructs influencing customer loyalty

| Constructs              | Type of Retail outlet     |                           |                           | F value      | P value            |
|-------------------------|---------------------------|---------------------------|---------------------------|--------------|--------------------|
|                         | Specialty Store           | Departmental Store        | Super Market              |              |                    |
| Cognitive response      | 48.68b<br>(12.62)         | 53.35ab<br>(6.28)         | 54.95a<br>(8.47)          | 15.545       | <0.001**           |
| Affective response      | 15.15b<br>(3.07)          | 15.87ab<br>(2.69)         | 16.19a<br>(3.62)          | 3.399        | <0.001**           |
| Social response         | 18.19a<br>(4.44)          | 18.39a<br>(2.84)          | 18.96a<br>(3.30)          | 1.830        | <0.001**           |
| Physical response       | 18.71c<br>(4.48)          | 19.70b<br>(3.82)          | 22.15a<br>(3.97)          | 26.429       | <0.001**           |
| <b>Overall Response</b> | <b>84.08b<br/>(15.78)</b> | <b>87.97ab<br/>(8.59)</b> | <b>90.36a<br/>(13.44)</b> | <b>7.810</b> | <b>&lt;0.001**</b> |
| <b>Customer loyalty</b> | <b>52.50b<br/>(10.83)</b> | <b>56.62ab<br/>(8.91)</b> | <b>57.48a<br/>(9.14)</b>  | <b>9.141</b> | <b>&lt;0.001**</b> |

Note: \*\* Denotes significant at 1% level

Since P value is less than 0.01, null hypothesis is rejected at 1% level. Hence there is significance difference between type of retail outlet and constructs influencing customer experience leading to customer loyalty.

**Table 9:** Correlation among the Constructs of Customer Experience

| Constructs of customer experience | Cognitive response | Affective response | Social response | Physical Response |
|-----------------------------------|--------------------|--------------------|-----------------|-------------------|
| Cognitive response                | 1                  | 0.703**            | 0.695**         | 0.801**           |
| Affective response                |                    | 1                  | 0.325**         | 0.890**           |
| Social response                   |                    |                    | 1               | 0.712**           |
| Physical response                 |                    |                    |                 | 1                 |

\*\* Correlation is significant at the 0.01 level (2-tailed).

The correlation coefficient between cognitive response and physical response is the highest at 0.890 and indicate 89.0 percentage positive relationships between the two constructs and is significant at 1% level.

The correlation coefficient between affective response and physical response is 0.801, which indicate 80.1 percentage positive relationships between the two constructs and is significant at 1% level.

### Multiple regression

The dependent variable is customer loyalty. The independent variables are cognitive response, affective response, social response and physical response as discussed below.

Dependent variable : Customer loyalty (Y)  
 Independent variables : 1. Cognitive response (X<sub>1</sub>)  
 2. Affective response (X<sub>2</sub>)  
 3. Social response (X<sub>3</sub>)  
 4. Physical response (X<sub>4</sub>)

Multiple R value : 0.852  
 R Square value : 0.725  
 F value : 273.630  
 P value : <0.001\*\*

**Table 10:** Variables in the Multiple Regression Analysis

| Variables      | Unstandardized co-efficient | SE of B | Standardized co-efficient | t value | P value  |
|----------------|-----------------------------|---------|---------------------------|---------|----------|
| Constant       | .199                        | 1.787   |                           | .111    | .912     |
| X <sub>1</sub> | .384                        | .035    | .506                      | 11.093  | <..000** |
| X <sub>2</sub> | .326                        | .062    | .274                      | 5.228   | <..000** |
| X <sub>3</sub> | .067                        | .018    | .168                      | 3.728   | <..000** |
| X <sub>4</sub> | 1.099                       | .121    | .353                      | 9.050   | <..000** |

Note: \*\* Denotes significant at 1% level

The multiple correlation coefficient of 0.852 measures the degree of relationship between the actual values and the predicted values of the customer loyalty. Because the predicted values are obtained as a linear combination of cognitive response ( $X_1$ ), affective response ( $X_2$ ), social response ( $X_3$ ) and physical response ( $X_4$ ), the coefficient value of 0.852 indicates that the relationship between customer loyalty and the four independent variables is strong and positive.

The Coefficient of Determination R-square measures the goodness-of-fit of the estimated Sample Regression Plane (SRP) in terms of the proportion of the variation in the dependent variables explained by the fitted sample regression equation. Cognitive response, affective response, social response and physical response as the independent variables are significant at 1 % level.

The multiple regression equation is :

$Y = .199 + 0.384X_1 + 0.326X_2 + 0.067X_3 + 1.099X_4$  Here the coefficient of  $X_1$  is 0.384 represents the partial effect of cognitive response on customer loyalty holding the other variables as constant. The estimated positive sign implies that such effect is positive with customer loyalty score increasing by 0.384 for every unit increase in cognitive response and this coefficient value is significant at 1% level.

The coefficient of  $X_2$  is 0.326 represents the partial effect of affective response on customer loyalty, holding the other variables as constant. The estimated positive sign implies that such effect is positive with customer loyalty score increasing by 0.326 for every unit increase in affective response and this coefficient value is significant at 1% level.

The coefficient of  $X_3$  is 0.067 represents the partial effect of social response on customer loyalty, holding the other variables as constant. The estimated positive sign implies that such effect is positive with customer loyalty score increasing by 0.067 for every unit increase in social response and this coefficient value is significant at 1% level.

The coefficient of  $X_4$  is 1.099 represents the partial effect of physical reaction on customer loyalty, holding the other variables as constant. The estimated positive sign implies that such effect is positive with customer loyalty overall score increasing by 1.099 for every unit increase in physical response and this coefficient value is significant at 1% level.

Based on standardized coefficient, physical response (.121) is the most important factor to extract customer loyalty score, followed by affective response (0.062), cognitive response (0.035) and social response (0.018).

## VII. FINDINGS AND CONCLUSION

- 87.3% agree that it increases profitability, 83.9% feel the it increases customer satisfaction, 77.9% believe that it helps increase customer loyalty and 73.7% believe that it helps reduce churning of customers thereby helping them in retaining their customers.

- Digitalisation of retail business influences customer behaviour has the highest mean score of 3.995 and thus can be taken as the most important construct influencing customer experience. Aspects of customer experience that have score low include retail outlets provides the experience platform which trigger customer stimuli to form their perception of the retailer and determine the total customer experience (2.743) and customer experience results in brand loyalty and trust (2.771).



- There is significance difference between type of retail outlet and constructs influencing customer experience leading to customer loyalty.

- The correlation coefficient between all the four constructs of customer experience shows that there is positive relationships between all of them and the same is significant at 1% level.

- Physical response (.121) is the most important factor to extract customer loyalty score, followed by affective response (0.062), cognitive response (0.035) and social response (0.018).

Customer expectations are higher than ever and word of mouth travels the fastest and has the highest level of impact. Since today customers are empowered and are bound to become more in future, it becomes imperative for companies to focus attention on customer service experience. Hence to conclude it can be added that customer experience is an area of marketing which needs to be constantly watched with care so that companies are able to derive some benefit form the same in the form of customer loyalty and increased revenues.

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