

DISSERTATIONES RERUM OECONOMICARUM  
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**38**



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**ANDRUS KOTRI**

Customer experience  
evoking and management  
in services



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# THE LIST OF AUTHOR'S PUBLICATIONS AND CONFERENCE PRESENTATIONS

## I. Articles in international journals

1. **Kotri, A., McKenzie, B.** (2010). Mass Customization and System Development: Case Findings from the Packaging Industry. *Baltic Journal of Management*, Vol. 5, No. 1, pp. 100–117.
2. **Kotri, A., Alvarez-Mourey, J.** (2012). Identifying Customer Value in Emerging Markets via Conjoint Analysis: a Case Study of an Estonian Packaging Company. *International Journal of Business and Emerging Markets*, Vol. 4, No. 1, forthcoming.

## II. Working papers

1. **Kotri, A.** (2006). Analyzing Customer Value Using Conjoint Analysis: the Example of a Packaging Company. *University of Tartu, Faculty of Economics and Business Administration Working Paper Series*, No. 46.

## III. Conference publications

1. **Kotri, A., Brokaw, A.** (2008). Conjoint Analysis and Segmentation Applied to and Eastern European Packaging Company. *Proceedings of Marketing Management Association 2008 Spring Conference*, Chicago, pp. 91–96.
2. **Kotri, A.** (2007) Integrating Three Approaches to Mass-Customization: Strategies, Operations and Key Capabilities. *Doctoral Summer School in Economics of University of Tartu and Tallinn University of Technology 2007*, Kääriku, Estonia.
3. **Kotri, A.** (2006) Analyzing Value Created to Customer with Conjoint Method. *Doctoral Summer School in Economics of University of Tartu and Tallinn University of Technology*, Nelijärve, Estonia.
4. **Kotri, A.** (2006) Tarbijaväärtuse analüüs eeliskombinatsiooni meetodil: Eesti kilepakenditootja näide. (Consumer value analysis with conjoint method: example of Estonian plastic producer) *Annual Conference of the Estonian Economic Association*, Pärnu, Estonia.
5. **Kotri, A., Miljan, M.** (2005). The Customization Perspective of Relationship Marketing: Example of a Packaging Company. In: *The Future of Relationship Marketing: 2nd Workshop on Relationship Marketing*, EIASM, Brussels, Belgium.
6. **Kotri, A., Miljan, M., Brokaw, A.** (2005). Moving Toward Mass Customization: the Case of an Estonian Packaging Company. *Marketing: From Fantasy to the Future. Proceedings of the 2005 Atlantic Marketing Association*, Georgia Southern University, Vol. 21, pp. 134–138.

7. **Kotri, A., Miljan, M.** (2004) Delivering Personalized Value Offerings with a Mass-Customization System. *30th EIBA Annual Conference: Challenges to International Business and Management*, Ljubljana, Slovenia.
8. **Kotri, A., Miljan, M.** (2003). The Customization Perspective of Relationship Marketing: Case of a Packaging Company. *11<sup>th</sup> Annual Conference on Marketing and Business Strategies for Central & Eastern Europe*, Wirtschaftsuniversität Wien, Vienna, Austria, pp. 155–170.

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2. **Kotri, A.** Analyzing Value Created to Customer with Conjoint Method. *Doctoral Summer School in Economics of University of Tartu and Tallinn University of Technology*, Nelijärve, Estonia, 2006, July 30.– August 2.
3. **Kotri, A.** Tarbijaväärtuse analüüs eeliskombinatsiooni meetodil: Eesti kilepakenditootja näide. (Consumer value analysis with conjoint method: example of Estonian plastic producer). *Annual Conference of the Estonian Economic Association*, Pärnu, Estonia, 2006, January 20.–22.
4. **Kotri, A., Miljan, M.** The Customization Perspective of Relationship Marketing: Example of a Packaging Company. *In: The Future of Relationship Marketing: 2nd Workshop on Relationship Marketing*, EIASM, Brussels, Belgium, 2005, October 4.–5.
5. **Kotri, A., Miljan, M.** Delivering Personalized Value Offerings with a Mass-Customization System. *30th EIBA Annual Conference: Challenges to International Business and Management*, Ljubljana, Slovenia, 2004, December 5.–8.
6. **Kotri, A., Miljan, M.** The Customization Perspective of Relationship Marketing: Case of a Packaging Company. *11<sup>th</sup> Annual Conference on Marketing and Business Strategies for Central & Eastern Europe*, Vienna, Austria, 2003, December 4.–6.

# INTRODUCTION

## Motivation for the research

Managing customer experience is the latest trend for providing superior customer value and differentiating products and services in a keenly competitive business environment. It is acknowledged by the academic community that evoking superior customer experience has become one of the central objectives in organizations today (Frow and Payne 2007; Meyer and Schwager 2007; Verhoef *et al.* 2009). This is evidenced by the unwavering success of customer experience centred companies such as Apple, Amazon, Disney, Lego, Ikea and Starbucks. The heightened scientific interest towards customer experience management (CEM) is reflected in the fact that the prominent Centre for Service Leadership at W.P. Carey School of Business has appointed “enhancing customer experience” as one of its *research priorities* for 2010 (Ostrom *et al.* 2010, p. 21). Several authors address customer experience as the foundation of marketing in the future (Pine and Gilmore 1998; Schmitt 1999a; Caru and Cova 2003). In the prognostic article by Bonnemaizon, Cova, and Louyot (2007, p. 55), a panel of 12 leading marketing scientists place customer experience at the heart of customer relationship management; it is even believed that “CRM will evolve into customer experience management [CEM] one day.” Therefore, this thesis contributes to a research field that is topical and that is believed to be the cornerstone of organizational success in the years to come.

However, marketing literature that explores the theoretical foundations of CEM remains limited. Authoritative marketing scholars like Schmitt (1999b) and McCole (2004) admit that traditional marketing science has *largely ignored* the customer experience phenomenon; because of that Payne *et al.* (2009) contend that the marketing discipline has lost its customer focus to a certain extent. Historically, consumer behaviour research has concentrated on conceptualizing and measuring the functional performance of products, customer satisfaction and customer value (e.g. Gale and Wood 1994). Only recently has attention shifted to the holistic management of customer experience (Tsai 2005). There is a vast amount of literature that investigates the value of single product attributes for customers, but the research of holistic customer experience is scarce. Despite the fact that experiential aspects of customer value were already stressed in 1982 by Holbrook and Hirschman; and Carbone and Haeckel called for elevating and studying the CEM process in their 1994 article, in order to move CEM from “a highly intuitive art into a management discipline” (Carbone and Haeckel, 1994, p. 9), the subject of CEM was left largely untouched by scientists until this decade, when the customer experience concept emerged as a separate research agenda with high potential.

At the same time, a growing body of literature on the CEM topic is being published in practice-oriented handbooks. Holbrook reviews some of those books in his four essays (2006, 2007a; 2007b; 2007c) and concludes that the practitioner view of customer experience has rarely addressed the theoretical foundations of the customer experience management. There are only handful known academic articles that investigate the antecedents and outcomes of CEM from the theoretical perspective. To illustrate this, a search in the EBSCO database returns only 10 relevant articles in response to the keyword “customer experience management” (in May 2010), while a Google search returns more than 1.3 million results. Some noteworthy academic studies that address CEM include: Frow and Payne (2007); Verhoef *et al.* (2009); Grewal, Levy and Kumar (2009); Kwortnik and Thompson (2009). Even from these authors Frow and Payne (2007, p. 100) conclude their article with the notion that the “concept of perfect customer experience is at an embryonic stage”. The same opinion is supplemented by Verhoef *et al.* (2009, p. 31), who also contend that: “to the best of our knowledge only a limited number of articles explore customer experience in depth from the theoretical perspective”. So, despite the growing body of knowledge, CEM is still a divergently conceptualized discipline, that lacks both in terms of precise terminology and structured approach. Therefore, the urgent need to develop a theoretical foundation for CEM, is also emphasized by other recent authors like, Abhari, Saad and Haron (2008) and Sundbo (2009).

This thesis strives to fill this gap by proposing a framework that describes evoking and managing customer experience. The framework is based on a thorough analysis and synthesis of existing literature and then validated via a case study of six large service organizations in Estonia. The case study allows us to explore and detail the structure and causal relations of the framework together with possible opportunities for improvement and necessary further research areas.

Meyer and Schwager (2007) refer to a survey of 360 business organizations where the results showed that only 8% of customers described their experience as superior, yet 80% of the selling organizations believed that the experience they provided was superior. This *gap* points to the need for systematic CEM that allows providing and tracking superior customer experience. It has been said that organizations cannot avoid giving customers an experience; they can however, avoid *managing it in a systematic way* (Haeckel, Carbone and Berry 2003). Therefore, the challenge for organizations is to create capabilities that deliver to customers the intended superior experience. For this purpose, the research in marketing, psychology and management has been used in this study to gain insight into the mechanisms of customer experience evoking.

What makes CEM a challenging research area is the fact that customer experience is ultimately produced in the mind of the individual customer. Customer experience is evoked by external stimuli that are interpreted by a subjective receiver, based on one’s physical, psychological and social needs and previous experiences (Sundbo 2009). However, Pine and Gilmore (1998)

emphasize that customer experience is not an amorphous construct – it is as *real an offering* as any other good or service. In contrast to traditional marketing where the product or service is the object of production, it is the customer who is the object of production in the customer experience management paradigm; it goes beyond the boundaries of the manufactured product and focuses on what experiences the product evokes. Thus, experience is considered the conveyor of value to the customer (Bonnemaizon, Cova, and Louyot 2007) and the main driver of the customer's future behaviour (Baker *et al.* 2002). Consequently, experiences should be managed with the same kind of rigor as manufactured products and services.

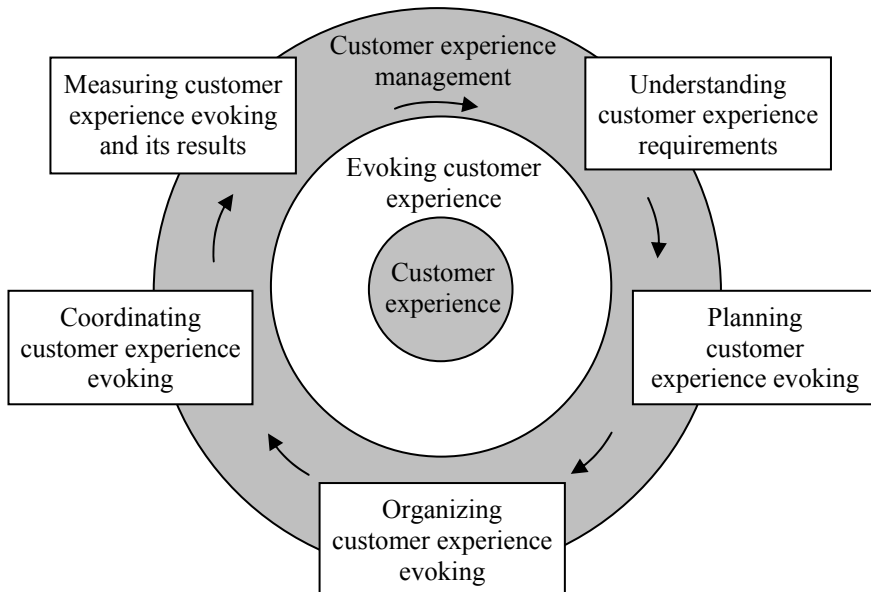
The advantages of successful CEM for a business organization are: high customer satisfaction, repeat purchases, loyalty and high margin per customer (Frow and Payne 2007; Verhoef *et al.* 2009). CEM also allows organizations to reduce costs by cutting out activities that do not add value to customers (Carbone 2004). In addition, satisfied customers generate positive word-of-mouth that leads to acquisition of new customers at a lower cost (Morrison and Crane 2007). Further on, offering experiences is a strategic solution to avoid the commoditization of the product or service (Carbone and Haeckel 1994; Prahalad and Ramaswamy 2004b); unlike many product or service improvements, the integrated nature of CEM makes it difficult for competitors to copy, thus giving a sustainable competitive advantage (Pine and Gilmore 1998; Schmitt 1999a; Bitner, Ostrom and Morgan 2008). However, if CEM is neglected, the customers' negative experiences extend exponentially beyond a single individual to a large circle of acquaintances through word-of-mouth or social media. That is why the management of customer experience is today more important than ever.

## **Positioning and the originality of the research**

CEM is an intrinsically interdisciplinary research target that requires understanding the construction of the subjective reality of customers as well as the objective management processes that take place inside the organization, and the connections between these realities. For this reason this thesis draws upon and integrates relevant literature from the fields of: *consumer behaviour, psychology, behavioural economics, relationship marketing, marketing management, service management and organization management*. This literature provides the theoretical foundation for the proposed CEM framework. The literature review part of this dissertation aims to synthesize various related approaches into a unified CEM framework in order to develop an understanding of customer experience management. It compares and contrasts different point of views that exist on CEM as the basis for determining which is to be preferred. Whereas the framework serves as the basis for research questions focused on further scrutinizing the CEM construct. Subsequently, the gaps in

the literature are highlighted and open research questions are explored with the case study of six Estonian business organizations.

The difference between existing studies and this study is that it connects different streams of literature. It proposes a novel three-level framework that allows us to understand CEM processes and components holistically (Figure 1). Each of the three levels is further scrutinized based on relevant literature. Hence, while some authors have concentrated on explaining the *nature of customer experience* (Holbrook and Hirschman 1982; Ratner, Kahn, and Kahneman, 1999; Ariely and Carmon, 2000; Caru and Cova 2003; Gentile, Spiller and Noci 2007), others have focused their study on *elements and principles that evoke customer experience* (Haeckel, Carbone and Berry 2003; Pullman and Gross 2004; Meyer and Schwager 2007), and yet a third, considerably thinner stream of research has aimed to conceptualize *customer experience management* (Grewal, Levy and Kumar 2009; Kwortnik and Thompson 2009; Verhoef *et al.* 2009; Zomerdijk and Voss 2010).



**Figure 1.** Three levels of analysis for understanding CEM (compiled by the author)

This study manifests the importance of treating these areas in an integrated manner for building a valid framework for CEM that does not neglect any areas of current knowledge about customer experience. Further, this study highlights the need to distinguish conceptually between: 1) customer experience management, and 2) evoking customer experience. The former refers to processes, structures and capabilities that work inside an organization for managing the

evoking of customer experience, and the latter refers to the effect of elements that evoke the customer experience.

Various research streams are integrated into a unifying framework, because it is believed that without thorough understanding of the nature of customer experience and the mechanisms that evoke the customer experience, the organization's CEM initiative is likely to fail. On the other hand, knowledge about the nature of customer experience is not enough to provide customers with a consistently superior experience; a thorough understanding of processes and systems in the organization is also needed for successful CEM.

## **The aim and research tasks of the thesis**

The aim is to propose a coherent framework for customer experience evoking and management that relies on the synthesis of existing theoretical approaches and is substantiated and deepened through the case study of Estonian service organizations. This allows us to outline implications and further areas for investigating CEM. To achieve this aim, the following research tasks are set.

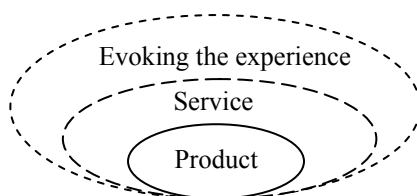
- To analyze and summarize the theoretical background for the customer experience concept, and develop a unified conception based on the analysis of relevant literature.
- To discuss and summarize the theories which address important elements and principles for evoking customer experience.
- To analyze the existing definitions of CEM, and also the components of CEM with the purpose of positioning the components within a coherent CEM framework.
- To develop research questions for empirically investigating the appropriateness of a tentative framework.
- To substantiate the research methodology for exploring and analyzing the components and contingencies of a tentative CEM framework via a case study of Estonian service organizations.
- To present the results of the empirical study and provide a discussion of the important components of the CEM framework.
- Finally, to point out managerial implications and the areas that require further research.

## **Scope and key limitations of the research**

CEM touches upon on a broad range of general management issues including: strategy, structure, personnel management, culture and performance management; to some extent these subjects facilitate the description of the management of customer experience. However, this study focuses only on aspects that are important and intrinsic for evoking and managing customer experience.

On the other hand, CEM is affected by consumer behaviour research, which is a wide-ranging research field incorporating approaches from psychology, sociology, marketing and behavioural economics. The focus of this study is again quite strictly towards the CEM processes taking place inside a supplier organization. Thus, the consumer behaviour aspect is only discussed in order to characterize the nature of customer experience and the evocation of customer experience as the object of the CEM framework. (A more specific comparison with other concepts that explain customer behaviour is presented in the first chapter, after defining and explaining the customer experience concept, on page 32).

This study embraces the view of *experiential marketing* that treats products and services only as artefacts around which experience is *co-created* (Prahalad and Ramaswamy 2004a; 2004b). From the organization’s perspective, products and services are elements that evoke that experience. This is illustrated in Figure 2. The dotted lines indicate that in the case of product creation the individual customer’s input is mostly insignificant and boundaries are strict, in the case of service creation, the customer input and involvement may be considerable; however, in the case of evoking experience, the customer input is crucial for achieving the desired output – superior experience – thus the boundary between the organization and customer is blurred.



**Figure 2.** The different scope of an organization’s value offering (compiled by the author)

Regarding customer experience, it would be improper to claim that an organization *produces* or *creates* an experience for the customer. The reasons for this lay in the phenomenology paradigm, according to which, customer experience is created in the mind of a customer with the participation of the customer’s mental faculties. The organization can only partly influence this. As this kind of discussion is absent in the current research, the author of this study proposes that it would be more appropriate to use a term like *enable*, *influence* or *evoke* when referring to the “production” of customer experience.

The term “enable customer experience” does not seem to be the best option because it gives the impression that the organization is in a passive position, but actually, organizations aggressively and actively try to influence the customer’s perception with clues, rather than merely enabling the experience. The term

“influence customer experience” on the other hand gives an overly deterministic impression because the organization is only partly responsible for customer experience, and the actual influence of clues is often hard to predict. The term “evoke customer experience” is neither too aggressive nor passive. It clearly shows that an organization initiates the experience, but also implies that something already exists in the customer’s mind. Otherwise, if the meaning or association was not in the customer’s mind already, how would a customer be able to appreciate an expensive wine, a deposit of money, or a friendly smile from a service employee? Based on this discussion the term *evoking customer experience* is used to refer to the immediate “production” of customer experience in this study.

This thesis acknowledges the paradigmatic shift brought about by the service-dominant logic (SDL) of marketing. SDL argues that service is the fundamental unit of all business exchanges (Vargo and Lusch 2008). Several prominent authors (e.g. Gummesson 2007; Grönroos 2008) have reached the conclusion that products and services (in the narrow sense of activity) are essentially consumed in the same type of process and for the same purposes, thus from the customer experience perspective there are no fundamental differences between products and services. For instance, a TV-set is not purchased for the sake of having the “product”, but for serving the need for entertainment or information. Therefore, service is defined by Vargo and Lusch (2004, p. 2) as: “the application of specialized competences (knowledge and skills) through deeds, processes, and performances for the benefit of another entity or the entity itself.” However, in this thesis the traditional terms – services and products – are used in order to distinguish between a service that involves tangible things (products) and a service that is intangible in nature (services<sup>1</sup>). This traditional distinction is also used by practitioners and is expected to cause less confusion in the empirical study.

To keep the terminology coherent, the term *customer* is used in this thesis instead of consumer<sup>2</sup>, client or guest. This refers to the private person in market transactions or purchasing unit in the case of business market transactions. The dynamics of the customer relationship is accordingly specified by such terms as: potential customer, first-time customer, and repeat customer as necessary.

Customer experience management can be applied in business organizations as well as in non-profit and government organizations (with some respective changes in operating logic). In the latter case, the customer is understood in a broad sense as any entity that consumes the organization’s services or uses them as input in its processes. Therefore, the organization is considered the proper

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<sup>1</sup> Services in plural refer to the traditional distinction between products and services. While service in singular refers to the market offering as a whole.

<sup>2</sup> The term *consumer behaviour* is used in some parts of the text to refer to the specific research field in the marketing discipline in order to maintain consistency with the literature.

unit of analysis in this thesis, and the term *organization* is used instead of somehow more vague terms like company or enterprise.

It has been argued (Gardner 1985; O'Shaughnessy and O'Shaughnessy 2002) whether it is socially responsible and appropriate to use emotion and experience manipulation strategies in marketing (especially using negative feelings and children). Admitting this point of view, this thesis is written in good faith that helping to understand the methods for managing customer experience helps to foster good practice and condemn disgraceful practices.

## The structure of the thesis

This study consists of two parts: theoretical and empirical. The first three chapters present the theoretical discussion that culminates in the tentative CEM framework. The fourth chapter begins with the clarification of the research method followed by the presentation of the case study results. The empirical part concludes by discussing the results and proposing the refined CEM framework.

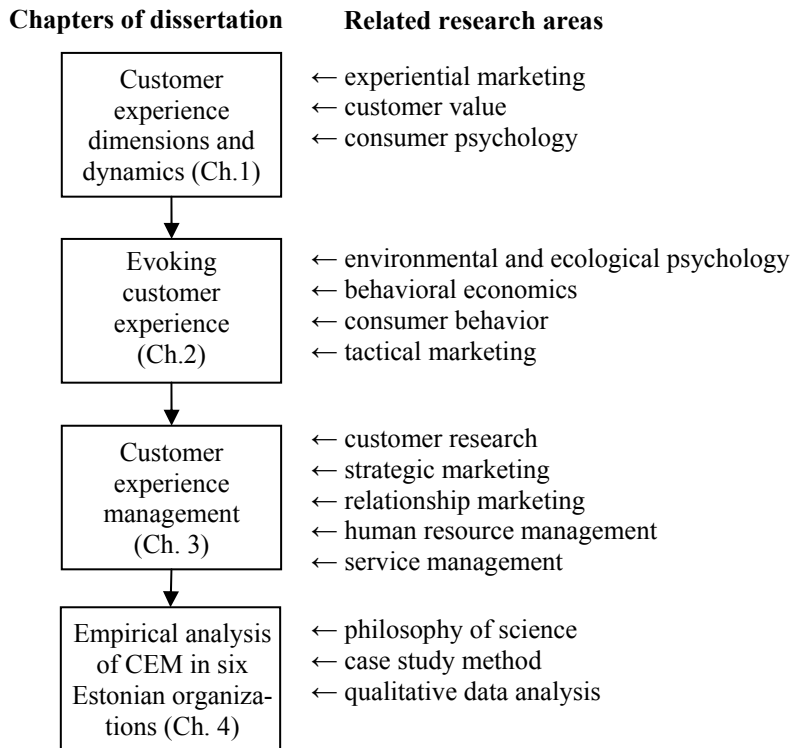
In the first chapter, the concept of customer experience is elaborated to facilitate developing the conceptual background of CEM. The *dimensions* and *dynamics* of customer experience are discussed because there is a lack of coherence on this topic in the literature. This systematization allows us to continue with the discussion of the broader framework for evoking and managing customer experience as explained in Figure 3.

The second chapter investigates the elements and mechanisms that directly evoke and influence customer experience. The theory of clues is discussed, which intermediates the transformation of objective elements of the offering (such as service and price) into subjective customer experiences. It is proposed that three groups of factors need to be considered to evoke a superior customer experience<sup>1</sup>: the elements that the organization brings to customer interaction, universal psychological principles that influence customers and individual customer-specific factors. These topics are detailed in consecutive subchapters.

The third chapter focuses on CEM. Relying upon the key concepts and results of the first two chapters, it addresses the activities, processes and structures that the organization needs to successfully evoke superior customer experience. Based on the analysis of existing CEM literature it is proposed that CEM involves five processes/components: understanding customer experience requirements, planning, organizing, coordinating the evocation of customer experience and measuring the evocation of customer experience. These CEM processes are discussed in separate subchapters, highlighting important aspects from the organization's perspective.

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<sup>1</sup> This chapter acknowledges the views of behavioral economists and points out the implications for CEM.



**Figure 3.** The structure of the dissertation and related research areas (compiled by the author)

In the fourth chapter, the tentative framework will be used to explore CEM processes in six Estonian case organizations. But to begin with, the fourth chapter starts with a brief introduction of the philosophical standpoint of this study, which is close to *critical realism*. According to this perspective, there is a real (objective) world that is imperfectly apprehensible because it is born out of people's (subjective) minds. Therefore, this study takes the stance that there are "real" CEM processes that are observable, though imperfectly, through the interviewees' opinions. The positivist paradigm is ruled out for the purposes of this study because it assumes quite objectively verifiable and stable relationships between independent variables and dependent variable, whereas this study aims to explore a complex phenomenon where the causal mechanisms may be ambiguous and are likely to depend on various contextual variables. On the other hand the anti-positivist approach, such as interpretivism, is not considered appropriate because it neglects the quite objective nature of some economic processes.

Then the employment of the *instrumental case research* method for analyzing CEM activities and processes is explained – in addition to its high

compatibility with the chosen epistemological perspective, it allows us to provide a deep insight into the cases, while at the same time preserving some objective comparability. Further, the employed strategies for assuring the *validity and reliability* of the case study are explained, and the case selection and data collection procedures are explicated. The study includes the following kinds of organizations: Bank, Mobile Operator, Travel Agency, Security Service Provider, Hotel and Casino. A multiple case design was used to trace differences between the CEM processes of organizations that deliver different customer experiences – thereby increasing the *theoretical generalizability* of the results.

The results of the case study are presented in the remaining subchapters of the empirical part, according to three levels of CEM: firstly the nature of customer experience in various organizations is discussed, secondly the evidence about the evoking of customer experience is analyzed, and thirdly the components of CEM are examined and systemized. In order to keep the study compact; some parts of the empirical analysis have been moved to the appendices, so to gain a more detailed and vivid understanding of the subject one might also want to visit the appendices. In conclusion, the empirical evidence suggests that while the formalization of processes may be different in various organizations, the proposed CEM framework proved quite accurate at a general level. But the case study also revealed numerous novel aspects that complement the current knowledge. In the last subchapter the results of the case study will be summarized in comparison to the preliminary theoretical framework. This then leads to a refined CEM framework. Also areas that require further research are indicated and managerial implications are drawn.

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Finally, I am grateful to my family and friends, from whom I got the energy. I am very thankful to my mother Selma. Special appreciation goes to Kariina, who has been supportive and inspiring throughout the process.

Naturally, I am solely responsible for all the mistakes and errors that may be found in this dissertation.

# I. CONCEPTUALIZATION OF CUSTOMER EXPERIENCE

## I.1. Development of customer experience concept and definition

Although the term “customer experience” is used in many studies it has rarely been systematically conceptualized. The need for a conceptual framework that describes the nature of customer experience with sufficient analytic rigor is highlighted by several authors (Gentile, Spiller and Noci 2007; Frow and Payne 2007). The first chapter discusses the origin and development of the customer experience concept, comparing it with mainstream marketing thought; then a thorough comparison of definitions of customer experience is presented; based on this a multidimensional description of customer experience is proposed and elaborated. Classifications of customer experience types are discussed in order to provide a detailed understanding of the matter. The last section of the first chapter will describe the dynamics of customer experience and its implications for CEM.

First, customer experience is positioned relative to traditional marketing thought. Consumer behaviour research is traditionally based on the information processing mechanism, assuming that the customer is willing and knowledgeable enough to weigh rationally the attributes of a product or service, trade-off features by comparing them and select a product with highest sum of weighted utility (c.f. Huffman and Houston 1993; Shmitt 1999a; Khalifa 2004; Gofman 2009; Kotri and Alvarez-Mourey 2012). This research domain has focused on the customer’s cognitive evaluation of concepts such as *quality*, *satisfaction* and *value* (Oliver 1980; Tam 2004); it has enriched the understanding of the rational customer decision-making process and is reasonably well applicable in the case of *utilitarian* consumption. Remarkably, the core assumption of this research stream is similar to *neoclassical economics*, stating that people have rational preferences towards products and maximize their utility according to this.

However, it has been recognized that traditional consumer behaviour models do not explicitly and systematically recognize the role of *feeling states* (Weinberg and Gottwald 1982; Gardner 1985; Zaltman 1997; Bagozzi, Gopinath and Nyer 1999) nor the *symbolism* of consumption (Addis and Holbrook, 2001) or other non-cognitive factors such as *fantasies* and *fun* (Hirschman and Holbrook 1982; Holbrook and Hirschman 1982). Recent findings indicate that these factors may play a major role in decision-making (e.g. Pham *et al.* 2001). As emotional beings, people want intangible values such as a sense of control, pleasure and enhanced self-esteem that are not

always goal directed or functional. This assertion has found support also in the research field of user-driven design and innovation management, which also recognizes the importance of aesthetic, emotional, cognitive and social aspects of consumption.

Hence, customer experience has emerged in marketing literature as a separate construct to address holistically the various aspects that influence customer behaviour. The notion of customer experience (also known as *experiential consumption*) was first introduced to the field of marketing by Holbrook and Hirschman in their article of 1982, where they established that customer experience may be directed toward the pursuit of fantasies, feelings and fun. Thus, customer experience originally addressed only the *hedonic* consumption of such services as travel, theatre and restaurants, emphasizing emotions and symbolic aspects of consumption (Arnould and Price 1993; Carbone and Haeckel 1994). Later, however, the perspective has been expanded to physical products and functional consumption as well, recognizing that: *value does not reside in the object of consumption, but in the gestalt experience of consumption* (Gentile, Spiller and Noci 2007).

For example, a study of Arnold and Reynolds (2003) found these underlying motives for hedonic shopping: adventure shopping – seeking stimulation and excitement; social shopping – seeking socialization and affiliation; gratification shopping – seeking stress relief and self-treat; idea shopping – seeking information and innovations; role shopping – fulfilling the role of friend or family by shopping for others; and value shopping – seeking bargains to achieve personal “victory” in the shopping game. These motives are obviously different from the traditional functional benefits of customer value.

Traditional and experiential marketing are compared using different characteristic attributes in the following Table 1. It has to be noted that the two theories are not contradictory, but rather experiential marketing complements the previous research tradition.

**Table 1.** Positioning of experiential marketing and traditional marketing

<b>Characteristic</b>	<b>Traditional marketing</b>	<b>Experiential marketing</b>
Core value	product/ service attributes and benefits	customer experience
Customer	rational	rational and emotional
Satisfaction means	quality assurance	relaxation, pleasure, flow
Product category	narrowly defined	based on holistic experience
Economic function	make and deliver	stage experience
Research methods	verbal and quantitative	eclectic
Research paradigm	modern empiricism	phenomenology

Source: based on discussion in Thompson, Locander and Pollio (1989); Pine and Gilmore (1999); Shmitt (1999a); McLellan 2000; Sundbo (2009)

Traditional marketing thought sees the core value residing in the performance of *product* attributes, and accordingly, customer behaviour is based on rational utility trade-offs. Instead, experiential marketing sees a *staged experience* as a means to provide the customer with pleasure from fulfilling individual needs; this is of course supported by product and service quality. But based on the phenomenological nature of customer experience, the objective product or service is no longer viewed as the ultimate means to satisfy the customer. Therefore, consumer behaviour needs to take a more holistic perspective that considers everything that influences and takes place in the customer's mind – in addition to rational trade-offs, the involved emotional, social, imaginative and other aspects are to be considered.

While traditional marketing research is based on modern empiricism that emphasizes objective truth, rationalism and mechanistic deduction (Thompson, Locander and Pollio 1989), customer experience researchers, on the other hand, rely on the *phenomenology* paradigm that always considers context as an integral part of the subjective experience.

Existential-phenomenology has been put forward as a paradigm for studying customer experience by Thompson, Locander, and Pollio (1989). It is described as a contextually based holistic psychology that seeks to attain a first person description of experience (Giorgi 1983). It is non-dualistic, which means individuals are not studied separately from the environment where they live, but the experience is described as it emerges in a live context. This implies that experience does not always correspond to the “objective” world. Following anthropology and ethnology principles, the experience cannot actually be directly accessed by a researcher because it always includes the subjective framing of the customer (which translates the ongoing activity into a story). In this vein one can only interpret what experiences subjects *express* orally, in writing or by their behaviour. The framework of Forlizzi and Ford (2000) distinguishes between the experience and the *experience as a story*, whereby the individual relays the most salient parts of an experience to another. Furthermore, it has been warned by Thompson, Locander, and Pollio (1989) that when engaging in an interpretive and causal analysis of research material, a major tenet of phenomenology is abandoned – that is, understanding must be at the level of lived experience.

Naturally, there has been some criticism towards the emerging focus on customer experience. Fishbein and Middlestadt (1995) argue that non-reason-based antecedents (emotions, social factors) can be viewed as methodological artefacts, because many researchers have not followed proper procedures for fully representing the customer's cognitive structure. However, a convincing number of studies from different industries have proved that in addition to cognitive information, emotional reports will contribute to explaining the customer behaviour (e.g. Allen, Machleit and Kleine 1992; Barsky and Nash 2002; Allen *et al.* 2005). Thus, there is clear evidence that it is difficult for humans to

integrate diverse feelings and subconscious thoughts into a valid evaluation that would allow predicting customer behaviour.

### *Definition of customer experience*

In order to form a thorough conceptual basis for CEM in this thesis the definition of customer experience<sup>1</sup> is discussed first. Below, the definitions of customer experience from 14 influential studies are analyzed. Based on this analysis, a summary conceptualization of customer experience is proposed. A systematic review of this kind is absent from current literature, whereas the definitions in the literature are rather diffused; therefore, this analysis deserves a place in the main body of the thesis.

As the first authors in the field, Holbrook and Hirschman (1982) regarded consumption experience narrowly, as the pursuit for feelings, fun and fantasy. However, subsequent authors have already taken a more holistic and specific approach to defining customer experience as can be seen from the definitions in Table 2. The table is organized so that the definitions that address more features of the customer experience concept are listed first (descending order). Based on these perspectives and interpretations the following common features of the customer experience concept can be identified:

- its personal and *subjective* nature;
- it involves the customer's physical and psychological response *in multiple dimensions*: sensory, cognitive, emotional, action, social and instrumental;
- it is brought about by the customer's *interaction* with the consumption object and organization;
- in addition to interaction with *products or services*, the interaction with the *purchasing context* and different parts of the *organization* also influence the experience;
- *indirect* interaction through word-of-mouth, news articles and so on, have influence on the customer experience as well;
- it includes the *timeframe* of the whole consumption cycle (from pre-purchase to post-consumption).

Based on this analysis, customer experience is defined in this thesis as *a subjective and multidimensional response to every and all direct and indirect interactions with the organization and its value offering, accumulating during the whole consumption cycle*. To assure a proper understanding of the customer experience phenomenon, these aspects are discussed in the remainder of this chapter drawing on current literature.

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<sup>1</sup> It is acknowledged that in other disciplines, the word "experience" can have different meanings, sometimes also associated with gaining knowledge and professional or individual development (e.g. in McKnight and Sechrest 2003; and Hoch 2002).

**Table 2.** Analysis of the common features of customer experience definitions

Study	Customer experience definition	Common features						Other aspects
		subjective	multi-dimensional	originates from interaction with organization's offering	indirect inter. consumption cycle			
Gentile, Spiller and Noci (2007, p. 397)	<i>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 is personal and implies the customer's involvement at different levels (rational, emotional, sensorial, physical and spiritual).</i>	x	x	x	x			CE is a response to interaction
Shaw (2007, p. 8)	<i>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.</i>		x	x		x		interaction, role of expectations
Verhoef et al. (2009, p. 32)	<i>Customer experience construct is holistic in nature and involves the customer's cognitive, affective, emotional, social and physical responses to the retailer. This experience is created not only by those elements which the retailer can control, but also by elements that are outside of the retailer's control. Customer experience encompasses total experience, including search, purchase, consumption, and after-sale phases of the experience, and may involve multiple channels.</i>		x	x	x	x		CE is a response to retailer
Pine and Gilmore (1998, p. 99)	<i>Experiences are inherently personal, existing only in the mind of an individual who has been engaged on an emotional, physical, intellectual, or even spiritual level...// ...each experience derives from the interaction between staged event and individual's state of mind.</i>	x	x	x				

Source: author's analysis based on listed sources

**Table 2 (continued).** Analysis of the common features of customer experience definitions

Study	Customer experience definition	Common features						Other aspects
		subjective	multi-dimensional	originates from interaction	with organization's offering	indirect inter. consumption cycle		
Meyer and Schwager (2007, p. 118)	<i>Customer experience is the internal and subjective response customers have to any direct or indirect contact with a company. Direct contact generally occurs in the course of purchase, use, and service and is usually initiated by the customer. Indirect contact most often involves unplanned encounters with representatives of a company's products, service or brands and takes the form of word-of-mouth recommendations or criticisms, advertising, news reports, reviews and so forth.</i>	x			x	x		CE is response to contacts
Mascarenhas Kesavan and Bermacchi (2006, p. 399)	<i>It [customer experience] is a totally positive, engaging, enduring, and socially fulfilling physical and emotional customer experience across all major levels of one's consumption chain and one that is brought about by a distinct market offering that calls for active interaction between consumers and providers.</i>		x	x				CE is brought about by interaction
Hume et al. (2006, p. 307)	<i>The provider creates an offering through the design of a series of encounters and interactions. The consumer interprets these encounters to construct an overall experience.</i>	x		x	x			role of encounters
Pullman and Gross (2004, p. 553)	<i>An experience occurs when a customer has any sensation or knowledge acquisition resulting from some level of interaction with different elements of a context created by a service provider. Successful experiences are those that the customer finds unique, memorable and sustainable over time, would want to repeat and build upon.</i>		x	x	x			superior CE is unique, memorable sustainable

Source: author's analysis based on listed sources

**Table 2 (continued).** Analysis of the common features of customer experience definitions

Study	Customer experience definition	Common features						Other aspects
		subjective	multi-dimensional	originates from interaction	with organization's offering	indirect inter. consumption cycle		
Sandström <i>et al.</i> (2008, p. 118)	<i>A service experience is the sum total of the functional and emotional outcome dimensions of any kind of ... intangible services or tangible products. 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.</i>	x	x	x	x			customer as co-creator
Alben (1996, p. 12)	<i>By "experience" we mean all the aspects of how people use an interactive product: the way it feels in their hands, how well they understand how it works, how they feel about it while they're using it, how well it serves their purposes, and how it fits into the entire context in which they are using it.</i>		x	x		x		role of consumption context
Brakus, Schmitt and Zarantonello (2009, p. 52)	<i>Brand experience is conceptualized as sensations, feelings, cognitions, and behavioral responses evoked by brand-related stimuli that are part of a brand's design and identity, packaging, communications, and environments.</i>		x		x			CE is evoked by stimuli
Haeckel, Carbone, Berry (2003, p. 18)	<i>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.</i>		x			x		CE is holistic
Carbone and Haeckel (1994, p. 10)	<i>By experience we mean the takeaway impression formed by people's encounters with products, services and businesses – a perception produced when humans consolidate sensory information.</i>	x				x		CE is "takeaway" impression
Holbrook <i>et al.</i> (1982, p. 132)	<i>Consumption experience as a phenomenon is directed toward the pursuit of fantasies, feelings, and fun.</i>		x					

Source: author's analysis based on listed sources

The subjective nature of customer experience is manifested in the subjective meanings that individuals give to the objective attributes of products and services. Individuals will respond differently to the same objective product or service because there are different mindsets formed on a daily basis during individual experiences with family, friends and the rest of the world (Brakus 2001; Tsai 2005). The systems of socialization and education condition people into a certain world view; it has been found that the interpretation of an experience is somewhat dependent on the set of customs and values shared in a social class, nationality and gender group (Hirschman and Holbrook 1982). Indeed there are innumerable other aspects connected to the individual customer, and the situation the customer is in, that affect the customer's personal experience. Sandström *et al.* (2008) refer to this as the *individual and situational filter*. Hence, customer experience is conceptually distinct from an event that is something general, happening to others too; and from behaviour, which can be just routine and described by an external observer. Therefore, this thesis takes the perspective that the individual and subjective framing operation has to be taken into account when transforming a service into a customer experience. The same service (for instance a movie) can be an emotional experience for one individual, a learning experience for the second, and a boring experience for the third.

The subjective nature of customer experience actually influences the experience more than just as a filter because during the interaction the subjective perception often moulds the object and the resulting customer experience (Addis and Holbrook 2001), this calls for the effective customization of the offering. For instance, it is easy to accept that the service outcome at a hairdresser or a physician is dependent on the customer's subjective input. The recent acknowledgement of frames and feelings that customers bring to business interactions has also been called "*the explosion of subjectivity*" by Addis and Holbrook (2001); implying that the organization's value proposal needs to be customized on a mass basis because the desired characteristics of the experience vary among subjective customers. It is even claimed by Sundbo (2009) that the concept of quality becomes irrelevant when talking about customer experience. *Quality* is the objective adequacy of the delivered product or service (Gale and Wood 1994; Sethi 2000). While the goodness and adequacy of customer experience is evaluated only by the person experiencing it, intuitively and situationally. Based on this discussion it seems that the *fit* of clues to suit the customer's individual requirements and needs is more appropriate for evaluating customer experience.

The analysis by Caru and Cova (2003) reached the conclusion that the conceptualization of experience in consumer behaviour research is relatively close to that used in the social sciences and philosophy – except in some cases marketing studies consider experience a more objective matter and more significant. Caru and Cova (2003) caution against defining customer experiences too narrowly, they suggest considering the full breadth of the phenomenon,

emphasizing that not all experiences are market related, but may also be related to family, friends, community etc. This is supported by Addis and Holbrook (2001), who argue that product consumption (customer experience) is not isolated from the rest of the customer's life, rather it is embedded in that world. Thus, customer experience is closely related to the context of society, relationships and other services.

### *Classifications of customer experience types*

Some authors have attempted to classify different types of customer experience; this makes it possible to distinguish inherently distinct consumption situations from the customer's perspective. It could be proposed that delivering various types of customer experiences requires specific competencies from the organization.

Pine and Gilmore (1998) define four types of consumption experience, based on the following two dimensions: the customer's *participation* in the experience, from passive observation to active creation; and the customer's *connection* with the environment of the experience, from absorption (weak) to immersion (strong). For example, participation is different when just observing a sporting event or taking part in it. The connection with the environment is greater when watching a movie at the cinema instead of just on TV. Thus, immersion involves the individual thoroughly in the activity – attention is paid only to the activity, filtering out all unrelated perceptions. (It is remarkable that with the development of technology the immersion characteristic increases for many customer experiences – as in case of traditional and 3D cinema.) The resulting customer experience types from this model are: entertainment, education, escapist and esthetics (see Appendix 1). It has been argued that the four types are mutually compatible (McLellan 2000). An enhanced customer experience could include elements of all types, leaving the customer free choice in terms of what kind of experience she wishes to buy. This model has found support from several other authors (e.g. Stuart 2006). However, Kao, Huang and Yang (2007) have taken a slightly different approach and defined participation and immersion directly as experience dimensions in their study. However, their definition of the two as “subjective feelings” (p.84) is questionable indeed.

Another classification of customer experience is proposed by Mathwick, Malhotra and Rigdon (2001) in their tool known as the experiential value scale (EVS). The same scale has been used in the study by Keng *et al.* (2007). To define four types of experiential value it uses *intrinsic/ extrinsic* benefits on one axis and *active/ reactive* on the other. While extrinsic value is basically utilitarian (instrumental) in nature, the intrinsic value refers to internal hedonic reactions that make the experience enjoyable. The active and reactive dimension accounts for the need for customer collaboration and participation in delivering the experience. Derived from this, the four types of experience value are: playfulness, esthetics, customer return on investment and service excellence

(Appendix 1). The playful exchange experience is characterized by escapism and enjoyment (Holbrook *et al.* 1984). The esthetic experience is only visually appealing and entertaining (Mathwick, Malhotra and Rigdon 2001). Customer return on investment comprises efficiency and utilitarian value that is achieved through the customer's active participation. Service excellence reflects the provider's ability to deliver external value.

The weakness of this classification is definitely the vagueness of the categories. For example, it is difficult to say if owning a car offers intrinsic or extrinsic value, is it active or reactive value? However the advantage of this classification compared to Pine and Gilmore's (1998) model is that it also includes the extrinsic value dimension. Based on the partial overlapping of these two classifications it is possible to construct a broader typology (see Figure 4) that combines both classifications into one framework. One could ask whether the customer experience type affects the customer experience management processes? Thus, this classification may be required for understanding the CEM framework.

	<b>Passive participation</b>	<b>Active participation</b>
<b>Internal – immersive</b>	esthetic	playful
<b>Internal – absorbing</b>	entertaining	educational
<b>External/instrumental</b>	service excellence	customer return on investment

**Figure 4.** Classification of customer experiences (based on Pine and Gilmore 1998; and Mathwick, Malhotra and Rigdon 2001)

Experiences have also been categorized as *ordinary* and *extraordinary*. While an ordinary (routine) experience stems from the mundane, rhythmic daily life and the passive acceptance of events; an extraordinary experience involves the departure from ordinary activities to more intense and subjectively framed practices (Sundbo 2009).

By studying the outcome of extraordinary experiences closely, Arnould and Price (1993) documented the *transforming* benefits of: personal growth, renewal, “communitas” and harmony with nature as the results of extraordinary river rafting experiences. Hanefors and Mossberg (2003) researched the specific features that make up an extraordinary meal experience for a restaurant customer. They found that before the experience customers were curious to seek play (escape) and the de-routinization of consumption with an atypical provider where no script is known to them. In the consumption phase customers were seeking opportunities for action and wanted to be part of the production, at the same time being emotionally immersed and feeling familiarity. The experience was afterwards characterized by words: surprise, pleasure and memorable.

It is worth noting that while the extraordinary experience appears as a surprise to the customer, it still should be delivered via well-planned business processes and careful analysis by the organization. Another aspect worth considering is that delivering extraordinary experiences likely raises the customer's expectations towards the supplier's future performance, therefore, making it challenging to achieve customer loyalty.

On the other hand, Caru and Cova (2003) have questioned the necessity of extraordinary experiences in favour of mediocre, but pleasurable interaction and contemplative time. Bateson (2002) has noted that people mostly value predictability and control. An experience that is a bit less unusual, but also involves intensive attention and activity has been defined by Csikszentmihalyi (1997) as *flow*. Flow has been mentioned as a target for optimum experience by O'Shaughnessy and O'Shaughnessy (2002).

Flow experiences are characterized by the absorption of one's attention, personal control, joy and novelty (Pullman and Gross 2004; Joy and Sherri 2003). Flow involves a sense of achievement and psychological growth; differentiating it from a mere pleasurable sensory response (Caru and Cova 2003). Csikszentmihalyi (1997) has developed a conceptualization of flow whereby two main constituents that lead to flow are *skill* and *challenge* (Appendix 2). Consequently, to experience the flow, a customer needs to have a goal, perform skilfully and understand whether progress is made. Thus, an optimal experience is an intrinsic end in itself (McLellan 2000). Even if it is initially bought for other reasons, the activity that engages this way becomes intrinsically rewarding. Based on this it is obvious that only a small number of customer experiences can be classified as extraordinary or flow activities. Most of the daily customer experiences could still be described as *routine*.

### *Multidimensionality of customer experiences*

To define customer experience more exactly, the stimulus-organismic-response (SOR) framework is used. According to this, external stimuli are processed by the human's internal processes and structures leading to final responses and actions (Donovan and Rossiter 1982; Sherman, Mathur and Smith 1997). Based on this the customer experience can be scrutinized as an *organismic state* consisting of perceptual, cognitive, emotional and other intervening activities.

It has been established that customer experience needs to be seen both from the goal-directed information-processing perspective and from the perspective of more subjective and subconscious processes (Scmitt 1999b; Schwarz 2000; Poon 2001). Holbrook and Hirschman (1982) have referred to the information processing logic as "Freud's secondary process" in the sense that it reflects the mental processes as a result of socialization. By contrast, experiential marketing also emphasizes the importance of "Freud's primary processes" that seek pleasure, fun, amusement, fantasy, arousal and sensory stimulation.

Several authors have emphasized the two awareness-levels of customer experience: the conscious or learned and unconscious or instinctual (Brakus 2001; Frow and Payne 2007). Forlizzi and Ford (2000) note that subconscious experiences are automatic; they do not need attention, but are undertaken rather “thoughtlessly.” To elaborate on this, experience embodiment theory is used by Joy and Sherry (2003); they recognize that while on the conscious level individuals are aware of their bodies, thoughts and actions, there is also an unconscious level that addresses all unrecognized processes and activities, including message transmission and learning. This kind of “latent” content is usually not explicit in verbal responses; it is repressed or may even be disguised at the preconscious or subconscious level because of its anxiety-provoking nature (Donovan and Rossiter 1982; Tsai 2005). Joy and Sherry (2003) propose that the cognitive unconscious largely makes up who people are and how they reason: “body represents the root of all thinking...and informs the logic of thinking,” (p. 278). Zaltman (1997) and Carbone (2003) have assumed that even up to 95% of thinking and the customer decision-making process takes place at the subconscious level. In another words most emotions and cognition that guide behaviour occurs without explicit awareness. This may partly explain impulse buying behaviour. The subconscious aspect of customer experiences is also mentioned by Holbrook and Hirschman (1982), who believe that much of the symbolic meanings and fantasy life is hidden below the threshold of consciousness. On account of this, it is extremely challenging to measure or follow the subconscious level of customer experience, therefore, the thesis continues discussing the available and conscious part of customer experience, making the assumption that the subconscious world of a customer finds enough reflection in conscious thoughts, feelings and behaviour.

Most authors agree that customer experience is formed by rational and emotional outcomes of consumption (Mano and Oliver 1993; Ponsonby-McCabe and Boyle 2006; Sandström *et al.* 2008) appealing accordingly to cognitive and emotional systems of the human brain (two cerebral hemispheres). Shaw’s (2007) cross-industry research shows that in general about half of customer experience depends on the tangible attributes of a product that influence the conscious mind of the customer, with the rest depending on less tangible, sensory, emotional and subconscious elements. Based on a review of more than 120 market research reports, Crosby and Johnson (2007) conclude that in the B2C (business-to-customer) sector, emotional factors outweigh rational factors by 30–50% as the motivation for customer loyalty; in the B2B (business-to-business) market, the impact of emotional and rational factors to loyalty is found to be about even. However, it has been established (Schwarz 2000; Zaltman 1997) that conscious reasoning is interconnected with emotional processes and *vice versa*, so the two systems impact customer behaviour jointly.

The multidimensionality of customer experiences is explained by Brakus (2001) and Schmitt (1999a) with the help of advancements in neuroscience that have documented the modular structure of the mind. In contrast to the universal

information-processor, the different mental modules of the mind have their own structures and principles. Therefore, the literature has proposed multiple dimensions for customer experience, which will be reviewed and discussed in the next chapter, to arrive at a more precise conceptualization of customer experience. Hence, in this study customer experience is regarded as an “emergent” variable (McKnight and Sechrest 2003), meaning that it is defined by other variables that result in its emergence, whereas these variables do not need to be correlated. The variables are sensory, emotional, cognitive, social, action and instrumental gains that will be discussed in a moment.

### *Comparing customer experience to other concepts*

Based on its multidimensional nature customer experience resembles most the multidimensional<sup>1</sup> conceptualization of *customer attitude*, but includes a larger number of dimensions than attitude. Attitude is defined by Triandis (1971, p. 2) as “an idea charged with emotion which predisposes a class of actions to particular class of social situations”. By this conceptualization, attitude consists of cognitive, emotional and behavioural components. An example of a recent multidimensional *customer attitude* model associated with evaluating customer experience is developed in Dube, Cerevellon, and Jingyuan (2003). As the affective basis for customer attitude they differentiate *immediate sensorial benefits* and deliberate (longer-perspective) *emotional consequences*. As a cognitive basis they also differentiate *immediate* and *deliberate cognitive attributes*. This distinction seems to be well in line with the experience embodiment theory of Joy and Sherry (2003), supporting the concept of immediate (automatic) *versus* learned responses. It is noteworthy that Dube, Cerevellon, and Jingyuan (2003) use *social pleasure* exceptionally in addition to the affective and cognitive bases of attitude to explain the results that cannot be explained by their attitude model. (In particular, the negative attitude towards drinking milk among students could not be explained by anything else than distain for childish images among the group, implying social displeasure). Although the social pleasure component was not directly explained in the attitude model, it is well integrated within the customer experience concept.

Customer experience is also different from the *customer involvement* concept. Involvement is based on needs, values and interests that motivate a customer toward an object (Zaichkowsky 1985; Suuroja 2000). Involvement refers to the perceived importance and personal relevance of the product. In contrast, the experience does not presume that the customer has an interest or personal connection to the brand (Brakus, Schmitt and Zarantonello 2009). In another

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<sup>1</sup> Attitude is mostly viewed narrowly in marketing literature, as one-dimensional evaluative judgment “like or don’t like the product” (e.g. Allen, Machleit and Kleine 1992; Mano and Oliver 1993; Allen *et al.* 2005)

words, superior experiences can also be delivered in low-involvement product categories.

Customer experience also differs from the *customer satisfaction* concept that is viewed in the current research as an evaluative judgment of a specific purchase (Westbrook and Oliver 1991). The satisfaction evaluation is believed to form according to the *expectancy disconfirmation paradigm*, whereby customers compare perceived performance of product or service attributes with their prior expectations about how it should perform (Oliver 1980; Bitner 1990). Whereas expectations are described as belief and attitude based *inner standards* that customers use to judge the quality of the product or service (Arnould and Price 1993). To put it simply, the comparison of performance and expectations will result in either customer satisfaction or dissatisfaction (Bloemer and de Ruyter 1999).

Recent studies have, however, argued that customer satisfaction is really not distinct from positive emotions because it has been found (in Oliver, Rust and Varki 1997; Nyer 1997) that satisfaction shares a high degree of common variance with positive emotional reactions, such as joy and happiness. In line with this, Mano and Oliver's (1993) research of the evaluative (cognitive) and emotional aspects of the consumption experience showed positive emotions to be important mediators for satisfaction. The expectancy disconfirmation paradigm of customer satisfaction is further undermined by Oliver and Burke (1999), who demonstrated that prior expectation affected the satisfaction with the experience only in the beginning of the service encounter, whereas the effect of expectations declined later on. The same effect was noticed by Arnould and Price (1993) in the prolonged service encounter of river rafting, where expectations had very little importance for the satisfaction and loyalty of customers. In this light some authors (Bagozzi, Gopinath and Nyer 1999) have questioned whether a single summary response such as satisfaction is at all relevant or desirable for describing such a complex matter as customer behaviour.

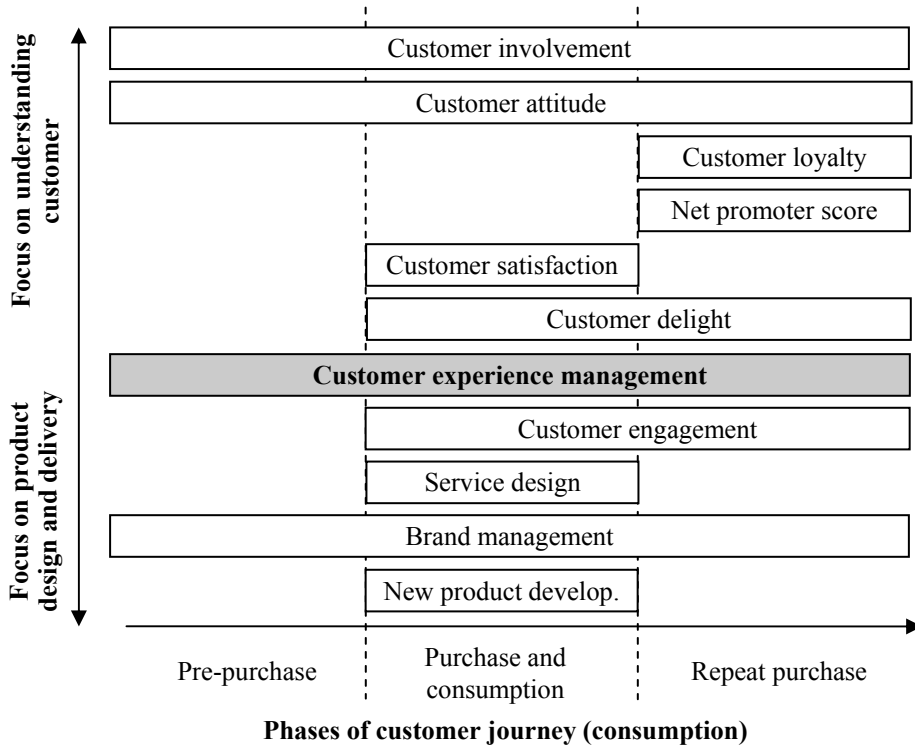
Based partly on criticism of the customer satisfaction concept, a new word-of-mouth metric – *Net Promoter Score* (NPS) – is rapidly gaining popularity. This metric implicitly assumes that customer recommendation intention indicates high customer satisfaction, positive experience and also leads to sales growth (Reichheld 2003). However, both assumptions have been questioned in the latest empirical studies (e.g. Morgan and Rego 2006; Keiningham *et al.* 2007; Keiningham *et al.* 2008). NPS also shares a criticism with the satisfaction metric – simplifying a complex phenomenon down to single metric may lead to instrumental blindness.

Another concept that is close to customer experience is *customer delight*. Several authors (e.g. Arnold *et al.* 2005) have suggested that merely attaining customer satisfaction is insufficient for earning customer loyalty; therefore, organizations should go beyond satisfaction to customer delight. Oliver, Rust and Varki (1997) suggest that satisfaction complemented with arousal leads to customer delight. Arousal occurs when expectations are positively exceeded in

the amount that *surprises* the customer. The managerial implication is that the organization should move beyond just satisfactory experiences to delighting the customer by delivering surprising and arousing experiences.

Because a product is viewed as a means to provide a customer with a certain experience rather than a bundle of functional attributes, the conceptualization of a satisfactory or superior customer experience is a challenge yet to be addressed within the domain of experiential marketing. Customer experience is not only a direct consequence of the organization's service and brand attributes, but is also dependent on personal and situational variables. Thus, the full range of the customer's reality has to be probed and understood in order to construct superior customer experience. Furthermore, as the distinct roles in the value chain (producer vs. customer) are losing ground (Vargo, Maglio and Akaka 2008), the increasing involvement of customers in co-creating the experience needs to be addressed when analyzing satisfaction. Thus, it has been stated that experience evaluation needs to consider additional aspects besides product and service attributes in order to understand customer needs (Meyer and Schwager 2007). Several authors have suggested that experiential marketing should be primarily concerned with making the customer feel positive emotions and engaging customers emotionally to the supplier (McCole 2004; Abhari Saad and Haron 2008). Taking a systematic view, this thesis suggests that besides the rational and emotional aspects, experience evaluation also needs to consider other dimensions of experience that will be discussed in the next chapter.

Figure 5 positions customer experience among other concepts that were described above and are frequently used in the marketing domain. Firstly, it shows that customer experience and CEM addresses the whole consumption journey (cycle) – from pre-purchase to repeat purchases. Secondly, it shows that the focus of the CEM domain is moderately balanced between the goal to understand the customer and the goal to manage the design and delivery of products or services (for profit).



**Figure 5.** Positioning of the customer experience concept among other related concepts (compiled by the author)

*To summarize* the discussion above it can be said that the customer experience concept refers to the subjective organismic state that is evoked by direct and indirect interaction with the service, purchasing context and organization during the whole consumption cycle. In contrast to the traditional marketing approach that focuses narrowly on the customer's rational evaluation of product and service attributes, the customer experience also recognizes the role of other aspects of the human mind (such as emotions, subconscious, social identity etc.) in determining customer behaviour. Therefore, experiential marketing recognizes that the core source of value for customers does not reside in products or services, but rather in the holistic customer experience that is evoked by products or services.

It has to be acknowledged that customer experience always includes the customer's subjective frame, and is embedded in the customer's life context – therefore, the customer can be the only judge of her experience, as described by the phenomenology paradigm. This implies firstly that CEM needs to acknowledge different mindsets and needs, based on which various customers

interact with the organization, and secondly, it calls for effective processes for customizing the offering based on individual requirements.

While the customer satisfaction concept was used quite straightforwardly for evaluating customer perceived value in traditional marketing, it becomes problematic in reflecting multidimensional customer experiences. A new and popular metric of net promoter score fixes some problems with measuring customer perceived value, but still does not address explicitly the multiple dimensions of customer experience. Therefore, the exact measurement of customer experiences that create superior value for customers still remains a challenge that needs further research.

Customer experiences have been classified into different types based on characteristics like: degree of customer participation, degree of customer immersion in context, extraordinariness and intrinsic/extrinsic gains. It can be questioned whether delivering a specific type of customer experience requires specific capabilities from CEM? The answer to this question will be explored later in the case study.

In any case, in addition to different classifications of customer experiences there remains the question of what the basic building blocks or dimensions of the customer experience are that will allow us to describe the customer experience in detail. This will be answered next.

## **1.2. Dimensions of customer experience**

A systematic understanding of the dimensions or components of customer experience is necessary to provide a foundation for studying CEM. But before engaging in an in-depth discussion, it is important to note that the conceptualization of customer experience dimensions is an interdisciplinary task, including elements from psychology at the individual level (cognitive, emotional and action dimensions), psychology at the social level (social dimension), biology and ergonomics (sensory and action dimension) and economics and marketing (instrumental dimension). This is the reason why the treatment of this emerging concept by different authors is not conceptually flawless.

The current understanding of the dimensions of customer experience is somewhat fuzzy, with some aspects vague and overlapping. For instance, cognitive experience is not exactly the same as intellectual experience, although some authors have used them to mean the same (e.g. Schmitt 1999a vs. Brakus, Schmitt and Zarantonello 2009). Secondly, it is important to note that the dimensions of customer experience are not conceptualized with sufficient depth and rigor in current research; therefore, it has to be acknowledged that the boundaries and scope of the dimensions have not yet been clearly defined, and the literature has oftentimes suggested confusing dimensions for customer experience. Therefore, the contribution of different authors is outlined and discussed in the following. Based on the analysis of similarities and differences

in relevant investigations, six broad dimensions of customer experience are proposed and detailed in this study in order to systemize the emerging concept.

One of the broadest and perhaps most complete categorizations of customer experience dimensions is proposed by Schmitt (1999a; 1999b). He distinguishes five “strategic experiential modules” as the basis of a holistic customer experience: a) *sensory* experiences of sight, sound, touch, taste and smell; b) emotions and feelings that form *affective* experiences; c) *cognitive* experiences appealing to intellect and thinking; d) *physical* experiences, showing alternative ways of doing things, changing behaviour; and e) *social identity* experiences, appealing to the need to be positively perceived by others. These modules are concluded in a sense-feel-think-act-relate model. Basically, the same categorization is followed in the work of Brakus (2001), he distinguishes five analogous types of customer experience: sensory, affective, intellectual, bodily and social. In later work, Brakus, Schmitt and Zarantonello (2009) changed the name of the “bodily” component to “behaviour” and also aggregated the affective and social dimensions because they loaded on the same factor in the analysis. As a result they distinguish four brand experience dimensions: sensory, affective, intellectual and behavioural. Although brand experience is somewhat distinct from customer experience (addressing only brand-related stimuli), the necessity of such a distinction is not considered reasonable by the author of this thesis because customers hardly experience the brand without any exposure to the core service. The weakness of Schmitt and Brakus’s approach is that it does not recognize the external or instrumental dimension of customer experience.

On the other hand, Mascarenhas, Kesavan and Bernacchi (2006) view customer experience as consisting of the *internal* subjective component and the *external* objective component. The internal component has emotional, intellectual and social dimensions; the external component is the “real” economic offering such as goods and services. A synthesis of these and other relevant studies is provided in Table 3 on next page.

Gentile, Spiller and Noci (2007) propose the following dimensions as elementary components of customer experience: sensorial, emotional, cognitive, relational, pragmatic and lifestyle. The pragmatic component refers to the usability of the product or service and addresses human-object interaction. The lifestyle component is explained by the authors as affirming the system of values and the beliefs in the person by adopting some brand or product.

Fournier’s early work (1991), exploring the meaning of consumption objects, is noteworthy. She classifies products into three groups based on the role they play in the customer’s lives. The groups are: experiential, identity and functional. Naylor *et al.* (2008) utilize a very similar typology of the same three categories for evaluating experience benefits: hedonic, symbolic and functional. *Hedonic* refers to the internal need for adventure, pleasure, and cognitive stimulation; *symbolic* refers to the internal need for social meaning and status. *Functional* needs are explained as externally generated or solving a consumption related problem.

**Table 3.** Synthesis of dimensions in different customer experience studies

Study	Dimensions and elements of customer experience addressed in the study					
	Fournier (1991)	–	experiential		identity related	–
Shmitt (1999a; 1999b)	cognitive	sensory	affective	identity	physical	–
Brakus (2001)	intellectual	sensory	affective	social	bodily	–
Mascarenhas Kesavan and Bernacchi (2006)	intellectual	–	emotional	social	–	external, value chain
Gentile, Spiller and Noci (2007)	cognitive	sensory	emotional	relational (lifestyle)	–	pragmatic
Holbrook (2007a)	(altruistic)	hedonic		social	–	economic
Naylor <i>et al.</i> (2008)	–	hedonic		symbolic	–	solving a problem
Brakus <i>et al.</i> (2009)	intellectual	sensory	affective		behavioural	–
Sundbo (2009)	learning or meaning creating	relaxing	basic need fulfilling (entertainment)	social, social status giving	–	personal health improving cultural capital creating
Synthesis of aspects in this thesis	Dimensions of customer experience					
	<i>Cognitive</i>	<i>Sensory</i>	<i>Emotional</i>	<i>Social</i>	<i>Action</i>	<i>Instrumental</i>

Note: An empty cell means that the specific study did not consider that dimension; a merged cell indicates that specific study has aggregated several experience dimensions (with traits from both); and brackets indicate experience components that have mixed origins, but are nevertheless classified in one “basic” dimension with the best fit

Source: author’s analysis based on listed sources

Holbrook (2007a) has proposed an eightfold typology of value gained in customer experience: aesthetics, play, ethics, spirituality, status, esteem, efficiency and excellence. His attempt to shorten the list has resulted in a fourfold breakdown: hedonic, altruistic, social and economic.

Sundbo (2009) also details a greater number of customer experience components: basic need fulfilling, entertaining, relaxing, personal health improving, learning or meaning creating, social, social status giving, cultural capital creating. Some of these clearly overlap with the previously discussed frameworks, with others being mixed. For example, entertaining experience probably addresses both sensorial, emotional and/or action dimensions.

It is acknowledged in this study that the dimensions of customer experience are connected and to some degree dependent on each other. The interconnections are likely to be very complex and only as current research in psychology, sociology and consumer behaviour develops will the exact influences between the dimensions of experience be discovered. However, for the purpose of our current understanding of the customer experience phenomenon, this thesis assumes that the capability of independent dimensions to explain the customer experience is significantly higher than the interaction of different dimensions. Thus, giving reason to continue the study without explicating the complex interactions.

It is important to remember that despite the fact that customer experience is conceptualized as a multidimensional construct of different components customers hardly recognize such complexity, but perceive experiences as holistic. It goes without saying that these categories are not product-driven (as in traditional marketing), but customer-dependent. As will be discussed below, the dimensions are highly consistent with theories of pleasure, motivation, human values, and the means-end model of customer behaviour.

The six dimensions of customer experience will be detailed next in order to support the understanding and conceptualization of customer experience. The in-depth treatment of the *emotional* dimension of customer experience in this thesis is of particular importance (compared to other dimensions) because it is considerably less studied and potentially a central element of customer experience that has high impact on customer behaviour.

### *Sensory dimension of customer experience*

Sensory perceptions are initiated by cells in the human body. The five senses of sight, hearing, smell, taste and touch were already mentioned by Aristotele (Wade 2003). A *sight* signal is created if the light reaches cone and rod cells in the retina of the eye; a *sound* signal is created if the sound reaches the cochlea in the ear; a *taste* signal is created if a substance is dissolved on the buds of the tongue; a *smell* signal is initiated if airborne particles are lodged in the olfactory receptors of the nose; and a *touch* signal is created if pressure is applied to neural receptors in the skin. In addition to the five senses, the sense of *balance*,

*temperature* and *kinesthetics* have also been described (Wade 2003). The sensory cells and organs ultimately generate *nerve impulses* that travel to the brain. In the brain the impulses activate a specific neural circuit. Thus, on the subliminal level sensory experience can be viewed as resulting from the communication and arrangements between nerve cells (Johnston 2003). To explain the embodiment of sensory experiences in more detail, the neural structure of the brain must be considered; however, this is beyond the scope of this thesis.

Stimuli provided by products and services that create these sensory perceptions may have hedonic tone *per se* (e.g. aversive bitter taste, loud noise) or lack of hedonic tone (e.g. smooth surface). Meaning that some signals do not automatically cause any particular reaction – only the associative learning mechanisms give rise to sensations that evoke emotions and reactions in individuals (Johnston 2003). Therefore, from the experiential marketing point of view, the perception and interpretation of sensory signals can be considered a complex mechanism that involves a mixture of biological responses, psychology and memory (Michon, Chebat and Turley 2005). Indeed this makes precisely predicting the effect of stimuli and sensory signals challenging.

Analysis by Gentile, Spiller and Noci (2007) shows that if there is a clear link between a product's core function and a sense, like Pringles – taste, iPod – hearing, then this specific sensorial component is perceived as most important for the customer. However, if the link is not clear as in the case of a Harley Davidson motorbike, then sight is reported as the most important sense by customers. Perhaps because of the dominance of the visual sense, the sensory dimension of customer experience is linked foremost with aesthetic benefits (e.g. in Holbrook 1986).

The importance of the sensory dimension of customer experience is demonstrated in the study by Mooy and Robben (2002), where it is shown that the evaluation of a product's functional quality is largely affected by merely the touch and visual sensation of the physical surface material of the product. Exploratory research by Zomerdijk and Voss (2010) confirms that business organizations have realized this and strive to address all five senses in the design of their customers' experiences; however, only a few firms have done this successfully.

All in all, sensory experiences are reasonably straightforward, evoked by physical stimuli and present a relatively simple response (Dube, LeBel and Sears 2003). This does not mean that their role in creating customer experience is minor. But in contrast the emotional, cognitive and social dimensions of experience (that will be discussed next) consist of a rich constellation of reactions, where different emotions, thoughts and motivations co-exist, which makes understanding and predicting more challenging.

### *Emotional dimension of customer experience*

Affect is a generic term for a wide range of subjectively perceived feeling states that people experience (Nicholson 1998). Affective states vary in intensity. *Emotion* is a relatively strong, but transient affective state that may even interrupt cognitive processes or behaviour. The emotive response is both psychological and physiological in nature – altering the states of mind and body. In the marketing context emotion has been defined as a valenced affective reaction to perceptions of situations (Richins 1997), elicited specifically during consumption experiences (Westbrook and Oliver 1991), and often resulting in specific actions to affirm or cope with emotion (Bagozzi, Gopinath and Nyer 1999). *Mood* on the other hand is a relatively mild day-to-day affective state that does not interrupt cognitive processes, but provides a subtle affective context (Gardner and Hill 2001). It has to be noted that most marketing literature uses the words emotion, mood and feeling interchangeably with affect (e.g. Mano and Oliver 1993), basically eliminating the conceptual boundaries. This thesis uses only the term emotion to address affective states because first, there is only a subtle boundary between mood and emotions, and secondly, relatively stronger emotions are the main target for CEM.

Marketing literature suggests that emotions (as well as mood) have two predominant dimensions – positive and negative – where the two exist independently, allowing for the coexistence of positive and negative emotions (Huang 2001; Pham *et al.* 2001). Within these general dimensions, a distinction is made between specific emotions. Based on the review of 10 marketing articles, Laros and Steenkamp (2005) have identified 140 specific positive emotion words and 173 negative emotion words. Therefore, there is a wide divergence in the content of specific emotions studied in marketing because authors use different scales and focus on different emotions. A hierarchical structure is used to systemize the wide variety of emotions: 1) general *positive* and *negative emotions* are at the highest, superordinate level, 2) *basic emotions* at an intermediary level and 3) the lowest level consists of groups of *specific emotions*.

Basic emotions are considered universal, having a significant role in the biological evolutionary process of humans (Richins 1997); they are often considered *building blocks* of other more specific emotions. In the consumption context, Laros and Steenkamp (2005) identify four basic positive feelings: contentment, happiness, love and pride; and four basic negative feelings: anger, fear, sadness and shame (detailed in Appendix 3). Other authors have also used a broader set of basic emotions (for example Richins 1997). It is, however, noted for measurement purposes by Bagozzi, Gopinath and Nyer (1999) that in most studies discrete emotion measures eventually load on just two factors – positive and negative. This implies that despite the obvious differences in emotions, the correlation of (mostly self-reported) emotions is high. Therefore, authors like Ortony and Turner (1990) have also questioned the validity of the basic emotion concept.

To explain the causes of emotions, the *appraisal theory of emotions* has been developed, whereby the determinant of an emotion is the evaluation and interpretation that arises from the comparison of the actual and desired state of an individual (Bagozzi, Gopinath and Nyer 1999). Nyer (1997) has emphasized that appraisal depends on both *internal factors* (personality, goals) and *external factors* (product performance and social factors). It has to be noted that appraisals can be purposive and conscious, but also unconscious. This theory has found strong support in the marketing context, for explaining emotional reactions in different situations. For example, Dube and Menon (2000) found that satisfaction with service depends on the agency, which means that satisfaction is higher if a customer's negative feelings are attributed to the self rather than the supplier organization (*ceteris paribus*). Roseman (1991) has specified a comprehensive framework with five *antecedent conditions* leading to 16 specific emotional responses (detailed in Appendix 4). The crucial appraisal conditions are: motive consistency, active agency, happening probability, reward or punishment type of stimulus and the individual's coping power.

Oatley and Johnston-Laird (1987) have remarked upon the *communicative function* of emotions. According to this theory, emotions function to coordinate the responses to events that influence the attainment of one's goals or desired states. Emotions work as a conscious and subconscious monitoring mechanism, signalling when the evaluation of the likely success of the goal or plan changes (Bagozzi, Gopinath and Nyer 1999). Positive emotions are evoked when goals are achieved and negative emotions are caused by failures to achieve the desired goals or states.

Emotions have a two-fold importance in explaining marketing phenomena: first they are a *consequence* of marketing activities, but secondly, emotions act also as a *cause and motivator* for customer reasoning and behaviour.

First, emotions have been analyzed as the consequence of business and marketing activities (Price, Arnould and Deibler 1995; Dube and Menon 2000). Thus, emotions are triggered by product and service attributes usually studied in marketing. The emotions caused by a product or service purchase and consumption, have also been called *reactive emotions* (Sandström *et al.* 2008). To this end, the organization has to consider the consequence of purchasing and consumption outcomes on customers' emotions in order to gain customer satisfaction and loyalty. If the consumption outcome does not live up to the customer's expectations, needs or goals, negative emotions occur and loyalty is not encouraged. For example, Zeelenberg *et al.* (2000) have distinguished two negative emotional responses to negative events: *regret* if people feel control over the event and *disappointment* if they do not feel control over the event.

Secondly, as cause for cognition, emotions can lead to emotion-congruent memory recall, emotion-congruent information processing, emotion-based stimuli evaluations and decision-making (Isen *et al.* 1978; Gardner and Hill 2001). According to the emotion-as-information framework, customers rely on their feelings when forming their overall evaluations of an object because

feelings are perceived to contain important judgmental information (Pham *et al.* 2001). In a positive emotional state the likelihood of positive behaviour such as cooperation, compliance to persuasion, helping and experimentation increases (Baron 1997; Hertel *et al.* 2000; Mano 2004). In the consumption context, it is accepted that inducing positive feelings in the customer increases the chances that the customer will select a particular supplier (Grace and O’Cass 2004). Sherman, Mathur, and Smith (1997) established that customers in a positive and aroused emotional state spend more money and time in the store and purchase more items. Equally important is the fact that seeking emotional arousal has been identified as a motivator for the consumption of many hedonic product classes like novels, movies, theatre and cigarettes (Hirschman and Holbrook 1982; Allen, Machleit and Kleine 1992; Morrison and Crane 2007). This view is supported by the psychology literature that discusses emotions as motivational phenomena. Morrison and Crane (2007) have suggested that the role of emotions in evaluating the service or product increases when the customer does not have much knowledge about the product, or the product is associated with high risk.

In order to understand the customer experience concept, customer’s *reactive* emotions need to be scrutinized because emotions are often considered a crucial component that lead to customer loyalty, decrease price sensitiveness and decrease the threat of conversion to competitors (Dube and Menon 2000; Barsky and Nash 2002). For this reason, different scales that measure the emotions in the customer experience will be discussed next. However, it has to be noted that in contrast to a unidimensional satisfaction measure, customer emotions have at least two dimensions; therefore, service encounters can produce both positive and negative emotions.

Mehrabian and Russell (1974) developed the PAD (pleasure-arousal-dominance) scale to assess emotional responses to environmental stimuli; it does not purport to measure other emotions *per se*, but just the three positive components (Russell and Mehrabian 1978). The same scale is adopted in several later studies (e.g. Havlena and Holbrook 1986; Sherman, Mathur and Smith 1997), which proves the high validity of the scale. *Pleasure* refers to a degree of happiness, joy and satisfaction. *Dominance* refers to the extent of control in the situation – if the person is free to act as she wishes. *Arousal* refers to a state of being excited or stimulated. It has been found that arousal has a multiplicative drive-like effect; in a pleasant environment arousal is positively related to approach behaviour, but in unpleasant environments arousal leads to stronger avoidance (Donovan and Rossiter 1982). Pleasure and arousal have also been put forward as robust and important components of customer emotion in later studies by Mano and Oliver (1993); and Oliver, Rust and Varki (1997); however, the dominance component has been found to be more problematic.

Pullman and Gross (2004) found in their study of circus guests that the following emotions lead to loyalty: comfortable, relaxed, happy, satisfied, entertained and amused. Barsky and Nash (2002) found in the study of hotel

guests that the feelings – comfort, secure, relaxed, welcome, content, respected, practical, important, pampered, entertained, excited, elegant, sophisticated, inspired, extravagant and hip or cool – lead to loyalty. Westbrook and Oliver (1991) identified three emotions – pleasant surprise, interest and hostility – as related to the satisfaction of new car owners. Price, Arnould and Deibler (1995) have also used various positive as well as negative emotions to measure customer responses (summarized in Table 4).

**Table 4.** Emotions influencing the customer experience and loyalty described in essential studies

<b>Positive emotions</b>	<b>Negative emotions</b>	<b>Other</b>	<b>Setting/ industry</b>	<b>Study</b>
pleasure, dominance	–	arousal	universal	Mehrabian and Russell (1974)
pleasant surprise, interest	hostility	–	new car owners	Westbrook and Oliver (1991)
pleasure	–	arousal	high and low involvement products	Mano and Oliver (1993)
pleased, happy, elated, warm-hearted, caring, affectionate, loving	sad, sorry, regretful, angry	–	NA (various)	Price, Arnould, Deibler (1995)
comfort, secure, relaxed, welcome, content, respected, important, pampered, entertained, excited, elegant, sophisticated, inspired, extravagant, hip or cool	–		hotel	Barsky and Nash (2002)
happy, satisfied, comfortable, relaxed, entertained, amused	–	–	circus show	Pullman and Gross (2004)
happy, pleased, trusted, valued, focused, safe, cared for, interested, energetic, exploratory, indulgent, stimulated	unsatisfied, irritated, hurried, stressed, neglected, unhappy, disappointed, frustrated	–	universal	Shaw (2007)

Source: author’s analysis based on listed sources

Shaw (2007) has developed a scheme for organizing customers into four latent clusters based on their feelings of customer experience (Appendix 5). In Shaw's taxonomy, the highest loyalty resides in the *advocacy cluster* that is characterized by two positive emotions: pleased and happy. The *recommendation cluster* exhibits the feelings: valued, cared for, trusted, focused and safe. For the *attention cluster*, the statistically significant characteristic feelings were: stimulated, interested, exploratory, energetic and indulgent. And finally, for the *destroying cluster* the identified negative feelings were: irritated, hurried, unhappy, disappointed, frustrated, unsatisfied, neglected and stressed. It has to be noted that several of the states identified by Shaw seem to be actually cognitive states rather than emotional. In particular, dissatisfaction and trust refer to rational thinking rather than emotion.

Based on this review of literature it is evident that *pleasure* and *happiness* are often used as a target emotion in consumer behaviour literature. Bagozzi, Gopinath and Nyer (1999) even propose that happiness could replace the construct of customer satisfaction because it is more closely connected to *human welfare*. Therefore, this merits special discussion. Based on a literature synthesis, Dube and LeBel (2003) define pleasure as a summary judgment of how good it feels to interact with an object; pleasure results from different antecedents and is associated with a variety of experiences. There is the question of why pleasurable emotions arise?

One possible answer has been given by Johnston (2003), who proposes that the brain has evolved to generate pleasant or unpleasant feelings as a response to aspects of the environment that were either a benefit or a threat to gene survival in the ancestral environment. This evolutionary functionalist perspective is supported by other authors that have studied the role of the hedonic dimension of feelings in the associative learning process as a cause for the development of a value system (e.g. Cabanac 1992). Ramirez and Cabanac (2003) propose that pleasure is an underlying "*common currency*" that allows us to compare all emotions and motivations. Thus, the pleasure maximization and displeasure minimization principle helps to trade-off competing motivations. Different pleasures are basically summed and optimized by an algebraic equation determining the behaviour. The temporal perspective is also included in this theory – displeasure may be tolerated in expectation of a larger pleasure later. This approach suggests that pleasure is the characteristic of emotions that motivates people toward subjectively useful behaviour, but pleasure also rewards the behaviour. Pleasure simultaneously indicates a useful stimulus and motivates the subject to approach the stimulus. However, Cabanac (1992) notes that pleasure is present only in transient states, when the stimulus helps the subject to reach a normal state (homeostasis range). As soon as homeostasis is reached the stimulus loses its ability to induce pleasure (Crosby 2009). It is obvious that there are individual differences in the equilibrium levels of customer needs, thus the pleasure received from the same stimulus is different from subject to subject.

Relying on the foundational work of Maslow (1943), authors in marketing have suggested the following needs as driving customer motivational systems: physiological, safety, love, esteem, accomplishment, self-actualization, but also power/control, arousal, fairness and exploration needs (Cook *et al.* 2002; Crosby 2009). It can be inferred that reaching a homeostatic level for those needs gives pleasure to the subject; and on the other hand, unless these needs are satisfied to a certain degree, the customer experience cannot be pleasurable.

In current literature pleasure is mostly treated as a hierarchical concept that is differentiated into meaningful subgroups of pleasure instances. Tiger (1992) has identified (though not empirically tested) four pleasure types:

- physio-pleasure, that is obtained from physical impressions like eating and drinking;
- psycho-pleasure, that is obtained by achieving individually motivated tasks or acts;
- ideo-pleasure, that emanates from privately experienced ideas and images;
- socio-pleasures, that arise from the company of other people.

The empirical investigation by Dube and LeBel (2003) confirmed that people also classify pleasurable experiences into these types, except he added emotional pleasure:

- physical pleasure that is gained from the pleasant sensations of the (sensory) experience;
- intellectual pleasure gained through appreciating antecedents like knowledge, success as well as prayer;
- social pleasure that is derived from interactions with other people;
- emotional pleasure is derived from experiences that evoke mental images, and feelings.

The similarity between the types of pleasure and customer experience dimensions is obvious, which gives reason to propose that customer experience and customer pleasure may be *converging concepts*. For example, Cox, Cox and Anderson (2005) have identified six “shopping pleasures” that overlap with the experience dimensions: sensory stimulation (sensory), browsing (cognitive), bargain hunting (instrumental), kinesthetic (action), mingling with other shoppers (social) and being pampered (social and emotional).

It is worthwhile noting that in the study by Dube and Le Bel (2003), pleasure types were associated with different emotions like joy, pride, happiness and sadness. For example, quite counter intuitively intellectual pleasure also involves a high degree of sadness. The argument for specific negative emotions leading to loyal behaviour has also been confirmed in the work of Allen, Malcheit and Kleine (1992), who demonstrate that *sadness* leads directly to repeat behaviour in the case of blood donation, despite the fact that it causes a negative attitude.

To illustrate the power of pleasure to explain the different motivations for behaviour, Cabanac (1992, p. 193) suggests: “*Human liberty is often ill understood as the freedom to do everything. Actually it is to be understood as the freedom to choose one's own way to maximize pleasure.*” Referring to different types of pleasure and possibly to the subjective weights of different pleasures.

The discussed conceptualization of pleasure is well in line with the theory of ultimate psychological hedonism, that basically says that the ultimate desire that people have is the desire to receive pleasure and avoid pain (Ryan and Deci 2001). However, this simplistic principle has received several consistent improvements. It has been suggested that there is a distinction between *emotional reasons* that lead directly to pleasure and *content-based goals* that lead indirectly (later in time) to pleasure (Mees and Schmitt 2008). The latter is basically the counterpart of the instrumental dimension of customer experience.

As a final note in discussing customer emotions, it is worthwhile to remember the phenomenological nature of emotions. The study by Barsky and Nash (2002) shows that the feelings leading to loyalty are different among different types of hotel segments (luxury, economy etc.). This clearly implies that among different customer segments, the desired emotions are different. In addition to the differences caused by consumption characteristics, Arnold and Reynolds (2009) highlight the important aspect of emotion self-regulation, whereby people try to maintain the feeling state that is consistent with their *personality* – negative for neurotics and positive for people with high self-esteem. This implies that enriching customer experience with positive emotion evoking stimuli may not work for all individuals.

The importance of the emotional dimension of customer experience cannot be overemphasized. Drawing on the concept of pleasure, it can be said that other dimensions of customer experience are ultimately connected to emotions, and thereby affect customer behaviour. This thesis does not go as far as to claim that the emotional dimension is more important than other dimensions, yet its central role in forming customer experience is quite evident. Therefore, the emotional dimension of customer experience was discussed in greater depth here compared to the following dimensions.

### *Cognitive dimension of customer experience*

Cognition refers to the information processing view of an individual's psychological functions. From this perspective the human mind is a knowledge-based system that acquires, transforms and uses information by variety of processes, such as perception, memory, language and reasoning (Bailey and Clegg 2007). Drawing on this, the cognitive dimension of customer experience is associated with the customer's gains from discovery, learning, thinking, problem solving and intellectual activity (Mascarenhas Kesavan and Bernacchi 2006; Gentile, Spiller and Noci 2007; Sundbo 2009). The desire to know and to understand was proposed as an important motivational driver, at least for “intelligent

people” by Maslow in his early work (1943, p. 385), and curiosity, exploration, the desire to know and the desire for the facts are all at the core of this. Martindale (1984) proposes that pleasure induced by cognitive experience is a function of the degree to which the cognitive units coding the experiential stimuli are activated in the mind. Therefore, cognitive experiences usually require focus, effort and concentration (Battarbee and Koskinen 2005).

In the CEM context it is worth noting that Hoch (2002) has emphasized the tendency for people to overrate the knowledge gained from personal experience. Vividness and realism makes it a seductive and influential tool for learning. Personal cognitive experiences do not raise disbelief and have therefore more influence on changing the beliefs and attitudes than traditional commercial messages (*Ibid.*). But learning from experience may occur incidentally or malevolently and is often based on ambiguous information. This characteristic trait of cognitive experiences can lead to self-delusion as well as manipulations by the marketing activities of organizations.

Customer research has historically assumed that consumer behaviour is a phenomenon based on cognitive assessments of the product's attributes (as opposed to emotional reactions); it is mainly concerned with individual's capabilities to acquire and process information and make rational purchase decisions (Hoch and Deighton 1989; Huffman and Houston 1993; Bettman, Luce and Payne 1998). Therefore, product quality, price and value have been referred to as “cognitive” factors influencing purchase behaviour (Donovan *et al.* 1994). However, this thesis argues that in the CEM framework it is important to distinguish clearly between cognitive *experience* and cognitive *evaluation*, which customers use to select products and services.

### *Imaginative thinking as part of the cognitive dimension of experience*

In addition to calculative thoughts individuals engage in daydreaming and thoughts of *imagination* (fantasies). Brakus, Schmitt and Zarantonello (2009) have distinguished between *analytical* and *imaginative* thinking as important parts of experience. Other authors have also stressed the active role of imagination in facilitating a person's perception process of the consumption experience, especially in the context of hedonic consumption (Hirschman and Holbrook 1982; Tsai 2005). For example, imagination is necessary for appreciating experience descriptions as substitutes for real life, such as novels of romance or science-fiction (Hoch 2002). Joy and Sherry (2003) argue that perception and imagination are thoroughly embodied and co-exist; based on a thorough study of art exhibition experiences, they assert that imagination plays an important role in the perception of aesthetic stimuli, because only through imagination are the creative projections of an object and its parts possible. This means that the customer uses contextual information about the product or service and associates this with imaginative constructions of reality with the help of his/her mental faculties.

Sometimes a customer's internal construction of reality may not reflect the external world; customer experience can be based on an *altered state of reality*. This can lead to a more comprehensive or enriched customer experience that appeals not only to the customer's cognition, but physical senses and emotions as well (O'Shaughnessy and O'Shaughnessy 2002). Tsai (2005) proposes that the organization needs to *activate* the imagination mechanism of the customer during consumption in order to provide more enjoyment. Hirschman and Holbrook (1982) have distinguished two types of internal imagination: *historic* that involves episodes that have occurred in the past, and *fantasy*, meaning that the multisensory image is not directly drawn from prior experience. For example, the scent of a perfume can evoke a romantic recollection from the past or it may evoke a fantasized mental construction of the future that has not occurred yet.

Use of imaginative constructions clearly has two implications for CEM: first, to understand the previous experiences of customers, and secondly, to provide value proposals that evoke fantasy, in order to provide enriched experiences.

#### *Action dimension of customer experience*

This dimension of customer experience refers to motor activity and different ways of doing things (Gentile, Spiller and Noci 2007), implying an active/passive physical participation in the experience. Although some authors have addressed this dimension as behavioural (Brakus, Schmitt and Zarantonello 2009), it has to be acknowledged that "behaviour" means a response to an environment. In this thesis the term "action" dimension is used as a more precise notion that refers to bodily action and fits well with the description of the dimension in previous works. It is argued here that "action" is better suited to describing such phrases as "work out" and "want to go [to a place]" (in Brakus, Schmitt and Zarantonello 2009, p. 56). The action dimension of customer experience also involves the term *kinesthetic experience* used by Cox, Cox and Anderson (2005). Their study identified this dimension in supermarket visits as an opportunity to "walk for exercise" and "move around in a safe, pleasant venue". The implication for CEM is that although bodily action has rarely been considered as an important part of value offerings, it is nevertheless an inseparable part of customer experience.

#### *Social dimension of customer experience*

Customer experience is not limited to single individuals having the experience. To reflect experience created together with other people, the concept of *co-experience* is proposed by Battarbee and Koskinen (2005). Following the symbolic interactionist perspective they assume that people act toward things through the *meanings* that arise from social interaction and are managed through an interpretative process. They argue that lifted-up and shared

experiences will either be *reciprocated* or *rejected* by fellows. Reciprocation means emphasizing and sharing, whereas rejection means ignoring or down-playing. This adds another dimension to customer experience that depends on the reaction of other people and its interpretation by the customer.

In a consumer society, people seek goods to identify themselves, to demonstrate group membership and to position themselves among a group or society (O'Shaughnessy and O'Shaughnessy 2002). To this end products serve as expressions of self, individuality and status (Fournier 1991). In this case, pleasure and satisfaction arises mostly from a product's scarcity and exclusiveness that leads to social acceptance, admiration, envy or a sense of connection and friendship (Brakus, Schmitt and Zarantonello 2009). In addition to this, being served by service personnel leaves the impression of having status, authority and elevated social position (Cox, Cox and Anderson 2005). Ponsonby-McCabe and Boyle (2006) state that esteem as a source of value involves the possession of a particular product that enhances the customer's esteem in the eyes of other people. This can be generalized to the customer experience context, whereby stimuli provided by the experience serve as a source of esteem.

To sum up, the social dimension of the customer experience involves: the relationship between the person and the social context, affirming relationships with other people and positioning oneself within a group. This is also a dimension that has not received much attention in traditional marketing, but is an integral part of the holistic customer experience. Today, the increasing use of social media and networking should make it easier for organizations to follow and analyze the social reactions and interactions of its customers.

### *Instrumental dimension of customer experience*

Not all products and services are purchased for immediate hedonic satisfaction, it is important also to consider the more traditional functional/utilitarian dimension of customer experience. Therefore, this thesis distinguishes between *inherently pleasurable* and *instrumental* customer experiences (adapted from the research of Holbrook *et al.* 1984; Havelna and Holbrook 1986). The former refers to consumption for its own sake – as discussed above: providing sensory, emotional, cognitive, action or social-symbolic gains. Whereas the *instrumental* dimension of experience is described as more rational; it is usually driven by a long-term goal, and therefore, needs some cognitive effort; it also includes price and cost issues as a means to achieving experiential gains. The term *instrumental* is preferred here to other terms that have been used in the literature (like economic, functional, practical) because it seems to reflect more clearly the essence of the dimension.

Differentiating between the direct and indirect gains of an experience can be compared to the theory of *human values* by Rokeach (1968), with the exception that values instead of gains from an experience are considered reasons for

action. Rokeach distinguished between *terminal* values and *instrumental* values. The latter referring to the behaviour that is a means to achieving the former. Indeed this has been conceptualized in the marketing context as the means-end theory of customer behaviour developed by Gutman (1982). Taking a short-term perspective, Gutman's model attempts to explain how product selection and consumption enables the achievement of the customer's *valued end state*. He suggests that the end states are physiological, psychological or sociological, and can be achieved directly or indirectly (sooner or later). A key assumption in this framework is that personal values provide positive or negative valence to consumption consequences (experiences), which subsequently shapes the "instrumental" behaviour of the customer.

Hence, the instrumental dimension of customer experience in this thesis is considered as reflecting all kinds of features, stimuli and benefits of the product or service sought by the customer for the purpose of achieving some goal or end state, but are not the ends in themselves.

The functional features of products as well as the costs, which are related to the instrumental dimension of customer experience, are summarized by the equation of customer value (Woodall 2003; Best 2000, p. 83):

$$\text{value} = \text{attribute benefits} - \text{costs}$$

However, from the phenomenological perspective, product features and attributes are only instruments for fulfilling some higher needs or achieving goals; whereas, weight placed on various needs and goals is influenced by a multitude of personal and situational characteristics. Therefore, the concept of customer value is problematic from the CEM perspective.

In the study by Orsingher and Marzocchi (2003), two important utilitarian factors that emerged in the evaluation of customer experience in hotels were: saving time and saving money. These factors imply that on the general level *efficiency* is an important aspect of customer experience. But as efficiency is not a goal in itself, it is reflected in the instrumental dimension of customer experience.

Price is often viewed as an attribute that motivates the rational/utilitarian "homo oeconomicus". Thus, it is proposed here that price is mainly reflected in the instrumental dimension of customer experience. Although there are also cases when price is related to other dimensions of customer experience; for example, Cox, Cox and Anderson (2005) have shown that besides detached calculation and efficiency motive, price can also satisfy other less important motives, such as pride or a sense of achievement.

Time, in functional terms, is treated as an opportunity cost for the customer. Therefore, the organization should strive to reduce the duration of service encounters to reduce the opportunity cost for the customer. But an important peculiarity of spending time is that the value of time depends on the context (Bitran, Ferrer and Rocha e Oliveira 2008). In a pleasurable context, customers

are more willing to spend time. Moreover it has been contended that people systematically under-estimate the opportunity costs of time. Okada and Hoch (2004) demonstrate that people are more willing to spend time for higher risk options and also accommodate losses more easily in temporal rather than monetary inputs.

The instrumental dimension of customer experience also accommodates gains and benefits that are referred to as *extrinsic* (Mathwick, Malhotra and Rigdon 2001). These are solutions to externally imposed problems (Fournier 1991). For instance, in the case of business (B2B) customers, the person responsible for purchasing has requirements for the product/experience that are imposed by the client organization's purchasing policy and the specifics of the final product. If the purchasing person fulfils her "external" task she is usually rewarded in some way.

So this dimension describes the intermediate-level means for attaining the customers' desired end states; as well as the money and time costs as a means to achieve the end state.

***To summarize***, it can be presumed that customer experience is conceptualized as consisting of multiple dimensions that draw upon research from disciplines like psychology, sociology, biology, economics and marketing. Therefore, customer experience dimensions remain a somewhat fuzzy construct with vague boundaries. Moreover, the dimensions are likely to be interconnected in many subtle ways. However, based on relevant studies in the current literature, this chapter provides a synthesis whereby customer experience is described using six elementary dimensions.

*The sensory* dimension involves the five traditional human senses: sight, hearing, smell, taste and touch; but also the senses of balance, temperature and kinesthetics. The sensory signals are interpreted through a complex mechanism of biological responses, associative learning and other psychological processes. Exploratory research has found that simple sensory stimuli can have a large effect on product and services performance evaluation; therefore, CEM needs to address all the senses.

*The emotional* dimension of customer experience addresses the subjective affective responses to the perception of the consumption situation, which is mostly followed by specific actions. In general it can be said that, if the individual's desired and actual state coincide then positive emotions are evoked, if not then negative emotions are evoked. According to various causal conditions, more specific emotions can be identified. However, emotions are not only a consequence of customer experience, but also influence customer experience as motivators and causes of behaviour (such as loyalty and decreased price sensitivity). Therefore, it is important to note the circular effect of emotions for CEM. Different studies have confirmed that the emotions that most often lead to loyalty are: pleasure, happiness, arousal and dominance. The importance of the role of pleasure is reflected in the proposition that pleasure is a "common

currency” that allows us to compare emotions and motivations based on the pleasure maximization and pain minimization principle. Pleasure and other emotions that are evoked in a customer experience are dependent on the congruence between: a) the stimuli offered by organization, and b) personal needs, background and other individual-specific factors.

*The cognitive* dimension of customer experience involves the psychological functions related to information processing, such as perception, memory, reasoning and language. Thus, this dimension is associated with gains from learning, discovery, thinking, problem solving etc. For CEM purposes it is important to acknowledge the high impact that customer’s vivid *first-hand* experiences have on their cognition; this can lead to self-delusion as well as to manipulations.

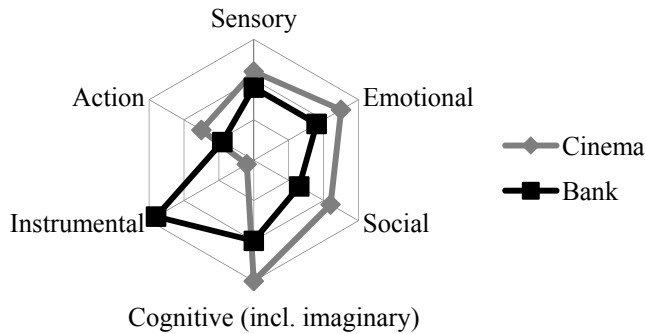
In addition to calculative or fact-based thinking, the cognitive experience also includes *thoughts of fantasy*. It has been established that imagination is necessary and used for appreciating several types of customer experiences (e.g. art, novels, cinema), where the contextual information is associated with imaginative constructions of reality. Therefore, CEM can provide stimuli that evoke an altered state of reality (drawing upon memories or fantasies about the future) and enrich the customer experience.

*The action* dimension refers to the customer’s motor activity. Implying physical participation in the experience. The organization has to consider where the customer moves, stands or sits and if the action takes effort or offers content because this aspect also influences the holistic experience.

*The social* dimension of customer experience implies those aspects of the experience that are co-created with other people through shared meanings. Products and services allow customers to identify themselves, to demonstrate group membership and position; thereby, the customer can gain social acceptance, a sense of connection, admiration and esteem. This dimension is dependent on the reaction of others to the offered experience and the interpretation of it by the customer.

*The instrumental* dimension addresses the utilitarian part of the organization’s offering, as opposed to immediate hedonic gains. It is usually driven by a longer-term goal and also needs some cognitive effort. As in the means-end theory of customer behaviour it assumes that instrumental gains initially lead to some valued end state, but are not the ends in themselves. The most common instrumental gain is probably associated with efficiency; that is, saving the customer’s time and money (incl. price aspects). This dimension also accommodates solutions to externally imposed problems such as purchases in business markets.

Customer experience can be described based on these dimensions, for instance, Figure 6 describes hypothetical customer experience profiles for a bank and a cinema.



**Figure 6.** Description of customer experience for a bank and a cinema (compiled by the author as a hypothetical illustration)

In the example of the bank, the instrumental and cognitive dimensions prevail because the gains are mostly long term, often involve an efficiency motive and require cognitive effort for planning and imagining the future situation. As the bank is evaluated based on heuristic/credence qualities, it can be suggested that sensory and emotional components also play a part in customer experience (it is usually beyond the customer’s cognitive abilities to assess the banks trustworthiness based on facts). In the case of the cinema it can be suggested that the cognitive and emotional dimensions prevail because the experience involves extensive imaginative thinking to understand the script. Going to the cinema also involves a social aspect because the experience is often shared with friends. Compared to the bank, there is greater emphasis on the sensory and action dimensions, because the customer has to sit and watch the screen for a couple of hours – which definitely has some influence on the experience. The presented framework provides the necessary information for organizations about important aspects of the customer experience. This allows them to utilize resources and manage processes in such a way that evokes superior customer experience.

### 1.3. The dynamics of customer experience

A customer’s experience with an organization usually begins some time before the purchasing transaction and ends some time after the transaction (Abhari, Saad and Haron 2008). The duration of the customer experience has not been limited in literature, implying that the customer experience begins (or ends) with the first (or last) time that the customer perceives or processes a clue about the organization or the product. It is useful to divide customer experience into phases that can be analyzed and mapped. Table 5 summarizes existing approaches that divide customer experience into phases. As can be seen, different authors agree to a large extent that three to four phases deserve attention:

pre-purchase, purchase, core consumption and post-consumption experience. Haeckel, Carbone and Berry (2003) refer to this as *experiential breadth* – involving just a purchase phase or more phases.

**Table 5.** Analysis of similarities in approaches that distinguish the phases of customer experience

<b>Study</b>	<b>Phases addressed in the study</b>			
Caru and Cova (2003)	pre-consumption experience	purchase experience	core consumption experience	remembered consumption experience
Mascarenhas, Kesavan and Bernacchi (2006)	searching phase	finding phase	using phase	post-usage phase
Shaw (2007)	pre-experience	experience		post-experience
Morrison and Crane (2007)	pre-purchase stage	purchase stage	post-purchase stage	
Holbrook (2007a)	discovering and evaluating experience	acquiring experience	integrating experience	extending experience
Abhari, Saad and Haron (2008)	pre-consumption experience	purchase experience	core consumption experience	post-consumption experience
Brakus, Schmitt and Zarantonello (2009)	product [search] experience	shopping and service experience	consumption experience	
<b>Synthesis of aspects in this thesis</b>	<b>Experience phases</b>			
	<b>Pre-purchase</b>	<b>Purchase</b>	<b>Core consumption experience</b>	<b>Post-consumption</b>

Note: Merged cells indicate that author(s) treated several phases of experience as one

Source: author’s analysis based on listed sources

Customer experience begins with the *pre-purchase* phase, which involves the acknowledgement of a consumption need, followed by information search and the evaluation of alternatives based on documentation, reviews on the internet, friends’ suggestions, trials and so on (Lovelock and Wright 2002; Caru and Cova 2003). It may also involve some limited experience with the product. This culminates in attitude formation and choice making. But it can also involve planning (e.g. vacation) and imagining/dreaming (Abhari, Saad and Haron

2008). Therefore, the cognitive dimension of customer experience is mostly evoked in this phase.

Once the supplier and product are chosen, the customer contacts the supplier by travelling to its location or establishing contact by other means, initiating thereby the *purchase experience* phase (Morrison and Crane 2007). A direct encounter with the physical environment, personnel and operating practices is usually experienced in this phase (Caru and Cova 2003); as a result products are delivered and payment made. This phase can be facilitated by making the product and service easily and pleasantly available.

Next, CEM focuses on the *core consumption experience* phase (this phase is often ignored in traditional marketing). In this phase the service is integrated into the customer's life (Holbrook 2007a). In the case of classical services, the actual delivery takes place. During intense interaction all the dimensions of experience can be evoked. If the perceived sensations, impressions and functional performance match the customer's expectations, satisfaction, flow or transformation takes place (Abhari, Saad and Haron 2008). This phase can also involve activities like feedback surveys and after-sales service.

*The post-consumption experience* phase involves the final evaluation of the experience; based on this the customer's attitude and future intentions will be shaped (Lovelock and Wright 2002). If the experience was positive then remembrance and nostalgia may occur; past experience is re-lived with the help of photographs, stories and memorabilia. Memorabilia involves specific items that will remind the customer of the experience (Pine and Gilmore 1998). The supplier can extend the positive experiences, for example, by following-up, sending thank-you notes, offering discounts for repeat purchases or establishing loyalty incentives like customer communities. This is the phase where the customer's emotional bond with the brand and the supplier is tested – either by staying loyal and repeating the purchase, or not.

It can be argued that customer experience is different for *first-time customers* and *repeat customers*. Consequently, there is a need to add one more level to the model of experience phases, involving the repeat purchase and consumption. It is implied (e.g. McKnight and Sechrest 2003) that a longer experience causes increased competence in the customer. Therefore, Payne *et al.* (2009) emphasize that the experience design needs to consider particular customer relationship stages. Stating different goals for customer acquisition (first-time customer), stabilization (repeat customer) and relationship enhancement (advocate) stages. This requires the consideration of relationship marketing principles that have been developed in order to foster repeat purchases and the loyalty of customers (Morgan and Hunt 1994; Raval and Grönroos 1996; Reichheld, Markey and Hopton 2000). Based on extensive research Gwinner, Gremler, and Bitner (1998) grouped additional benefits received by repeat customers as a result of loyalty and a long-term customer relationship with a supplier into three: confidence benefits (trust, reduced anxiety), social benefits (recognition, friendship and fraternization) and special treatment (saving money and time,

additional benefits). To provide these benefits the organization has to move from transactional marketing to relationship marketing strategy, which has specific implications for customer experience design.

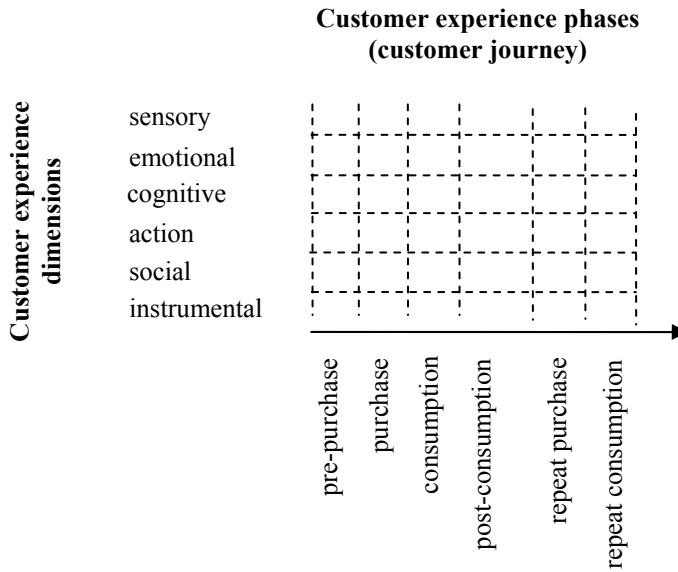
To describe the dynamics of customer experience the concept of *customer journey* is used. This refers to the customer's movement through different experience phases. The customer journey has also been called the "customer corridor" (Shaw 2007) and the "customer scenario" (Seybold 2001). It allows us to portray all the customer *touchpoints* during sequential encounters (Meyer and Schwager 2007; Zomerdijk and Voss 2010), where touchpoints refer to all direct and indirect interaction that the customer has with the organization (O'Malley 2004). Interaction at these touchpoints evokes the customer experience. Based on this, the customer interprets and evaluates the offering of the organization (Crosby and Johnson 2007); therefore touchpoints are also referred to as *moments of truth*. The touchpoints may be related to interactions with products, services, people, the organization or the context.

Hence, the customer journey and *touchmap* serve as longitudinal descriptions of customer activities, feelings, motives and events during various experience phases and episodes. The service processes should be designed around this framework. The touchmap basically draws upon Grönroos' (1997) relationship marketing approach whereby a single customer relationship is made up of smaller units – multiple episodes and acts at a more detailed level.

The experience strategies used in different customer experience phases are industry specific. For example, the pre-purchase evaluation of traditional "services" is more difficult than "products" because some qualities can be discerned only after consumption or not even then (credence qualities). Accordingly, in this case the supplier should pay relatively more attention to helping and informing the customer in the pre-purchase and purchase phase.

The impact of different customer experience dimensions needs to be considered throughout all phases of the customer journey. For example, Donovan and Rossiter (1982) contend, in the retail context, that while instrumental and cognitive factors largely account for store selection (pre-purchase) and for planned purchases, emotional responses are primary determinants of the time and money that the customer spends beyond her original plans at the purchase phase. It has also been noted by Millard (2006) that organizations tend to use emotions as an argument only in advertising and the pre-purchase phase, whereas the emotional dimension is forgotten in the purchase and consumption phase, where rationality and the organization's internal efficiency becomes paramount.

This discussion is brought together in Figure 7, which describes the dynamics of multidimensional customer experiences. It depicts the complexity that the organization faces as it aims to design and manage the customer experience systematically.



**Figure 7.** Customer experience description according to dimensions and dynamic phases (compiled by the author)

*To summarize*, it can be said that to reflect the full breadth of customer experience, its dynamics has to be considered. The customer journey can be divided into four phases. The pre-purchase phase starts with need acknowledgement, information search and evaluating alternative service providers. The purchase phase involves interaction with the organization and its offering. In the consumption phase the experience is integrated with the customer’s life. The final evaluation and future intentions are usually shaped during the post-consumption phase, which may also include re-living the experience in stories and memories.

For repeat customers, the journey continues at another level because they are more competent and already have some first-hand experience with the organization. Therefore, the organization needs to utilize relationship marketing principles in order to provide superior experience for repeat customers.

A touchmap is a tool for describing customer activities, requirements and motives in sequential touchpoints (where contact and interaction takes place); this description provides a framework around which the organization can design the targeted customer experience.

A thorough understanding of the dimensions of customer experience and the dynamics of experience is the cornerstone of a well-informed strategy for evoking customer experience as will be discussed in the next chapters. It has to be acknowledged that the subjective nature of customer experience makes the analysis quite complex, and has specific implications for CEM, for example, the need to provide customized interaction and solutions.

## 2. EVOKING CUSTOMER EXPERIENCE

### 2.1. Theory of clues

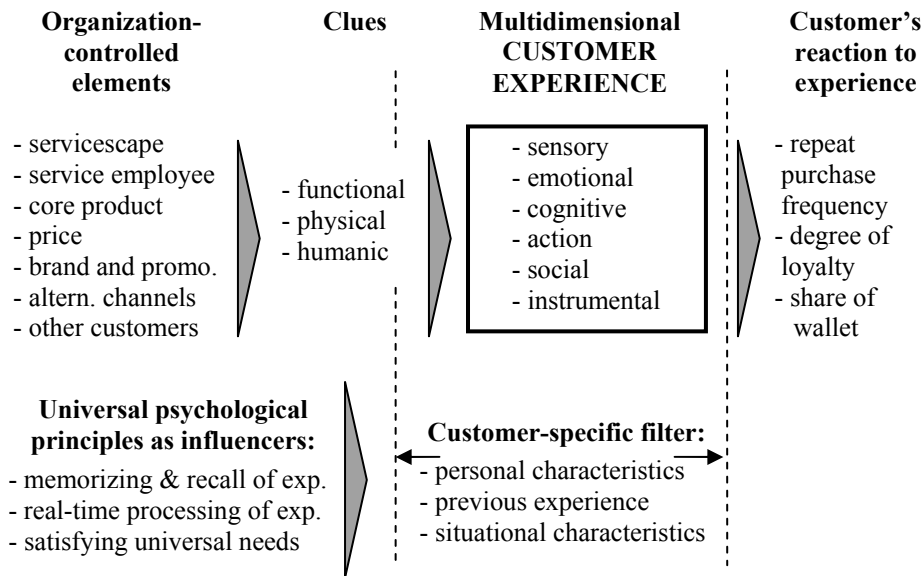
As described in the introduction to the thesis, it has been repeatedly noted that the scientific knowledge of how customer experiences are delivered is lacking (e.g. Stuart 2006; Frow and Payne 2007; Verhoef *et al.* 2009). Although some of the research in the fields of marketing, service design and also the user-driven design of new products has placed customer experience at the forefront – as the target and outcome of the design and development activity – it has rarely addressed the primary conceptual grounds of the immediate evocation of experience with sufficient depth (exceptions that should be mentioned to that end are Zomerdijk and Voss 2010; Pals *et al.* 2008). There seems to be some confusion or omissions in the literature when explaining in detail the relationships between service or product design elements and customer experience.

This chapter aims to fill this gap by discussing the relevant literature and concepts that allow us to describe in detail the evocation of customer experiences. It is important to note that the term *evoking* is used in this thesis instead of *creating* because according to the phenomenology paradigm and service-dominant logic, the experience can only be created by the customer, not the organization. The organization can only evoke the experience.

With this in mind the chapter begins with a discussion of the “clue-based” theory of customer experience in order to explain how the organization evokes the customer experience. Secondly, a systematization of elements (stimuli) that allow the organization to evoke customer experiences is provided. Thirdly, universal psychological principles that need to be considered in customer experience design and evoking are discussed (relying partly on research in behavioural economics). However, it is only possible for the organization to design situations and clues that individuals can interact with, and not the experience outcome *per se*. Therefore, in the last part of chapter two the subjective customer-specific factors (such as personal traits, needs and plans) that influence the facilitation and creation of customer experience are briefly discussed and grouped; although the organization cannot manage or control them, it is important to identify those factors and consider them for the purposes of CEM. Based on the discussion in this chapter a general framework is proposed for evoking customer experience.

As can be seen in Figure 8, the organization-controlled factors, such as the servicescape, employees and the core service (product), form a basis for customer perceived clues. Clues have in essence both, objective and subjective traits; they are partly objective and partly subjective. The clues are interpreted and appraised through a customer-specific filter to form the basis of a multi-dimensional customer experience. In addition to customer-specific factors there

are also universal psychological principles that need to be considered in evoking customer experience. Depending on the outcome of the customer experience, the probability of customer loyalty and repeat purchases are determined.



**Figure 8.** Framework for evoking customer experience (compiled by the author)

Moreover, it is also important to highlight that a distinction is made between evoking customer experiences and the deliberate management of customer experiences (CEM). The evoking of customer experiences takes place even if the organization does not acknowledge it. CEM, on the other hand, is a purposeful managerial activity with a certain aim. As in new product development or service design activities, CEM treats customer experiences as outcomes. Therefore, this chapter discusses only the elements and principles that explain the direct *evoking* of customer experiences (even without explicit acknowledgement or management), and subsequently the third chapter focuses on the CEM processes that are necessary for purposefully *managing* the evoking of customer experience in an organization.

To explain the evocation of customer experiences, Carbone and colleagues have developed a theory according to which customers constantly receive and filter *clues* that are emitted by the physical environment as well as products, services, employees and marketing communications (Carbone and Haeckel 1994; Berry, Carbone and Haeckel 2002). Each clue carries a message, saying something to the customer (Haeckel, Carbone and Berry 2003). In a way customers are compared to detectives who notice certain clues (O'Malley 2005). According to Berry, Wall and Carbone (2006), customers organize clues into

*impressions* that influence customer feelings, thoughts and behaviour, therefore, playing an important part in customer experience formation.

Thus, from the organization's perspective clues work as operational building blocks for designing a customer experience. Experience clues presented in the environment include factors that are under the organization's direct control, but also factors that are only indirectly controllable, such as the behaviour of other customers or news media messages. Therefore, a clue is quite broadly defined as "anything that can be perceived or sensed – or recognized by its absence" (Berry, Carbone and Haeckel 2002, p. 86). The deliberate use of environmental stimuli has also been called *perceptions management* (Bitran, Ferrer and Rocha e Oliveira 2008), because it assumes that the clues presented in the environment can be used to manipulate the customer's perceptions.

Clues either reinforce or contradict the desired customer experience. The right set of clues fits the customer's needs and requirements. Therefore, the organization has to ensure that all clues and messages are consistent with the intended service and experience strategy (Johnston 1999); indeed the strategy should also fit the customers' needs. Clues that subtly miscommunicate and present the wrong idea about the offering need to be eliminated. Such messages may be mistakenly designed or may have crept in over time if the organization becomes compliant. To discover miscommunicating clues, customers' perceptions need to be systematically probed.

It is vital to remember that clues and experience elements need to be tested for customer reactions because ultimately the experience is created by the customer. Gilbert and Ebert (2002) emphasize that although it is generally acknowledged that experience is a result of objective stimuli and the subjective mind, this idea of subjectivity is often neglected by laypeople. This can lead managers to a narrow worldview, that customer experience is solely quite an objective reaction to service properties.

Authors studying the influence of clues and context elements on customer behaviour refer to environmental psychology, more specifically to the *stimulus-organismic-response* (SOR) model as the conceptual basis for clue-based customer experience evoking (e.g. Belk 1975; Donovan and Rossiter 1982; Bitner 1992; Sherman, Mathur, and Smith 1997; Baker *et al.* 2002). According to this model, customers consciously and unconsciously process the clues as well as their feelings when evaluating the experience. Stimuli are appraised based on their individual value system that is of evolutionary and cultural origins. Donovan and Rossiter (1982) suggest that on the general level the response to the environment can be described as approach or avoidance behaviour; where approach includes activities like physically staying in the environment, the desire to explore it and the willingness to interact within and return to the environment. Within the SOR framework, this thesis further follows the assumption of environmental probabilism (Hoffman and Turley 2002), where the stimuli do not "cause" people to approach products and services, but there is a probabilistic link between the context and behaviour.

Because of the complexity of consumer behaviour and psychology, the deterministic assumption is considered too strict here.

Another sound theoretical reasoning for the theory of clues comes from ecological psychology where a comparable approach to clues is the theory of *affordances*. In short, affordance is a physical or perceived attribute of an object that indicates how the object could be used by the customer (Gibson 1979). To be more exact, affordances are defined as the relations between the *abilities of a human* and the *exploitable features of the environment or object* (Chemero 2003). As perceived relations they are both objective and subjective. For example, the *relationship* between the shopping cart and the customer is real and objective (everyone knows how to use it, even if the customer is not present), but the *perception of the relationship* is individual and subjective (while some people prefer shopping-carts, others prefer shopping-baskets).

It is important to note that the associations elicited by a clue or an artefact is also referred to as symbolism (Vilnai-Yavetz and Rafaeli 2006). It suggests that a clue can be perceived by customers as symbolizing different qualities such as friendliness, high status or high prices. It is obvious that the associations that are drawn from appearance are likely to be specific to culture and social group, that consequently may lead to confusion in interpreting the designed clues. Orsinger and Marzocchi (2003) emphasize the role of cognitive schema in attaching meaning to ongoing experiences based on known properties of the experience, the known benefits they provide and the personal values and goals they serve or neglect (Gutman 1982). This line of thinking is also supported by Goldstein (1981), who contends that the causes of a person's pleasure (or distress) are mainly her thoughts or beliefs about the object or situation; whereas the object of her pleasure is actually only the object of her thoughts. In relation to this, it has to be acknowledged that associations evoked by clues are not always the ones the organization had intended.

Next, the types and amount of clues will be discussed. In the case study of a hospital presented by Berry, Carbone and Haeckel (2002), the number of recognized and engineered clues was more than 100. In the case of the spa and wellness centre presented in Haeckel, Carbone and Berry (2003), the number of engineered clues exceeded 200. Number of clues in a specific customer experience is referred to as its *experiential depth*. In the study by Pullman and Gross (2004), the number of contextual elements was considerably smaller – 22, in the case of a circus VIP tent. Therefore, Meyer and Schwager (2007) state that the number of clues or features is not always the key to good customer experience. For instance, comparing Microsoft's Windows and Mac's Operation System X, they claim that for the home user Mac offers better customer experience, despite the fact that Windows has more features.

Clues are classified into two major categories by Carbone and Haeckel (1994); Berry, Carbone and Haeckel (2002); Haeckel, Carbone and Berry (2003):

- *Functional clues*. Incorporating problem solving properties, technical quality, reliability and performance. Representing the core service offering, these clues are believed to appeal consciously to the logical part of the brain. Functional clues are usually considered as need-to-be by customers and do not evoke special feelings in a customer (e.g. having water in hotel shower).
- On the other hand, the second group of clues, misleadingly called “*emotional clues*” by Carbone and Haeckel (1994), offer opportunities for differentiating experiences. This group includes clues that are not directly oriented toward technical performance. “Emotional clues” are further divided into *mechanic* (furnishings, display, smell, sound and other tangibles), and *humanic* (emanating from behaviour, attitude and appearance of service employees). Yet it seems that these types of clues can also influence other experience dimensions (cognitive, social etc.), therefore, naming them emotional seems to be misleading.

Despite the fact that Berry, Wall and Carbone (2006) seem to oversimplify the impact of functional and mechanic/humanic clues to the cognitive and emotional brain, this classification may still help to develop the customer experience theory. Based on their work, Holbrook (2007c) has proposed a framework for organizing the experience clues into a 2×2 matrix; adding a *service-based* clue. This addresses the services that are provided by people and are functionally assessed and consciously appreciated.

Several authors (e.g. Zomerdijk and Voss 2010) have suggested that in today’s fiercely competitive business environment the importance of *humanic* clues and interaction is increasing because it allows us to create an emotional connection that can give respect and esteem to customers, thereby, satisfying the customer’s deeper needs. For example, Vonk (2002) has demonstrated the robust effect of flattery on people’s emotional and cognitive responses. For this reason, excellent *mechanic* clues are rarely believed to overcome poor humanic clues. Consequently, the role of employees is crucial for evoking customer experiences and CEM.

Belk (1975) emphasizes that it is essential to separate the primary consumption object from situational factors, thereby, distinguishing between *focal* and *contextual* cues. Similarly, Anderson, Pearo and Widener (2008) have distinguished between *core* and *peripheral* service attributes, where peripheral elements are subdivided further into *physical* and *interactional* attributes. Physical attributes consist of environmental and mechanical components. Interactional attributes incorporate all interpersonal encounters involved. It appears that this classification is almost identical to Carbone and Haeckel’s (1994), except with a better choice of names for the categories – they use the term “peripheral” instead of “emotional”. The latter is a bit misleading, as discussed above.

A similar classification is used by Pullmann and Gross (2004), who propose two primary components of the context of the experience: *physical* and

*relational*. According to them, the physical context refers to mechanic clues and the relational context to humanic clues. In the relational context, two types of interaction take place: 1) between the customer and supplier, and 2) between the customer and other customers. The same categorization is supported by Morrison and Crane (2007).

Sandström *et al.* (2008) contend that *physical/technical enablers* are needed to create the conditions for the service experience. Enablers include products, signs, symbols and the infrastructure necessary to evoke the service experience. Physical/technical enablers are similar to the concept of servicescape by Bitner (1992). According to Sandström *et al.* (2008) enablers offer *functional* and *emotional* value propositions. The functional part includes what is possible to do with the enablers; and the emotional part includes mental images and brand reputation, and is often viewed as an expression of corporate values.

A comparable approach to classifying experience drivers has come from advertising research, which distinguishes between informational and transformational appeals. *Informational appeals* are defined as providing meaningful facts to the customer about the benefits of the product (Cutler, Thomas and Rao 2000). Conversely, *transformational appeals* are stimuli that go beyond concrete, factual data and emphasize the resulting experience that consuming a good or service will provide (Deighton and Shindler 1988). Therefore, transformational appeals usually evoke emotions.

Brakus (2001) draws attention to irrelevant or *trivial attributes* that act only as heuristic cues, allowing customers to make positive or negative inferences and judgments about other attributes or/and avoid elaborate information processing. These cues often have nothing to do with a product's functional performance. For example, the simple and pleasant colour and shape of Mac products is actually not at all related to the actual pleasant customer experience of the Mac OS X software, but it only reinforces the experience.

To summarize the approaches discussed above, the clues emitted by products, services, and physical and relational qualities of the context are organized into the following three categories in this thesis<sup>1</sup> (described also in Table 6).

- *Functional clues* have a focal problem solving purpose and can be measured relatively objectively, mainly appeal to instrumental and cognitive dimensions of experience and may be emitted and executed by physical objects (technology) as well as people.
- *Physical clues* do not directly fulfil a core consumption function; rather they serve as heuristic cues or reinforce the experience. Therefore, they are often not part of the core service, but for example, part of the servicescape or

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<sup>1</sup> Note that the definition of clues in this thesis is different from the above discussed approaches, melding different aspects in order to group clues into meaningful and distinctive categories.

promotion. They appeal to the cognitive as well as the emotional dimension of experience, and are emitted by physical objects and equipment.

- *Humanic clues* do not directly fulfil focal consumption functions, although they may fulfil some relational objectives and create context. They appeal mostly to emotional and social dimensions of experience, and emanate from the attitudes and behaviour of service personnel and other people present (companions, other customers).

**Table 6.** Distinctive characteristics of three categories of clues

Type of clue	Core consumption problem solving	Main experience dimension	Emitted by
Functional clue	yes	instrumental, cognitive, emotional, social	physical objects/ people
Physical clue	no	cognitive and emotional	physical objects
Humanic clue	no	emotional and social	people

Source: compiled by the author

It is reasonable to assume that one clue can carry more than just one purpose; thus, a clue can also be analyzed in several dimensions. This approach is taken by Rafaeli and Vilnai-Yavetz (2004), who suggest that an artefact (a physical clue) can be analyzed according to three distinct aspects: instrumentality, aesthetics and symbolism. The *instrumentality* of an artefact is “the extent to which the artefact contributes to performance or to promoting goals” (Rafaeli and Vilnai-Yavetz 2004, p. 94). *The aesthetics* of the artefact is directly related to the sensory experience dimension. *Symbolism* refers to the meanings and associations that the artefact elicits in the customer. As can be seen, these aspects are similar to the experience dimensions presented above. The implication from this is that the characteristics of a single clue need to be balanced from more than just one experience dimension to provide superior customer experience.

Niedenthal, Halberstadt and Innes-Ker (1999) proved that things, events and people that evoke the same emotional response are treated as a group in the human mind, even if they are functionally and theoretically diverse. The concept of *emotional response category* is introduced, which refers to a common response to a certain group of triggers. Following this line of thought, it can be suggested that in the CEM framework various clues form response categories according to some characteristics, such as always feeling happy, always lowest prices, always personal treatment and so on.

Consequently, the customer experience clues should build upon and reinforce each other in order to establish a comprehensive and authentic experience for the customer (Abhari, Saad and Haron 2008). The combined effect of clues that are aligned with the supplier’s overall image has also been

called *clue congruence* in the literature. Carbone (2003, p. 26) contends that “When an organization understands the effect of certain words in specific contexts, the impact of its communication can improve exponentially.” Therefore, experience clues are most probably not additive, but *synergistic*. However, research by Michon, Chebat and Turley (2005) has shown that the right balance of clues is fragile; some clues that are perceived incongruent by customers may have a large negative impact on customer experience.

Schmitt (1999a) has proposed that the organization can decide to *enrich* the customer experience, which means that several clues are used simultaneously or the effect of the same clue is intensified (enlarged) in order to strengthen the message. But the organization can also decide to *broaden* the customer experience, which means that the same clue is designed to appeal to more than just one experience dimension.

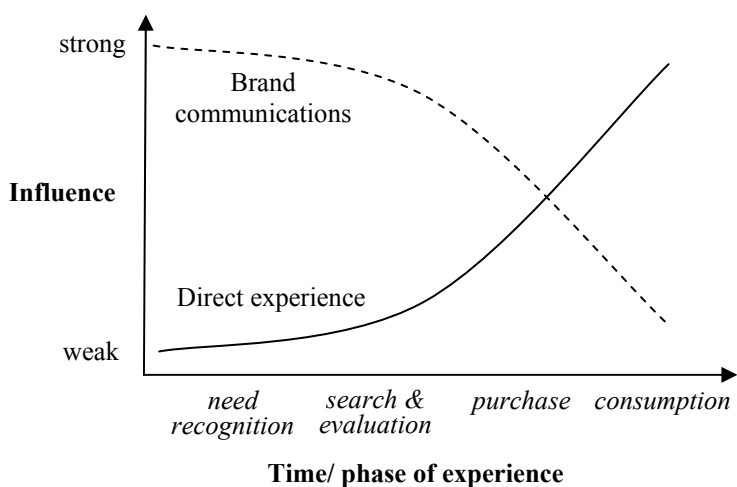
The analysis of the effects of single environmental clues (such as a yellow interior leading to a more pleasant visual sensation than a red interior, or classical music leading to more expensive purchases) is important, but beyond the scope of this study (for a review, see Turley and Milliman 2000). Secondly, it is again important to recognize that although clues controlled by the organization were discussed as quite independent here, they are perceived as a holistic pattern of experience by customers (Bitner 1992).

Different stimuli need to be employed at different phases of customer experience. In the search or *pre-experience phase*, the elements and clues that facilitate quality perceptions and decrease risk are important. In this phase mechanic and humanic clues are important for leaving a good impression because they are perceived before the consumption phase (Bitner 1992). But they also carry the role of setting expectations. Consequently, it is not a good idea to create an environment that promises a high service quality and then not deliver on that promise. In the *consumption phase* clues can provide information on proper behavioural scripts and reactions, thereby enabling the efficiency and effectiveness of consumption. Operational quality and thus functional clues are obviously important for avoiding customer dissatisfaction in this phase. In the *post-experience phase*, when customer evaluations are formed, context clues can be used as instruments for correcting customer beliefs and memories.

Naylor and colleagues (2008) apply the informational/transformational appeal framework in the CEM domain by analyzing the effect of stimuli in different phases of customer experience. They conduct a field study in retail settings that confirms the effectiveness of transformational appeals compared to informational appeals in affecting first-time experiences, but find transformational appeals to be ineffective when experience is already well-known (repeat customers). The result is explained by the authors via the *delayed persuasion* effect of transformational appeals. This means that transformational appeals do not raise customer expectations, but delay persuasion until the consumption phase. Accordingly, for repeat customers prior experience interferes

and attenuates the persuasive effect of the transformational appeal because customers already have first-hand experience and expectations from past encounters.

Similarly, Crosby and Lunde (2009) have proposed a descriptive model of how brand affects the customer experience during different phases. As customers move through the experience journey, the influence of communication based branding will decline and the influence of first-hand experience will rise (Figure 9). At the beginning of the journey, the first-time customer has basically no direct experience with the brand; the understanding and motivation toward the brand are created by both organization-controlled and non-controlled public communications. But as the customer proceeds to the next phases, direct brand experience is gained through interactions with salespeople, trials and the actual service. Usually, after the purchase, direct experience becomes dominant; the customer can evaluate personally how well the brand delivers and if it meets his expectations.



**Figure 9.** The influence of brand communications vs. direct experience with the brand for first-time customers (source: adapted from Crosby and Lunde 2009)

Referring to decades of research, Crosby and Lunde (2009) conclude that despite some exceptional categories (where advertised emotional motivations are important), the role of marketing communications in reinforcing brand experience and loyalty is relatively weak in the consumption stage, where actual experience determines brand perceptions. The same idea has been proposed before by Hoch and Deighton (1989), where product familiarity or previous experience inhibits learning because a certain functional fixedness or “good enough” bias occurs. Even when presented with contradictory or ambiguous evidence (by competitors), people tend to perceive information as consistent

with prior knowledge. This implies that controlling the customer's beliefs and experience is more difficult once the customer becomes more familiar with the experience.

*In summary*, the theory of clues is used in this thesis in order to describe customer experience evoking. According to this, customers receive and process stimuli (clues) from the environment. Clues evoke the customer experience and the resulting behaviour. The stimuli are appraised based on a subjective value system, thus the experience is ultimately created in the customer's mind. Therefore, the organization needs to manage the clues as building blocks for evoking the customer experience. Clues that fit the targeted experience need to be enforced and miscommunicating clues should be eliminated.

The nature of clues is explained by the theory of affordances. Clues are perceived attributes of the service that refer to the relationship between the needs of the customer and the exploitable features of the consumption object. Clues are of a dualistic nature – they are both objective and subjective. From the customer's perspective a clue symbolizes some qualities that are dependent on her personal cognitive scheme. On the other hand, from organization's perspective, clues are objective qualities of the offering.

In this thesis clues are classified into three groups. *Functional* clues fulfil the core consumption function, they can be physical objects as well as people. Whereas *humanic* clues and *physical* clues do not carry the purpose of fulfilling the core consumption function, but rather serve as heuristic or supporting stimuli. It has been proposed that congruent clues that reinforce each other and convey the targeted meaning, work in a synergistic manner to enrich the customer experience. Therefore, the organization can choose to *enrich* the experience by adding clues, or *broaden* the experience by designing a clue to appeal to more than just one experience dimension.

Clues carry different purposes in the phases of customer experience. In the early phases, the organization can rely on transformational, humanic and mechanic clues that facilitate a good impression about the service. But in the consumption phase, functional clues prevail in order to keep-up to the promise that the organization has made to customer. Once the customer has had first-hand experience with the service and became more competent (during the customer relationship), the required set of clues has to change in order to continue to evoke superior customer experience.

## **2.2. Elements controlled by the organization**

Several recent authors have contended that the main concern for CEM is the *integrated context* (e.g. Pullman and Gross 2004; Zomerdijk and Voss 2010), since the stimuli provided within the context evoke the customer experience. Gupta and Vajic (2000) have defined context as consisting of the physical

setting, the selection of products, the world of objects, social actors and the rules of interaction for the customer. This integrated view of the value offering is supported by the finding that the effect of a single element (clue) is mediated by the perception of the overall context (Michon, Chebat and Turley 2005). It is the composition of functional, physical and humanic stimuli that evokes the holistic customer experience.

There is large body of research in the customer behaviour domain that explores how different aspects of goods, services and the purchasing environment influence customer choices and satisfaction. However, these studies only reveal the effect of single or several elements on customer behaviour at a time, ignoring the integrated nature of customer experience evoking. For example, studies have been concerned with customer responses to price (Lichtenstein, Ridgway and Netemeyer 1993), product attributes (Keillor, Widmier and Levinson 2002), product assortment (Boyd and Bahn 2009), service quality (Parasuraman, Zeithaml and Berry 1988) and atmospheric factors such as: displays (Gagnon and Osterhaus 1985), lighting (Areni and Kim 1995), colour (Bellizzi and Hite 1992), odour (Chebat and Michon 2003) and music (Herrington and Capella 1996).

The effect of the holistic context has been investigated in a considerably smaller number of studies. These studies that provide insight for integrated approach to customer experience evoking will next be discussed and systemized in Table 7. Based on this, seven categories of organization-controlled elements are identified that evoke customer experience.

One of the most extensive classifications is proposed by Verhoef and colleagues (2009), who distinguish following contextual components as drivers of customer experience in retailing: atmosphere, service interface, social environment, product assortment, price, promotions, brand and alternative service channels. Verhoef *et al.* (2009) also include in their framework the customer-specific moderators and situational moderators that will be discussed in subchapter 2.4.

By studying delightful and terrible experiences of retail customers, Arnold and colleagues (2005) have grouped the reasons for critical incidents as follows: atmosphere related causes, salesperson related causes, other customer related causes, product related and customer-specific factors. Grace and O’Cass (2004) found three groups of factors significantly affecting customer experience in the case of a bank: servicescape, employee service and the core service. Another exploratory study in the banking sector by O’Loughlin, Szmigin and Turnbull (2004) found the factors that influence customer experience converging into three groups: relationships, transactions (core service) and brand.

It is worth highlighting an early work by Gardner (1985), who identifies four areas where customer emotions (i.e. the emotional dimension of customer experience) can be induced. These are: point-of-purchase physical settings, service encounter interaction, service encounter processes and marketing communications. Her focus on *emotion induction* clearly suggests that she was

considering the preliminary ideas for CEM, although the customer experience concept did not exist yet. This approach was later partly adopted by Carbone and colleagues where they replace the term “mood induction elements” with *clue*.

In this thesis, the elements outlined above are classified into categories associated with: servicespace, service employees, other customers, core service, price, promotion and alternative channels (Table 7). While the effects of *core service (product), price, brand and promotion* have been extensively studied in marketing literature as part of the 4P model (e.g. Goldsmith 1999), they are not discussed in this thesis as they support the proposed framework. However, the other enablers of customer experience are briefly discussed next.

First, evoking superior customer experience requires the use of servicespace factors to support the underlying vision or theme. Kotler (1973) was the first to use the term *atmospherics* to describe the intentional manipulation of physical environment *cues* to influence consumer behaviour. Twenty-five years later Turley and Millman (2000) make a review of almost 60 studies that explore the effects of different environmental elements on customer behaviour. They conclude that environmental stimuli can exert a strong influence on sales and customer behaviour, in spite of a few studies that have produced ambiguous results. Turley and Millman (2000) have grouped environmental stimuli that have been manipulated in different studies into five groups: building exterior, general interior, layout and design, point-of-purchase decoration and human variables (detailed in Appendix 6).

Bitner (1992) introduced the term *servicescape* to address three elements of the physical environment that are controlled by the firm and can enhance customer actions, and thus experience: a) ambience (temperature, light, noise, music, odour); b) spatial layout and functionality (layout, furnishings, equipment); c) signs, symbols and artefacts (labels, style artefacts). It can be proposed that ambient conditions affect the customer’s five senses, hence the sensory dimension of the experience. The spatial layout and functionality refer to the ability to perform and achieve consumption goals (*Ibid.*), hence evoking the instrumental dimension of the experience. Signs and other displays communicate to the customers, explaining the meaning and norms of the place, but also conveying a symbolic meaning and aesthetic impression, hence evoking the cognitive, emotional, but also social dimension of the experience.

**Table 7.** Categories of organization-controlled elements that evoke the holistic customer experience

Study	Elements evoking the customer experience addressed in the study						
	retail atmosphere	service interface	social environment	assortment	price, discounts	brand	service channels
Verhoef <i>et al.</i> (2009)	location			assortment, supply chain	price	promotion	
Grewal, Levy and Kumar (2009)	ambient conditions space, functionality signs, symbols	social elements					
Bitran, Ferrer and Rocha e Oliveira (2008)	atmosphere	interpersonal effort, helpfulness, engagement friendliness	fellow customers	technical quality, stocks	value for money		
Arnold <i>et al.</i> (2005)		relationship experience		transactional experience		brand experience	
O’Loughlin, Szmigin and Turnbull (2004)	servicescape	employee service		core service			
Grace and O’Cass (2004)	ambient, store design	perception of employees					
Baker <i>et al.</i> (2002)	building exterior, general interior, layout and design, decoration	human variables					
Turley and Milliman (2000)							
<b>Synthesis in this thesis</b>	<b>Elements associated with ...</b>						
	<b>Servicescape</b>	<b>Service employees</b>	<b>Other customers</b>	<b>Core service</b>	<b>Price</b>	<b>Brand and promotion</b>	<b>Alternative channels</b>

Source: author’s analysis based on listed sources

**Table 7 (continued).** Categories of organization-controlled factors that evoke the holistic customer experience

Study	Elements evoking the customer experience, addressed in the study					
	ambient factors, design factors	social factors			overall image	
Sherman, Mathur, and Smith (1997)	ambient conditions, space functionality, signs and symbols	social interactions				
Bitner (1992)	point-of-purchase physical settings	service encounter interaction	service encounter process		marketing communication content and context	
Gardner (1985)	physical surroundings	social surroundings				
Belk (1975)						
<b>Synthesis in this thesis</b>	<b>Elements associated with ...</b>					
	<b>Servicescape</b>	<b>Service employees</b>	<b>Other customers</b>	<b>Core service</b>	<b>Price</b>	<b>Brand and promotion</b>

Note: Merged cell indicates that the study has aggregated several categories. Empty cells mean that the study did not address that particular category  
Source: author's analysis based on listed sources

Secondly, customer experience is evoked by the frontline or service employees (Sherman, Mathur, and Smith 1997; Baker *et al.* 2002). For instance, the following aspects of service employee performance have been suggested by Price, Arnould and Deibler (1995) as influencing the customer's emotional response: mutual understanding (responsiveness, empathy, assurance), extra attention (customization, unusual effort), authenticity (genuine person, more than just a role, non-synthetic), competence (organized, capable) and meeting minimum standards of civility.

Thirdly, customer experience is also facilitated by other customers as part of the social environment (Verhoef *et al.* 2009; Zomerdijk and Voss 2010). This may include a friend who gives advice, other members of the purchasing unit in the case of an industrial buyer, or other customers directly at the service encounter or sharing their experience by word-of-mouth later. Grove and Fisk (1997) and Lovelock and Wright (2002, p. 303) suggest that to some extent the organization can increase the likelihood of appropriate customer-to-customer relationships by recruiting the "right" customers and supervising their interaction. Grove and Fisk (1997) have identified two types of incidents caused by other customers that influence customer experience: *protocol incidents* and *sociability incidents*. Protocol incidents concern the adherence to explicit or implicit rules of behaviour, including physical, verbal and other aspects of behaviour (Hui and Bateson 1991). Sociability incidents reflect the occasions when the customer's experience is affected by the friendliness/unfriendliness of others or the mere presence of others. But other customers can also be valuable resources for enriching the customer experience (Duque, Gaston-Breton and Lado 2009) as evidenced by customer cooperation in social media and customer communities (De Chiara and Rossi 2008; Helpstream 2009). In addition to providing information, other customers may render acts of friendliness, respect or bonding, therefore contributing to the cognitive, emotional and social dimension of the customer experience.

Fourth, elements associated with alternative channels address the interaction via internet webpage, e-mail, instant messenger, but also by telephone. As an example of an alternative channel, Vilnay-Yavetz and Rafaeli (2006) studied the influence of the *virtual* servicescape (computer screen) aesthetic and professional characteristics on customer satisfaction and approach-avoidance behaviour. It was found that aesthetic traits had a high impact on the *approach* variable towards service interaction, whereas traits symbolizing professionalism influenced the *satisfaction* variable only. This is in accordance with Carbone and Haeckel (1994), where aesthetics is seen as a mechanic clue that mainly influences emotions, and professionalism is a functional clue that is evaluated cognitively.

**To summarize**, it can be said that the organization manages the evoking of customer experiences through contextual elements that it provides to customers. This means that the organization has to take an integrated view of all aspects of

its activities that are in direct or indirect contact with customers. Traditionally, customer behaviour research has focused on the effect of single elements like core service or price on customer perceptions. On the other hand, experiential marketing emphasizes the importance of the integrated context. Based on the literature review and synthesis, this thesis groups contextual elements into the following categories:

- *Servicescape* involves characteristics of the physical environment, such as exterior and interior design, layout, furnishings, signs and symbols.
- Elements associated with *service employees* address the behaviour, attitude and the performance of employees with whom the customer interacts directly.
- Elements associated with the *core service* involve aspects like technical attributes, functionality and assortment.
- The category of *price* addresses the aspects of price formation, discounts and payment.
- Elements associated with *brand and promotion* involve different aspects of corporate image and marketing communications that the customer directly or indirectly interacts with.
- Elements associated with *other customers* involve the advice or acts of friendliness and respect provided by other customers. But it can also involve hostile incidents if the organization has not been able to manage inter-customer interactions properly.
- The category associated with *alternative channels* addresses the specific aspects of customer interaction through internet, telephone, mobile phone, mail or other channels.

### 2.3. Universal psychological principles

A significant body of research has been developed in the domains of behavioural economics, marketing and psychology in order to explain why some experiences are evaluated and remembered by people as universally more satisfactory and pleasurable than others. For instance, influential research by Nobel laureate Kahneman and colleagues (1993; 1997) that will be discussed below, suggests that people prefer experiences that leave the most *favourable memories* and not the experiences that give the most utility or pleasure in real-time.

However, current literature admits (e.g. Cook *et al.* 2002; Bitran, Ferrer and Rocha e Oliveira 2008) that little is understood about the mechanism of why some specific *gestalt* characteristics influence experience evaluation a lot. Therefore, further studies are called upon. Despite the scattered knowledge base, it is suggested (Chase and Dasu 2001) that organizations should specifically engineer and structure customer experiences to enhance the experience and memory of it. In this chapter, the most important findings of such behavioural and psychological research that are also reflected in marketing

literature are collected and discussed with the purpose of systemizing the understanding of this important aspect of customer experience evoking. Three categories are proposed (and discussed below) to structure the “universal psychological” aspects that facilitate an effective customer experience design:

- memorizing and recall of the experience,
- psychological processing during the experience,
- fulfilling “universal” human needs.

### *Memorizing and recall of the experience*

Research by Varey and Kahneman (1992) and Ariely and Carmon (2000) has confirmed that summary judgments of experiences are not formed by just adding up all the sequential events that make up the total experience, but instead a few gestalt characteristics impact the retrospective evaluation. The four most important factors are: *trend and rate of changing* to more or less pleasurable states; most intense *peak or trough states* (delight or disappointment); and the *final state* (Kahneman, Wakker and Sarin 1997). Improving the experience sequence, improving it fast, adding positive peaks, and ending at a high level of pleasure has a strong effect on the positive recollection of a customer experience (Verhoef, Antonides and de Hoog 2004) as well as actual loyalty (Dixon and Verma 2010).

Also, it has been found that compared to previously mentioned gestalt characteristics, the *time duration* of the experience has little effect on the summary assessment (Ariely and Carmon 2000), unless the customer is *primed* to pay attention to it (Varey and Kahneman 1992). Another specific characteristic of time is that people’s perception of the passage of time is distorted by the context and content of the experience (Cook *et al.* 2002), meaning that if the person is engaged in the activity the passing of time is often not realized.

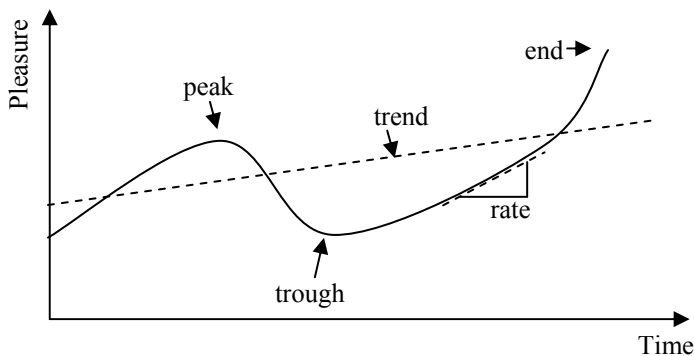
Kahneman *et al.* (1993) found in an experiment where people were asked to put their hand in painfully cold water that people actually preferred a longer experience where the water gradually warmed up (by 1°C) compared to a shorter experience where the water did not warm up. The long trial included exactly the same discomfort as the short trial, followed by extra period of *diminishing discomfort*. This implies that in retrospective evaluations of experiences, the duration plays a significantly smaller role than the improvement trend and discomfort at the final moment of the experience.

Mano (2004) concludes that an increase from low to high gains is more pleasurable to people than a descent from high to low gains. This means people prefer experiences where some sort of *improvement trend* is present. Bitran, Ferrer, and Rocha e Oliveira (2008) suggest that satisfaction with an experience depends on the customer’s perception of how close she is to her goal. Therefore, the experience should be planned as having an upswing, taking the customer closer to her goals. For this reason, *unpleasant events should be staged first* in a sequence of events that involve good and bad outcomes (Chase and Dasu 2001).

A similar conclusion was made by Varey and Kahneman (1992) and Hansen and Danaher (1999), who found that *negative trends* and *bad endings* lead to unproportionally negative judgments of service quality.

The experiment by Hansen and Danaher (1999) shows that a weak beginning in the customer experience sequence that is followed by a strong ending outperformed an experience with consistent, but average performance as well as the experience where a strong beginning was accompanied by a gradual decline in performance. The implication for CEM is that an effective experience design could include a (unnecessary) *low point in the beginning* of the experience, as this allows for gradual improvement, a substantial improvement over time and *ending on a high note* with a (unnecessary) pleasurable event. These adjustments are likely to lead to a higher summary evaluation of the customer experience.

Based on the characteristics discussed above, an effective *experience profile* can be graphed, describing the direction and intensity of different states of feeling or pleasure during the encounter (see Figure 10). This idea finds support in the article by Hirschman and Holbrook (1982); according to them there is an optimal temporal pattern of emotional arousal that is followed in many hedonic experiences like movies and novels. According to this, the preferred pattern begins at a low level of arousal or pleasure, increases in intensity, reaches a climax and gradually subsides. (Note that the last, “cooling down” episode has not found support in other experiential literature, perhaps because the scope of experience has been defined differently).



**Figure 10.** Profile of an effective experience sequence (source: adapted from Bitran, Ferrer and Rocha e Oliveira 2008)

In the case of the study of river rafting, Arnould and Price (1993) found that a *triumphant moment* at the end of the customer experience leads to positive re-evaluation of even severe negative episodes that otherwise would have led to a negative summary. They conclude that in the case of extraordinary experiences,

the discomfort of the trip in challenging conditions is re-evaluated once the destination is achieved. Arnould and Price (1993) suggest that the broader context of a customer's life has a role to play in this kind of re-evaluation of experiences. For example, one can argue that running a marathon is a rather painful real-time experience that nevertheless has a positive transforming influence on a person's life after crossing the finish line.

It has also been established that *segmenting* the experience with different activities or phases leads to the impression that the encounter lasts longer. Inspired from this, Chase and Dasu (2001, p. 83) have proposed a principle: "segment the pleasure and combine the pain". Consequently, pleasure should be memorized as lasting longer and pain as lasting shorter. However, on the contrary, the thorough empirical study by Ariely and Zaubermaun (2003) implies that segmenting the experience decreases the impact of the improving trend on the overall evaluation. If the customer perceives the experience as cohesive (singular), the gestalt characteristics have more impact on the customer than in the case when the experience is partitioned. If the partitioning of the customer experience is needed, for instance, in case of a theatre performance or car repairs, it would be advisable to place the partitions of the sequence straight after high points (peaks) to follow the "positive end" rule. In the case of waiting breaks it has been proposed that unoccupied time seems longer than occupied time. Therefore, organizations can play music and offer other entertainment to make the waiting time seem shorter. For example, in Disneyland there are special characters (clowns) employed to entertain people while they stand in queues.

Another important principle for designing customer experience involves the contrast effect. The *contrast effect* explains that although some aspects (troughs) of the experience may be assessed as negative in real-time, the subsequent evaluation of the experience as a whole may benefit from this (Ratner, Kahn and Kahneman 1999). This is explained by the tendency of people to appreciate the positive aspects of the experience more favourably in a context that also includes negative items. Novemsky and Ratner (2003) conclude that the judgment of a stimulus that depends on contrast with preceding stimuli has found affirmation in the case of simple perceptual stimuli (weight and colour), hedonic stimuli (pleasure) and also social stimuli (other people).

Counter to this, the *assimilation effect* suggests that the experience derived from the first episode carries over to the evaluation of subsequent episodes (Bone, Shimp and Sharma 1990). Accordingly, the organization's goal is to *assimilate* with good emotions and dissociate from bad. A well-known example of this is the Coca-Cola marketing strategy that associates the brand unexceptionally with emotions of joy and happiness. Novemsky and Ratner (2003) have proposed that the assimilation effect dominates if the customer perceives different episodes as part of one integrated experience, whereas the contrast effect is stronger if episodes are perceived as distinct occurrences of the same type or comparable experiences.

### *Psychological processing during the experience*

Goffman (1959) emphasizes the importance of “*getting off on the right foot*” in service interactions, because then it is easier for a participant to accept definitional claims to the interaction by the other person. This supports the common wisdom that first impressions are important. He asserts that a person can more easily make a choice about what kind of treatment to demand and extend to others at the beginning of an encounter than alter the line of the treatment once the interaction is under way. Another line of research has shown that once the person has formed an initial attribution, she tends to search and perceive subsequent events in a manner that confirms the attribution (Dube and Menon 2000). Kahneman *et al.* (1993) have further confirmed this effect by suggesting that in some cases, memories of an experience are dominated by its initial moments. It is noteworthy that based on the experiments by Pham *et al.* (2001), first impressions are often based on emotional assessment rather than cognitive reasoning, this implies the crucial role of the emotional dimension in the initiation phase of customer experience, but also that it sets the tone for subsequent phases.

Several authors have discussed the *rationalization effect* that makes customers second guess in ambiguous service situations because people want to understand the cause why things happen. Four *distortions* can be brought out that take place during such mental simulations (Chase and Dasu 2001; Cook *et al.* 2002): 1) cause is seen as a discrete object rather than an intertwined process; 2) causes are easily attributed to deviances from norms and rituals; 3) blame is ascribed to individuals rather than problematic systems; 4) the last event is over-weighted as a cause. These distortions may easily lead customers to counterfactual thinking about the experience, and especially for service failures, unless they are sufficiently informed and convinced. Bitner (1990) has shown that in the case of service failures, the extent of customer dissatisfaction depends on whether the customer perceives: 1) the firm having *control* over the failure or not, and 2) the cause is likely to *reoccur* or not. Dissatisfaction is smaller if the cause is attributed to an external event and is not likely to reoccur. Bitner (1990) also showed that both variables are influenced by service environment clues and employee explanations.

Hoch (2002) argues that product experiences have four important psychological characteristics, they are: engaging, non-partisan, pseudo-diagnostic and endogenous. Firstly, an authentic and vivid nature makes experiences *engaging*. Experiences are considered credible and *non-partisan*, because they come from a first-hand source, thus the sceptic guard is down. People do not realize that experiences are often ambiguous and there is a strong tendency to interpret them in accordance with individual interests. *The pseudo-diagnostic* aspect of the experience means that subjective conclusions drawn from single experiences are too easily generalized to other instances. *Endogenousness* means that people adapt their taste to what they have chosen; consequently, experience is re-interpreted as people justify their decisions (*Ibid.*). A very important implication from the endogenousness characteristic for the field of marketing is that actual

experience may incrementally change an individual's value (utility) function, thus altering preferences and the importance of different goals and needs.

The last characteristic – the tendency of people to restructure their thinking and feeling about experience outcomes so that the outcomes are experienced more positively has also been called the *psychological immune system* (Gilbert *et al.* 1998). This has been seen, for example, in studies of dissonance reduction, ego defence, self-affirmation and emotion-based coping. However, Gilbert and Ebert (2002) suggest that an important precondition for this kind of self-generation of satisfaction is the *unchangeability of the outcome*. If the outcome can be changed then the effort is focused on changing the situation instead of calling upon the psychological immune system. Their experiment demonstrated that while people like to make changeable decisions rather than unchangeable decisions, satisfaction is paradoxically higher with unchangeable decision outcomes (*Ibid.*). Thus, keeping the change option open in commercial exchanges may actually decrease customer pleasure because it deprives the customer of the option to subjectively optimize the outcome.

Another important implication from the studies by Gilbert and colleagues (1998) is that customers tend to *mispredict* how they will actually feel and evaluate non-commercial as well as commercial experiences in the future because customers are not aware of their psychological immune system and other cognitive and psychological biases. This is likely to lead to a bias in the evaluation of the *intensity* and *durability of emotions*. Gilbert *et al.* (1998) found that people tend to overestimate the positive feelings from positive experiences in the future as well as overestimate the negative feelings caused by negative experiences. For example, the pleasure of having a new car is likely to be overestimated, but also the sorrow from the loss of money is subject to misprediction. This result is quite universal for all customers, because the basic principles of human psychology apply for all people. It is important to note that since people's behaviour is to a large degree based upon their predictions of future events, this misprediction is likely to have a large impact on people's lives and possibly the commercial success of business organizations.

### *Satisfying universal human needs*

Schneider and Bowen (1999) develop a needs-based framework according to which all customers are firstly driven by core human needs and only secondly by meeting their needs as customers. This viewpoint is also supported by Cook *et al.* (2002). Schneider and Bowen (1999) propose that the way the organization handles the fulfilment of three needs – *security, justice* and *self-esteem* – will decide whether the outcome of customer experience is delight or outrage. It is worthwhile to notice that this conceptualization takes into account the emotional and also subconscious traits of customer experience because needs are often not acknowledged. As long as the basic need for security is gratified, people are not even aware of it (Maslow 1943). Only when the need is violated,

does it become salient and may cause an intense emotional reaction. Schneider and Bowen (1999) suggest that to fulfil the need for safety, customer service has to offer stability, routine and consistency. To fulfil the need for justice, reciprocity and fair treatment has to be perceived by the customers in the organization's processes as well as outcomes (Cook *et al.* 2002). In order to fulfil the need for self-esteem the organization has to acknowledge the customer's perspective, importance and rights. Schneider and Bowen (1999) also suggest that customer self-worthiness will be enhanced by providing the customer with multiple choices, the feeling of control and competence.

Customer experience design has to take into account the fact that most of people sometimes like to engage in *variety seeking* behaviour – in search of stimulation and different experiences. Ratner, Kahn and Kahneman (1999) found that in order to achieve variety in the consumption sequence most people they tested chose even less-preferred items (that provide less enjoyment in real time) as *opposed to a monotonous sequence* that only includes more-preferred items (that provide greater enjoyment in real time). Thus, it can be concluded that stimulation that is gained through variety in otherwise monotonous sequence of consumption events leads quite universally to a higher retrospective global evaluation of the experience. Especially in the case of hedonic experiences it has been suggested that some degree of *novelty* is needed for the customer to perceive an experience as superior (Sundbo 2009). For example, Disney theme parks avoid staleness by adding new attractions regularly (Pine and Gilmore (1998). Voss, Roth and Chase (2008) have proposed the concept of *service as destination*, referring to wide range of places that people visit for an extended period of time and where they engage in multiple activities and experiences. They propose that in order to increase repeat visits, the supplier needs to refresh the clues and offerings after certain intervals. Otherwise, customer loyalty deteriorates. This problem is reported in the case of staged restaurant experiences like Rain Forest Cafe (Hanefors and Mossberg 2003); while the first visit to the extraordinary restaurant is delightful and memorable, the novelty vanishes after a while, when the customer knows what to expect and so this experience loses its edge. This implies that the conceptualization of loyalty may have to be reconsidered in the CEM context. While in traditional marketing, loyalty is defined as making a repeat purchase or forming a positive attitude (Reichheld 1993; Kuusik and Varblane 2009), implying that the same product or service is bought over and over again. Effective CEM on the other hand should take into account that if loyalty is to be maintained, the customer experience needs to be renewed from time to time.

However, by far not all experiences need to be new and exciting. People find comfort in *familiar* and *repetitive* activities – routines and rituals. It has been observed that rituals often provide a standard for implicitly evaluating the service; deviation from the routine is often perceived as the cause of quality flaws (Chase and Dasu 2001). Sundbo (2009) argues that an experience should

be viewed on a scale of *well-known, safe* versus *original, surprising*. The former allows for relaxation and the latter leads to flow and transformation.

It has been pointed out that people are happier when they think they have some *control* over the experience, even if it is symbolic (Chase and Dasu 2001). This result could be compared to work of Csikszentmihalyi discussed earlier (1997), who emphasizes the aspect of control in pleasurable experiences, and also Mehrabian and Russell (1974), who found dominance (i.e. control) as an important element of positive experiences. Control has been defined as the human need to prove one's competence, mastery and superiority over the environment (Hui and Bateson 1991). It is acknowledged that perceived control is also critical in establishing the link between attitude and behaviour (Morrison and Crane 2007). If a person does not feel she is in control of reaching the desired state (consumption of the product), it is less likely that the motivating emotion results in corrective behaviour. For this reason, the customer needs to be assured of the sense of control, and this will lead to more positive experiences (Hui and Bateson 1991; Pine and Gilmore 1998; Pullman and Gross 2004). The context of the experience can increase the customer's sense of control through human interaction and physical elements. For example, the feeling of control can be offered to the customer by offering several choices and customization. However, because not every customer needs the same degree of control, the CEM strategy should allow the customer to choose between passive and active participation and control.

Quite a counterintuitive but well argued approach to customer experience creation has been proposed by Brown (2003), who recommends conveying the *impression of being hard-to-get* and also *over-the-top* to create a "hard-to-top attraction". He argues that in the world where the large majority of organizations strive to provide customers with a huge variety of choices, the only thing that is scarce is scarcity itself. He develops a TEASE framework for describing the actions that organizations should undertake to evoke the desired impression among customers: trickery, exiguosness, evanescence, amplification, secrecy and entertainment. Consequently, value stems from making the customer's life difficult. Brown (2003) also argues that this approach disciplines the modern customers' "the customer is always right" attitude by putting the organization back in control. To a large extent this perspective has proved itself in the practice of differentiating customers according to their value (see for example: Zeithaml, Rust and Lemon 2001); thus gaining a gold or platinum customer status is fairly desirable and valued.

This discussion leads to the conclusion that improving on *conventional* customer satisfaction may not always lead to the best customer experience and repeat purchase. For example, in exclusive Louis-Vuitton shops customer service performance is rated as one of the worst for *average* customers (G-CEM 2010). Elevated service is only offered to celebrities or those that look very rich. Despite the poor service the global evaluation of the Louis-Vuitton experience is high (*Ibid.*). It can be speculated that this is because of the previously

discussed “hard-to-top” effect that fulfils the customer’s need for social position and esteem. Thus, in this case improving *average* customer satisfaction with service performance makes the customer experience less pleasurable.

There are obviously other principles of applied psychology that quite universally influence the customer experience, but have not been outlined in this thesis. For example, there is quite a significant body of research that investigates the psychology of pricing (see Kojima and Gakuin 1994; Gourville and Soman 2002; and also Mehine 2009). However, the effects discussed above are considered the most important in experiential marketing literature.

***In summary***, it is recognized that customer experience evoking is inherently related to human psychology because the experience is created when the faculties of the human mind interact with objects of the external world. Therefore, the organization needs to consider general or universal psychological principles in order to provide experiences with higher value to its customers. This thesis grouped the psychological principles that have gained attention in CEM literature into three broad categories (see Table 8). However, as the exact nature of these principles is still being debated among behavioural scientists, they should be applied with caution within the CEM framework because the optimization of psychological effects is probably not that univocal as of other economic applications. Furthermore, the universality of these principles may be challenged in some specific industries or by some specific customer groups, where these principles may not apply.

**Table 8.** Summary of universal psychological principles that influence customer experience

<b>Memorizing and recall of the experience</b>	<b>Psychological processing during the experience</b>	<b>Satisfying universal human needs with the experience</b>
<ul style="list-style-type: none"> <li>• gestalt characteristics:               <ul style="list-style-type: none"> <li>– improving trend</li> <li>– rate of improvement</li> <li>– peaks and troughs</li> <li>– end state</li> <li>– triumphant moments</li> </ul> </li> <li>• distortion of perceived time duration</li> <li>• effect of segmentation</li> <li>• contrast effect and assimilation effects when making attributions</li> </ul>	<ul style="list-style-type: none"> <li>• importance of initial moments for defining interaction and attributions</li> <li>• rationalization and counterfactual thinking when making attributions in ambiguous situations</li> <li>• endogenousness of experience evaluation, and misprediction of evaluations because of psychological immune system</li> </ul>	<ul style="list-style-type: none"> <li>• need for variety</li> <li>• need for stability</li> <li>• need for perceived control</li> <li>• need for fairness</li> <li>• need for self-esteem</li> <li>• need for exclusivity (teasing)</li> </ul>

Source: compiled by the author

*Memorizing* and *recall* of the experience is affected by several specific characteristics that make the experience more pleasurable. This means that experiences are not memorized only as an added sum of events. Instead experience is quite universally recalled as more pleasurable if the experience profile involves an improving sequence of events (upswing), positive peaks and a high level of pleasure (fulfilment) at the end. This has certain implications for customer experience evoking, such as staging unpleasant events first, or adding an (artificial) high end to the experience. The experience is also remembered and evaluated more favourably if it is contrasted against some aversive stimulus or experience from the past, or can be assimilated with a precedent good experience. The implication for CEM is that the contrast effect dominates when the two experiences are framed as distinct occurrences, and the assimilation effect dominates if the experiences are framed as part of one integrated experience.

*Psychological processing of the experience* in real time is also influenced by specific effects that determine the experience and the outcome. A lasting initial attribution effect means that the beginning of the encounter plays a crucial role in setting the boundaries, roles and tone for the course of the interaction. The rationalization effect can cause misunderstandings and counterfactual thinking in ambiguous service situations, where the causes of problems are easily attributed to the most recent events, single individuals and deviations from norms rather than causal processes. Non-partisan and pseudo-diagnostic characteristics of the experience result in customers trusting the knowledge gained during the first-hand experience too much, ignoring the ambiguity and interpretation biases. The endogenousness of the experience means that people tend to adapt their taste to their decisions, and because of the psychological immune system, the actual experience can incrementally lead the customer to restructure her thinking so that the outcomes are experienced more positively.

*Satisfying universal human needs* is an important aspect that needs to be considered if the organization is aiming to evoke superior customer experiences. In addition to consumption needs, customers can also be driven by core human needs at any point in the customer experience. The consideration of needs such as security, justice and self-esteem is proposed to be crucial for the customer to evaluate the experience as superior. CEM literature has also highlighted the need for variety, exclusivity and control. This has clear implications for CEM. For instance, perceived control can be evoked by repetitive actions and offering choices to the customer; novelty and variety can be evoked by refreshing the clues after a certain interval.

This discussion can lead to the paradoxical conclusion – that the customer's stated preferences can actually lead to less pleasurable experiences because the customers are not aware of their psychological and cognitive biases. Therefore, the organization needs to analyze and interpret the customer feedback with caution.

## 2.4. Customer-specific factors

It has to be noted that according to the *phenomenology* paradigm, a particular service element or sequence can evoke different experiences for different customers. Certain aspects of the setting stand out while others recede into the background for different individuals. Customers bring to commercial interactions their cognitive models, emotional predispositions, values and goals, as well as memories from previous consumption experiences. These factors can be attributed to the individual; they are not controlled by the organization, but play an important role in determining customer experience, behaviour and loyalty (Verhoef *et al.* 2009). Based on the literature review, customer-specific factors that influence the customer experience are classified into three categories in this thesis: customer's personal characteristics, the person's previous experiences and situational characteristics (Table 9).

**Table 9.** Synthesis of customer-specific factors that influence the holistic customer experience, but are not controlled by the organization

Study	Customer-specific factors addressed in the study		
Verhoef <i>et al.</i> (2009)	socio-demographics, attitudes	previous experience (same firm)	goals, task orientation
Bitran, Ferrer and Rocha e Oliveira (2008)	personality traits	experience, attributions, expectations	purposes, mood ,
Meyer and Schwager (2007)	–	previous experience	personal situation
Shaw (2007)	personal traits	–	life events
Arnold <i>et al.</i> (2005)	–	–	mood
Bitner (1992)	personality traits	–	plans, mood
Belk (1975)	–	temporal factors	task, antecedent mental state
<b>Synthesis in this thesis</b>	<b>Categories of customer-specific factors:</b>		
	<b>personal characteristics</b>	<b>previous experiences</b>	<b>situational characteristics</b>

Note: empty cell means that author(s) did not address that particular category

Source: author's analysis based on listed sources

It is a challenge indeed for organizations to detect customer-specific factors and adapt the clues and experience accordingly. This firstly requires sensitivity for eliciting (and storing) the customer-specific factors, and secondly it requires flexible processes for the smooth mass-customization of experience clues.

### *Personal characteristics*

The customer experience is influenced by many traits that are rooted in individual psychology and remain quite stable in time and different situations. One of the well-known classifications of these factors is the *big five* personality traits framework (Goldberg 1992) that suggests that people differ on the basis of: neuroticism, extraversion, openness, agreeableness and conscientiousness.

Apart from the big-five model, another two personal characteristics that have been proposed as potentially important from the experiential marketing point of view are: *arousal seeking/avoiding* and environmental *stimuli screening/non-screening*. Donovan and Rossiter (1982) found that “screeners” are relatively selective about which stimuli they register and react to; they often impose patterning on the environmental clues to reduce the complexity. Non-screeners on the other hand register higher amounts of stimuli (Bitner 1992); they experience situations as more complex and are relatively sensitive to stimulus changes, but they are less likely to be affected by any single clue.

In addition, the literature refers to various other aspects of personality that influence how people perceive the market offering. For instance, Holbrook (1986) has shown that responses to aesthetic experience were dependent on following personal characteristics: visualizing/verbalizing tendency, intrinsic or extrinsic motivation, romanticism/classicism and sex. Maio and Esses (2001) have shown that people differ meaningfully in the extent to which they approach or avoid situations and activities that are emotion inducing. Implying that some customers are more inclined to choose and appreciate hedonic experiences that evoke the emotional dimension of the experience. Gohm and Clore (2002) have proposed five conceptual categories to explain individual differences in experiencing emotions: tendency to get absorbed in the experience, tendency to attend one’s feelings, ability to identify one’s feelings, intensity of experiencing emotions and tendency to express feelings outwards.

On the other hand, Puccinelli *et al.* (2009) have noted the influential role of cognitive functions, such as schemas, memory and information processing in creating customer experience. This view was also emphasized by Bitner (1992), who asserts that customer’s beliefs and knowledge influence how individuals categorize service and which attributions they associate with their perceptions of the service context.

Another important factor influencing customer experience is the customer’s value system. Values are self-imposed criteria that balance between personal needs and group survival via the coordination of social interaction (Maio *et al.* 2009). Schwartz (1992) has developed and cross-culturally validated a framework, whereby values serve 10 types of motivation in a circular structure that expresses values compatibility: power, achievement, hedonism, stimulation, self-direction, universalism, benevolence, tradition, conformity and security (see Appendix 7 for details). Several authors have also emphasized the importance of cultural background (Bitran, Ferrer and Rocha e Oliveira 2008) and

socio-demographics (Verhoef *et al.* 2009) as influencing the customer experience at the group and societal level.

Perhaps the most easily observable factors that influence the customer experience are the physiological characteristics of people. For example, if the chair or table is the wrong size for the individual's body, it makes the experience uncomfortable. This aspect is thoroughly discussed in the ergonomics field of research (for a review, see Parsons 2000; Wilson 2000).

This discussion about the influence of customer characteristics leads to the implication for CEM that customer segmentation criteria and targeting should take account of the specific experience dimension that the organization's product or service caters for. For example, personal characteristics that are important mediators/predictors of satisfaction with an aesthetic experience may be useless in the case of a cognitive or social experience. It makes sense to segment people based on their inclination to romanticism for a museum, but probably not for a bank.

### *Previous experiences*

It is established that customer experience and perceptions of service may be influenced to a large extent by prior experiences (O'Neill and Palmer 2003; Meyer and Schwager 2007). Previous interactions form a *reference base* for evaluating future experiences, but also allow the customer to *learn* from the experience. A characteristic feature of *perception* is that the selection of evidence and the meaning attached to it depends on prior knowledge structures (Hoch and Deighton 1989). This implies that certain more advanced customer experience clues or product attributes are properly processed only by individuals who already have some prior knowledge about the product, whereas other customers have no reason to believe the clue/attribute to matter. Therefore, the importance ascribed to different aspects of experience by the customer is likely to change as she gains more experience (O'Neill and Palmer 2003). It has been proposed by Chaiken (1980) that people who are novices in a domain tend to notice more incidental aspects and rely on *peripheral clues*. For example, first-time customers can rarely appreciate delicate foods or drinks.

This raises the important role of marketing communication in the pre-experience phase in providing customers with the right information for noticing and interpreting the right clues in the right way. Hoch and Ha (1986) have proved the power of advertisements to induce the desired processing of subsequent ambiguous product experiences. Based on this theory, advertisements take the default place in the customer's mind and lead to assimilative processing of later information in accordance with previous knowledge.

On the other hand, the organization has to recognize that if customers already have prior experience and knowledge they develop a certain rigidity in acquiring new information and attitudes. Prior beliefs influence the interpretation of new information as well as the impact of new information on beliefs

(Hoch 2002), leading to self-selected and biased experiences in the following episodes. Considering this effect is especially important when launching radically new products and experiences – the organization should carefully choose whether the new experience is positioned relative to some prior experience or as a totally new experience because it has clear implications for customer perception.

*Customer expectations* is a concept that is often associated with a customer's previous experience. This is mentioned by many scholars as an important factor that mediates customer satisfaction evaluation and experience appraisal (e.g. Boulding *et al.* 1993; Coye 2004). It is, however, important to note that although expectations are to a large extent shaped by previous experiences, there are also other factors that shape expectations, such as: knowledge about the product or competing providers.

### *The situational characteristics of customers*

While the personal characteristics of customers are relatively stable, and previous experiences change in the medium term, the goals, plans and motivations of customers can change most frequently. It has been shown (Forlizzi and Ford 2000) that individual goals affect what stimuli are paid attention to, what affordances in the environment are noticed and which clues from other people become most salient. Ward *et al.* (1988) suggest that an individual's goals affect the perception, cognition and emotion concerning environmental clues. In addition to goals and plans, the temporary moods and emotions that customers bring to the service encounter may have an influence on customer experience (see for example Gardner 1985; Gardner and Hill 2001).

Changes in a customer's life or lifestyle are also likely to lead to changes in customer preferences and goals. In this sense such events are significant points in a customer's life that lead to changes in consumption patterns following, for example, getting a first job, moving to a new place, marrying, having a child, retiring and so on. Such events can and should be taken into account when designing an experience strategy – leading to event-based marketing (Mathur, Lee, Moschis 2005), that anticipates and proactively reacts to changes in customers' life situation.

***To summarize***, it can be contended that customer experience evoking is influenced by a large number of customer-specific factors, according to the phenomenology paradigm. Different stimuli and clues may stand out for different individuals because of various cognitive models, memories, values, and emotional predispositions. Although organization cannot control these factors, they can be taken into consideration when designing customer experiences and managing the interaction. For this purpose the customer-specific factors are grouped into three categories in this thesis.

*Personal traits and characteristics* characterize the way individuals behave and react. This category can be described by personality traits, but also by other characteristics that influence the perception and evaluation of experiences, such as the tendency to seek/avoid arousal, stimuli screening/non-screening, intrinsic/extrinsic motivation and so on. Customer experiences are also influenced by customer beliefs, cognitive schema as well as the customer's value system and cultural background. An obvious implication for customer experience management is that the proper characteristics need to be chosen when segmenting the customer base in order to deliver the desired experience to individual customers.

*Customer's previous experiences* form a reference base for evaluating current experience, but also allow the customer to learn and gain competence about the service. Therefore, customer expectations are based to a large extent on previous experiences. The implication for evoking customer experience is that the importance and meaning ascribed to different stimuli changes as the customer gains more experience; on the other hand, it emphasizes the importance of the organization's initial communication for influencing later interactions.

*Situational characteristics* associated with the customer's goals, plans, other short-term motivations and emotional states may change frequently. Yet these factors also influence what stimuli are noticed and how they are interpreted by the customer. To adjust to changes in customer preferences, an event-based marketing approach can be used. It anticipates and proactively reacts to changes in the customer's life situation by customizing the organization's offering for individual customers accordingly.

## **3. CUSTOMER EXPERIENCE MANAGEMENT**

### **3.1. Definition and components of customer experience management**

#### **3.1.1. Defining customer experience management and the synthesis of its components**

Managing the evoking of customer experiences requires specific processes, skills and capabilities from the organization. Because of the paradigmatic shift from traditional marketing to experiential marketing some processes inside the organization need to be refurbished, others still need to be implemented. It is obvious that the concepts and principles discussed in the previous two chapters of the thesis need explicit recognition for CEM to be successful. Understanding the mechanisms that evoke the sensory, emotional, cognitive, action, social and instrumental dimensions of customer experience is an integral part of CEM.

However, the conceptualization of CEM in current literature is clearly lacking the necessary clarity and congruence to be witnessed in the definitions presented in this third chapter. The conceptualization of CEM in this thesis begins with outlining and analyzing the few definitions that exist in order to specify the scope of the CEM domain. This is followed by the analysis of characteristic components of CEM proposed in current literature, and further, the components are then organized into a tentative framework. In the remainder of the third chapter the components of CEM will be discussed one-by-one in detail to provide a pre-understanding and a framework for the case study.

A search in the EBSCO database using the keyword customer+experience +management returns only 10 relevant publications (in May 2010). Therefore, it has to be noted that besides the definitions outlined in this section, there are basically no published definitions of CEM in peer-reviewed journals, to the best knowledge of the author of this thesis. Whereas there are more than 1.3 million hits in a Google search to the same phrase; this clearly indicates the need for more theoretical work to support the growing interest towards CEM.

It has to be acknowledged that the basic ideas of CEM have been discussed to some extent using other terms, for example, customer centricity (c.f. Shah *et al.* 2006) and service design (Shostack 1984; Herrmann, Huber and Braunstein 2000, Cook *et al.* 2002), but the CEM framework integrates these issues somewhat differently, placing the emerging concepts of customer experience and customer experience evoking at the heart of the management framework. As will be discussed in this chapter, CEM includes issues from both domains – the strategic perspective of the customer-centric organization, as well as more narrowly the methods and tools of service design.

Existing definitions of CEM can be divided into two large categories: while some authors refer to CEM as a strategic activity (e.g. Frow and Payne 2007; Verhoef *et al.* 2009; Grewal, Levy and Kumar 2009), others have defined CEM operationally as the systematic design and implementation of an integrated series of *clues* that are emitted via the service and organizational context (e.g. Carbone and Haeckel 1994; Abhari, Saad and Haron 2008).

Based on the analysis of (peer-reviewed) definitions and interpretations of CEM, the following common aspects were identified as inherent to the concept of CEM (see Table 10 for analysis):

- it is a strategy for engineering and delivering customer experience;
- it is oriented towards a value exchange that benefits both customers through enhanced customer experience and the organization through increased profit or customer equity;
- it involves the orchestration of the context of products, services, brand and purchasing environment by designing and implementing clues;
- it focuses on the whole consumption cycle of customers.

Therefore, CEM is defined in this thesis as *a strategic activity for evoking customer experiences that convey value both to customers and organizations in a win-win manner. To evoke superior customer experience the interaction between customers and the context of the service and brand is managed via the deliberate development and delivery of clues across all consumption phases.*

At the strategic level, CEM involves the analysis of customer experience requirements together with the organization's goals and capabilities that should result in a plan for developing and delivering superior customer experience in a way that also creates value for the organization. At the operational level, CEM facilitates the customer's exposure to and interpretation of the organization's value offering in the desired way. It is important to organize contextual elements and clues in advance for an effective experience to take place.

### *Synthesis of CEM components*

The successful management of customer experience evoking requires certain activities or processes that need to be implemented in an organization. These processes form the framework of CEM and will be outlined and discussed next. A thorough search of literature in EBSCO databases, but also in available papers presented at related seminars and industry reports as well as references within reviewed articles revealed only ten studies that address the specific components or processes of CEM. These studies are outlined in Table 11 (p. 92).

**Table 10.** Analysis of common features in the definitions of CEM

Study	Customer experience management definition	Common features					Other aspects
		strategy	value for company	value for customer	context	clues	
<i>Verhoef et al. (2009, p. 38)</i>	Customer experience management is a retailer's strategy to engineer the customer's experience in such a way as to create value both for the customer and the firm.	x	x	x			
<i>Shaw (2007, p. 8)</i>	It [CEM] represents a strategy that results in a win-win value exchange between the retailer and its customers.	x	x	x			win-win
<i>Frow and Payne (2007, p. 89)</i>	The aim of customer experience management is to enhance relationships with customers and build customer loyalty.	x	x	x			
<i>McLellan (2000, p. 60)</i>	The goal of experience design is to orchestrate experiences that are not only functional and purposeful, but also engaging, compelling and memorable.			x			
<i>McCole (2004, p. 535)</i>	An ongoing emotional attachment between a brand and consumer is the ultimate aim of experiential marketing.		x				brand
<i>Carbone and Haeckel (1994, p. 12)</i>	The design of a total experience orchestrates the context created by products and services, as well as the environment in which customers acquire, use and maintain them.				x		customer's environment
<i>Haeckel, Carbone (2003, p. 20)</i>	Managing the customers' experience involves presenting an integrated series of clues that collectively meet or exceed customers' expectations.			x		x	
<i>Abhari, Saad and Haron (2008, p. 4)</i>	CEM is a discipline to manage the physical and emotional customer experience to deliver a positive, engaging, enduring and socially fulfilling experience across all major levels of one's consumption chain (pre-purchasing, purchasing and post-purchasing)			x			consumption phases

Source: author's analysis based on listed sources

**Table 11.** Focus and methodology used in publications that study CEM components

Focus topic	Comments	Methodology	Study
<b>Engineering customer experiences</b>	clue-based CEM	2 illustrative case studies (Disney and a supermarket)	Carbone and Haeckel (1994)
<b>Managing total customer experience</b>		2 illustrative case studies (hospital and AVIS autorent)	Berry, Carbone, Haeckel (2002)
<b>Managing experience clues</b>		2 illustrative case studies (Barnes & Noble and Deluxe Financial Services)	Berry, Wall, Carbone (2006)
<b>5 step process for managing customer experiences</b>	processes for successful CEM	conceptual, with multiple illustrative case studies	Schmitt (2003)
<b>11 issues for achieving perfect customer experience</b>		2 illustrative case studies (Guinness, TNT)	Frow and Payne (2007)
<b>3 components of successful CEM</b>		1 illustrative case study	Meyer and Schwager (2007)
<b>5 step framework for producing positive customer experience</b>		Conceptual	Lutz and Foong (2008)
<b>8 steps for delivering exceptional customer experience</b>		Conceptual	Gianforte (2008)
<b>Diagnosing and designing brand relationship experience (4 supplier processes)</b>	focus on co-creation process	1 case study (City Car Club)	Payne <i>et al.</i> (2009)
<b>3 stages for designing multi-interface experience with blueprint</b>	focus on interface planning	1 illustrative case study (a bank)	Patricio, Fisk and Cunha (2008)

Source: author's analysis based on listed sources

It is important to note that the analyzed studies do not base their treatment of the components of CEM on any certain organizing framework, rather the components are simply inducted from the business organizations' practices. The reason for this seems to be the novelty of the subject. However, this thesis aims

to put the results of these ten studies into a tentative framework and further describe and validate the proposed framework in empirical case studies.

Secondly, the analyzed studies discussing CEM components only have weak ties between the proposed CEM processes and the concept of customer experience. Therefore, this thesis aims to connect the multidimensional conceptualization of customer experience and the CEM framework more explicitly.

Thirdly, as was seen from Table 11, the publications on CEM are mainly conceptual. The case studies carry only an illustrative purpose, and therefore, lack rigor in answering the why and how questions, as well as evidence about the case context. This thesis aims to overcome this shortfall by following the suggested procedures of a rigorous case study research (Yin, 1989; Eisenhardt 1989; Miles and Huberman 1994).

To position CEM in the organizational structure it is evident that by definition CEM cannot be a separate function among other management fields within the organization. Rather CEM serves as an aligning function through an explicit focus on profitable evoking of multidimensional customer experiences. Compared with the marketing function, CEM performs a broader function than marketing. Marketing in practice fulfils quite narrow tasks of communication with the market, without any real authority to guide the activities of other departments. Although marketing is in theory broadly defined, for example, according to Webster (2002) marketing is: “a set of processes for guiding firm activities toward the creation of satisfied customers who are willing to pay the firm for the productive resources it has committed to solving their problems.” Yet the marketing function in practice does not fulfil this aim, as will also be confirmed in this case study.

Hence a synthesis of the above-described approaches to CEM is proposed in Table 12. The table outlines CEM components that are identified in previous studies and groups them into five major components (Figure 11, on page 97). Next, the components are briefly summarized and a more elaborate discussion is subsequently presented in the following five subchapters, drawing also on research in other domains that is related to customer experience evoking.

*Understanding customer experience requirements.* Basically all cited authors agree that first of all CEM needs processes for listening to the voice of customers, which allows the organization to learn about customers' perceptions of the evoked customer experiences. It needs to understand the requirements, problems and opportunities that exist in the customer's experiential world (Frow and Payne 2007) and make it possible to (co)create more value during the whole customer journey. This knowledge should be made available to all relevant employees via a knowledge recording and sharing platform.

**Table 12.** Synthesis of the components of the CEM framework based on different authors

<b>CEM components in this study</b>	<i>Carbone and Haeckel (1994) Haeckel, Carbone, Berry (2003)</i>	<i>Schmitt (2003)</i>	<i>Frow and Payne (2007)</i>
<b>1. Understanding customer experience requirements</b>	<ul style="list-style-type: none"> <li>● recognize the clues that the organization sends out</li> <li>● recruit customer panels to examine reactions to experiences and clues</li> </ul>	<ul style="list-style-type: none"> <li>● gain insight into the experiential world of the customer</li> <li>● innovate continuously</li> </ul>	<ul style="list-style-type: none"> <li>● recognize opportunities for improvement based on customer perception</li> <li>● determine how customer requirements differ across relationship lifecycle</li> <li>● identifying opportunities for co-creation, where the customer participates</li> </ul>
<b>2. Planning customer experience evoking</b>	<ul style="list-style-type: none"> <li>● deliberate setting of targeted customer perception</li> <li>● design and integrate clues onto an experience blueprint</li> <li>● choosing experiential breadth, depth</li> </ul>	<ul style="list-style-type: none"> <li>● develop experiential platform</li> </ul>	<ul style="list-style-type: none"> <li>● understand the profitability of customers</li> <li>● use process mapping tools to improve customer experience</li> </ul>
<b>3. Organizing customer experience evoking</b>	<ul style="list-style-type: none"> <li>● selection and training based on skills of sensing customer reactions and responding properly</li> <li>● establish a symbolic mechanism to communicate customer experience design throughout organization</li> </ul>	<ul style="list-style-type: none"> <li>● create unique brand experience</li> </ul>	<ul style="list-style-type: none"> <li>● consistent brand communications</li> <li>● employee motivation to achieving superior customer experience</li> <li>● implement cross-functional integration</li> </ul>
<b>4. Coordinating customer experience evoking</b>	<ul style="list-style-type: none"> <li>● orchestrating functional and emotional clues</li> </ul>	<ul style="list-style-type: none"> <li>● structure the interactions at the customer interface</li> </ul>	<ul style="list-style-type: none"> <li>● managing customer touchpoints</li> <li>● ensure customer experience within and across channels</li> </ul>
<b>5. Measuring customer experience evoking</b>			<ul style="list-style-type: none"> <li>● metrics for measuring customer interaction and experience</li> </ul>

Source: author's analysis based on listed sources

**Table 12 (continued).** Synthesis of components of CEM framework based on different authors

<b>CEM components in this study</b>	<i>Meyer and Schwager (2007)</i>	<i>Lutz and Foong (2008)</i>	<i>Gianforte (2008)</i>	<i>Patricio, Fisk and Cunha (2008)</i>	<i>Payne et al. (2009)</i>
<b>1. Understanding customer experience requirements</b>	<ul style="list-style-type: none"> <li>obtaining data about the past, present and potential experience patterns</li> </ul>	<ul style="list-style-type: none"> <li>listening to the voice of the customer</li> <li>generating insight</li> </ul>	<ul style="list-style-type: none"> <li>listen to customers</li> <li>establish a knowledge base</li> </ul>	<ul style="list-style-type: none"> <li>understand customer experience requirements for service activities</li> <li>assess how the requirements are satisfied with alternative interfaces</li> </ul>	<ul style="list-style-type: none"> <li>consider co-creation opportunities</li> </ul>
<b>2. Planning customer experience evoking</b>	<ul style="list-style-type: none"> <li>manage the employee experience</li> </ul>	<ul style="list-style-type: none"> <li>customer experience mapping</li> <li>alignment strategy</li> </ul>	<ul style="list-style-type: none"> <li>offer multichannel choice</li> <li>provide self-service option</li> <li>empower frontline staff</li> <li>seamless cross-organization experiences</li> </ul>	<ul style="list-style-type: none"> <li>define specialization and integration for channels</li> <li>allocate service activities to channels</li> </ul>	<ul style="list-style-type: none"> <li>select and plan value adding activities</li> <li>optimum use of channels</li> <li>communicate brand</li> </ul>
<b>3. Organizing customer experience evoking</b>	<ul style="list-style-type: none"> <li>act on experience information</li> </ul>	<ul style="list-style-type: none"> <li>measurement model</li> </ul>	<ul style="list-style-type: none"> <li>interact proactively</li> </ul>	<ul style="list-style-type: none"> <li>service design at an interface level to leverage its unique capabilities for enhancing customer value</li> </ul>	<ul style="list-style-type: none"> <li>act upon the brand</li> <li>implement and measure the experience in encounters</li> </ul>
<b>4. Coordinating customer experience evoking</b>					
<b>5. Measuring customer experience evoking</b>					

Source: author's analysis based on listed sources

*Planning the customer experience evoking.* Based on knowledge about customers, the strategic plan can be made about setting multidimensional customer perception targets (Haeckel, Carbone, Berry 2003; Schmitt 2003) for different customer segments based on their value to the organization (Frow and Payne 2007). This is followed by the plan of how the customer experience requirements will be satisfied at interaction points by using different elements that the organization can control (Patricio, Fisk, Cunha 2008). The specialization and integration of different experience evoking elements should be clearly defined in order to provide the targeted experience. For this purpose, process mapping tools such as a service blueprint and other guiding mechanisms (e.g. motif) are used (Carbone and Haeckel 1994; Lutz and Foong 2008). The blueprint makes it possible to describe and communicate (inside the organization) customer and employee actions as well as the use of integrated sets of clues at different interaction points with the customer.

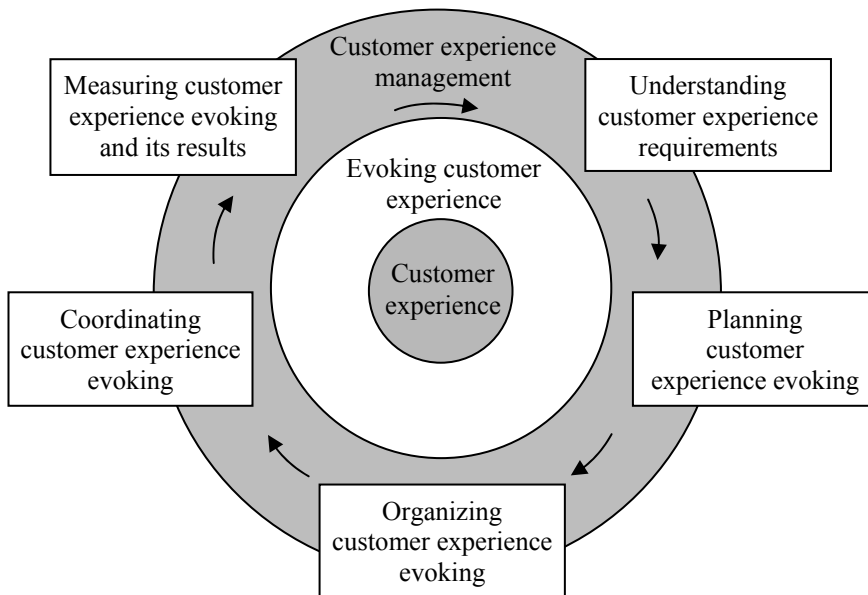
*Organizing customer experience evoking.* Firstly, branding is seen as a major tool in delivering and consistently communicating the offered experience to customers as well as to employees (Haeckel, Carbone, Berry 2003; Schmitt 2003). Therefore, branding fulfils an organizing function for CEM, because it provides a symbolic foundation for experiences. Secondly, several authors have emphasized the connectedness of CEM to human resource management (e.g. Frow and Payne 2007; Gianforte 2008) because of the advanced demands that CEM puts on frontline personnel as well as backstage personnel. CEM acknowledges the need for highly capable, committed and empowered frontline employees who can successfully evoke superior customer experiences for individual customers. Thirdly, the need for alignment and coordination among all frontline and backstage processes, activities and infrastructure is considered crucial for the smooth and efficient delivery of superior customer experiences (Gianforte 2008). As the CEM function possesses the most knowledge on what experiences customers value and how the organization plans to deliver them, it is natural that cross-functional alignment has been mentioned as an important organizing task for CEM (e.g. Frow and Payne 2007; Lutz and Foong 2008).

*Coordinating customer experience evoking.* At the operational level, the structuring and management of service interface is important in order to coordinate the clues generated by the core service, employees and the environment. All touchpoints need coordination to make customer interactions easy and purposeful. As the service interaction takes place in different channels the interaction must be coordinated within and across channels.

*Measuring customer experience evoking and its results.* Metrics and the measurement of the process and outcomes of customer interaction and experience are considered an integral part of the CEM framework (Lutz and Foong 2008; Payne *et al.* 2009). The feedback allows organizations to take corrective action to improve the process of customer experience evoking.

This discussion is summarized in Figure 11, which describes how CEM components are related to the concepts presented in previous chapters. Although

the “CEM circle” begins with the process of understanding customer experiences, this position is conditional. Depending on the strategy and the background of the organization, a CEM initiative could also begin from other processes, like planning the experience (e.g. start-ups) or coordinating experience evoking (for operational management).



**Figure 11.** Three levels of analysis for understanding a tentative CEM framework (compiled by the author)

### *The theatre model for customer experience management*

The metaphor of a *theatre* has been used by several authors (Grove and Fisk 1992; Moisisio and Arnould 2005) to describe the management of service encounters as well as customer experiences. The metaphor suggests that the marketplace should be understood as a stage with audience (customer) participation, where the firm takes care of the scripts and the actors (Pine and Gilmore 1999). Both the theatre and CEM are concerned with providing the desired impressions for the audience, and both aim to achieve this by the design and management of actor’s behaviour, physical setting, script (processes) and backstage (Harris, Harris and Baron 2003; Stuart and Tax 2004).

Indeed some authors, like Stuart and Tax (2004), Stuart (2006), have taken the idea literally and studied professional theatres to make inferences for CEM. Because theatres have staged performances and experiences for more than two thousand years (since Roman times), it seems a valuable place to learn about experience management. They found that theatres use quite a standardized procedure for staging performances that can be compared to the CEM

framework discussed above. Table 13 outlines key points identified as important for staging theatrical performances. As can be seen, the processes fit the CEM framework proposed above fairly well. Only the last component of the proposed framework – measurement – is not mentioned by Stuart and Tax (2004), but in the form of ticket revenue and critical reviews it is obviously an important component for theatres as well.

**Table 13.** Key CEM processes in theatre, grouped according to proposed CEM framework

<b>Proposed CEM components</b>	<b>Conclusions about CEM in theatre</b> <i>(Stuart and Tax 2004; Stuart 2006)</i>
<b>1. Understanding customer experience requirements</b>	<ul style="list-style-type: none"> <li>• Extensive experimentation and innovation, inviting different opinions (e.g. nearby manual workers) and shared problem solving during rehearsals to find the best ways to excite customers.</li> </ul>
<b>2. Planning customer experience evoking</b>	<ul style="list-style-type: none"> <li>• Strategic focus on certain genres and types of plays defined by stakeholders, customer base and resource constraints.</li> </ul>
<b>3. Organizing customer experience evoking</b>	<ul style="list-style-type: none"> <li>• Personnel recruitment: director, production manager, set designer, costume designer, actors, stage manager. After opening night only the actors and stage manager stay with the play, others move on to other plays.</li> <li>• Director is a facilitator, leader, not a micro-manager; however, he is responsible for business results and sticking to budget constraints.</li> <li>• Creating a shared vision and buy-in on all levels. This was found best done by visual cues and not just words.</li> <li>• Constant collaboration and integration across disciplines and functions (artistic, technical and business) in order to appreciate others' roles and create an integrated experience.</li> </ul>
<b>4. Coordinating customer experience evoking</b>	<ul style="list-style-type: none"> <li>• Creating an authentic and pervasive service delivery environment (props and furnishings) consistent with the theme and script.</li> <li>• Delivering performances sincerely and honestly, not an act. Role immersion by actors.</li> </ul>
<b>5. Measuring customer experience evoking</b>	[could be ticket revenues and critical reviews]

Source: author's analysis based on Stuart and Tax (2004), Stuart (2006)

It is valuable to note that Harris, Harris and Baron (2003) distinguish several levels in the theatre's script (the business equivalent of which is the service blueprint): playtext, subtext and metatext. *Playtext* includes information about the unveiling story, characters (what they say and do), and the physical environment. *Subtext* describes how an individual character feels or thinks. *Metatext* is the agreed "super-objective" interpretation of the play experience by theatre people and the audience. This implies that managing customer experiences may also need to go into more detail than just sketching a service blueprint, but attention should also be paid to subtext and metatext. Thus, it is proposed here that analyzing customer experience management on these three levels is possible and helps to elaborate the CEM domain. The counterpart for the subtext in CEM is the deeper values of employees, story and message that the clues and offering exhibit. The counterpart for the playtext in CEM is the service blueprint. The blueprint describes which elements, how, and when the organization uses to provide the experience. And thirdly, the metatext reflects the expected response of customers to the offering and the clues, and how the clues fit the customer's desired experience – this is described by the customer touchmap.

**To summarize**, it is evident that managing customer experience evoking systematically requires specific capabilities and processes that take into account the nature of customer experiences and the mechanisms that evoke the experience. However, CEM literature lacks clarity and agreement on the most important processes for managing customer experience evoking. Based on the few existing studies that address CEM, the definition of CEM was analyzed and CEM components outlined in order to construct a tentative CEM framework in this thesis.

Based on the synthesis of the literature, CEM is defined in this thesis as a strategic activity for evoking customer experiences, so that value is created for customers and the organization. To evoke superior customer experience, the interaction of customers and the context of service are managed on the operational level via the deliberate development of clues across all consumption phases. Therefore, this thesis takes the perspective that among organizational functions, CEM is broader than marketing, requiring more authority and addressing several cross-functional processes.

Existing studies do not base their treatment of CEM components on any specific framework (rather the components are just induced from the organizations' practices); therefore, the contribution of this thesis is to organize the components proposed in previous studies into a framework of 5 components that are directly linked to the evoking of customer experiences.

In CEM literature, theatre is often used metaphorically and literally as an example for CEM, whereby the business is a stage and every employee plays a role according to the service script in order to leave a superior impression to the clients. To reflect this important contribution to CEM it was demonstrated that

the production processes in theatres fit the 5-component CEM framework proposed in this thesis quite well. These five components are discussed in the following subchapters.

### **3.1.2. Understanding customer experience requirements**

As a starting point, customer experience management requires empathy towards the customer (Haeckel, Carbone and Berry 2003). It is almost impossible to design or deliver a superior customer experience in the absence of knowledge about the individual customers. Therefore, the organization needs to work to become knowledgeable about the subtle details that are processed by the customer's conscious and unconscious mind and that impact the experience.

Early work by Carbone and Haeckel (1994) suggests that customer experience management should begin with recognizing the clues that the organization sends to customers in order to engineer the superior customer experience. The perspective offered by Patricio, Fisk and Cunha (2008) goes even closer to the customer, by introducing the term *customer experience requirement* (CER) to describe customer expectations towards certain service activities. In a case study of bank service channels they developed a scale with three dimensions that were important in the customer experience: usefulness, efficiency and personal contact. Hence, besides understanding what customers already sense and feel in the provided experience, the organization should also strive to know what customers want to feel in the experience (that is not there yet), in order to create more value for customers.

Meyer and Schwager (2007) divide customer information based on temporal distinctions: concerning past, present and future experiences. Information on *present* experiences addresses ongoing interactions as well as the continuing relationship with the supplier. Information concerning *past* experiences is a memory-based recall. As discussed in chapter 2.3, it is important to distinguish between real-time experiences and memory-based experiences. The *potential* experience is examined with the purpose to reveal the future opportunities for designing superior experiences.

Based on the customer experience conceptualization in chapter 1, the customer feedback should focus on capturing multiple dimensions of the experience. Wong (2004) believes that employees can be trained to observe and report emotional states evoked in customers in addition to argumentation based decision-making. Analogously, some forward-looking businesses employ speech and text recognition software to analyze customer calls and customer e-mails in order to identify emotional aspects of interaction.

Implicit in traditional marketing and market research practice is the assumption that customers will accurately report their thoughts and desires. However, some authors (like Thompson, Locander, and Pollio 1989; Zaltman 1997; Bonnemaizon, Cova, and Louyot 2007) are sceptical about the accuracy of customer's simple verbal reports. Business organizations generally ask

customers for feedback about their products and processes without explicitly recording the customers' emotions, context and other non-instrumental aspects (Barsky and Nash 2002). To make sense and rationalize the feelings and behaviour that originate from the subconscious, and that the respondents are not able to articulate, the respondents develop *intellectual alibis* (Carbone 2003). Hence, these rationalizations often do not present the correct causes of customer behaviour. Arnould and Price (1993) demonstrate convincingly that at least in the case of extraordinary experience, the deciphering of the unarticulated meanings that people seek is more important than recording articulated expectations. Which means that automatically linking decisions to explicitly stated customer expectations sometimes actually leads to decreasing customer satisfaction.

Consequently, it is challenging to understand customer experience because customers often cannot reflect on this appropriately. This scepticism is supported by the large number of new product failures, which according to test-customers' verbal reports were supposed to be certainly successful. Perhaps the most notorious failure is Coca-Cola's in 1985, when it changed the taste of the beverage. Despite the fact that in rigorous pre-tests out of 190 000 customers 61% preferred the new, sweeter taste to the old one (39%) (Ringold 1988), the new product was not successful once introduced to market. And the company had to withdraw and replace it.

To gain customer knowledge various information sources are used, such as: records from direct interactions with customers, call-centre transcripts, e-mails, customer complaints, blogs, forums, webpage tracking and also special marketing studies (Wills and Williams 2004; Allegiance 2009).

Schneider and Bowen (1999) suggest that *investigating customer complaints* and compliments is the best form of market research, because it sheds light on the customers' unconscious needs that would not emerge by common research techniques (when needs are satisfied). It can be further proposed that the second advantage of customer complaints is that they are based on real-life contexts, instead of an artificial testing or questioning.

Anderson, Pearo and Widener (2008) contend that most traditional *satisfaction surveys* focus on characteristics of the services and implicitly treat all customers as identical inputs. They posit that it is important to consider elements of value proposition jointly with customer-specific characteristics when analyzing customer satisfaction and value. The study by Anderson, Pearo and Widener (2008) particularly demonstrates that the mean level of general satisfaction differs less among different customers than the value associated with single elements of the service. In another words, averaged satisfaction scores masked the problems and opportunities for value co-creation. This implies that it is crucial to consider and understand the differences among customer segments in order to improve customer experience.

*The experience audit* method has been pointed out for thoroughly analyzing the present customer experience and to learn about customers' responses to

clues (Berry, Carbone and Haeckel 2002). Similarly, Johnston (1999) has proposed the *service transaction analysis* method, whereby a surrogate-customer walks through the service encounter and notes down all the messages and clues that leave satisfying or dissatisfying impressions together with explanations. Similarly, the *mystery-shopping method* (Wilson 2001) and *walk-through audit* (Rowley 1999; O'Malley 2005) have been proposed as methods for monitoring customer experience. The walk-through method consists of the following steps (Rowley 1999): 1) describing the activities of a specific customer type in all experience phases; 2) listing the questions that indicate the desired outcomes of the service; 3) conducting an anonymous walk-through audit for all customer touchpoints; 4) analyzing data and implementing changes. The walk-through method can be combined with *observation* – whereby a real customer's journey and interaction with the organization is closely followed in order to understand clues and interactions that can be used to enhance the experience.

Bonnemaizon, Cova and Louyot (2007) have highlighted a general trend towards the use of social scientists in order to understand customers; they suggest *market-oriented ethnography* as an appropriate method for gaining insights for CEM. This view is also expressed by Aganoff (2006), who believes that ethnography is a valuable method for examining how experiential meanings and symbols emerge in customers' realities through various interactions in their lives. Thompson, Locander, and Pollio (1989) have proposed a method called *phenomenological interview* to gain a deep understanding of customer experience. This is a free flowing in-depth interview that acknowledges that the customer is an expert of her experiences. The question of "why" is avoided in this interview (*Ibid.*) because it tends to lead to unnecessary rationalizations, feelings of prejudice and defensive responses.

More obtrusively, Orsingher and Marzocchi (2003) propagate the *laddering technique* for evaluating customer experience. The linkages between product attributes, consumption experience and personal values is elicited through questions of the "Why is that?" and "Why is this important to you?" Then customers are asked for a first order and second order rationale for each reason, explaining why the reasons are important. The hierarchical analysis leads to a network of rationales varying in their level of abstraction.

Zaltman (1996; 1997) has proposed an innovative technique that makes it possible to study customer experience – the study of the metaphors that customers use to express their thoughts and feelings. It is known as the *Zaltman Metaphor Elicitation Technique* (ZMET). Zaltman (1997; 2003) establishes that most social communication is nonverbal and thoughts often occur as images. Therefore, metaphors are considered a reliable means for transporting unconscious thoughts and feelings to conscious awareness. For this reason metaphors prove highly valuable for understanding a customer's unconscious thinking.

*The living lab* is perhaps the least obtrusive method for understanding customers' experience requirements. Living labs make it possible to observe user-led practices in diffuse social contexts and allow us to elicit socially constructed meanings of experiences (Almirall and Wareham 2011). It is used as an experimental environment in a real-life setting, engaging end-users as co-creators on different levels for new product development or refinement (Lepik and Varblane 2010). Therefore, it can be used to identify the customer's potential requirements, but it can also be used to understand customer perceptions of existing solutions and experiences. For example, De Moor *et al.* (2010) have attempted to develop a method for evaluating *quality of experience* for mobile phones using living labs.

The above-discussed customer data collection techniques can be systemized according to the temporal perspective of the experience:

- customer complaint analysis is mainly about evaluating past experiences;
- experience audit, mystery shopping and living lab evaluate real-time experiences;
- ethnography and metaphor elicitation methods address mostly the potential experiences.

When collecting extensive information about customers it is important to acknowledge the privacy issues. There have been words of caution (Wirtz, Lwin and Williams 2007; SAS Institute 2009) that customers do not want organizations to collect information about them unless that insight is used to add value to the experience and the relationship. Furthermore, asking for information becomes part of the customer experience, indeed. Ofir and Simonson (2007) found that asking the customer to state their expectations *before* the experience leads to lower post-experience evaluations because then customers systematically focus on negative aspects during the experience. This can be explained via increased involvement and triggered rational information processing. The implication here is that the feedback surveys need to be explicitly recognized as part of the holistic customer experience.

To share information about customers through the organization an information platform is necessary. It should facilitate storing and sharing comprehensive, complete and current knowledge about customer experience requirements with employees who need this in their job. Meyer and Schwager (2007) state that it is wise to place the responsibility for collecting and sharing experience data within one departmental unit, but it is a mistake to assign this unit the accountability for the design and delivery of the customer experience. In practice, CRM solutions are often used to record and make inferences from customer data that is generated during customer transactions and interactions with the organization (Payne and Frow 2005). An important purpose of CRM is to allow an organization to identify and record customer profiles, preferences and patterns of behaviour (Batista, Smart and Maull 2008) as well as to identify customer profitability (Richards and Jones 2008). The analytic and predicting

capability of CRM solutions makes it possible to a certain extent to anticipate customer needs, and therefore, proactively customize interactions with customers, to make interactions relevant and timely (SAS Institute 2009).

Yet, in contrast to CRM, CEM focuses on the subjective experience of customers instead of a recorded history of transactions (Verhoef *et al.* 2009). This implies that CEM requires more qualitative data that sees deeper than a CRM system can usually provide (Calhoun 2001); transactional data needs to be complemented by knowledge about multiple dimensions of the customer experience and the clues that are relevant at different touchpoints of the customer journey.

***In summary***, an important function of CEM is to provide the organization with knowledge about customer requirements and preferences, so superior value could be created during the experience. This needs empathy for understanding how the different elements offered by the organization are perceived by customers as clues. Feedback from customers may concern *past*, *present* or *future* experiences. Information about past experiences involves the memory, attributions and recall. Present experiences address the ongoing experience and relationship. The future is investigated in order to reveal the potential opportunities for designing better experiences.

Based on the multidimensional conceptualization of customer experience, the organization should aim to capture multiple aspects of customer experience, together with customer-specific factors that influence the creation of customer experiences and reflect the context of the customer's life. If the holistic, subjective and partly subconscious nature of customer experience is ignored, the feedback is biased and may easily lead to the wrong conclusions.

Listening to the voice of customers can take place during daily interactions, but also through special studies. However, it should be remembered that asking for customer feedback inevitably becomes part of the customer's experience; which means that it can also have some negative consequences for the organization (for instance, disappointment if the feedback is not acted upon). Capturing customer feedback from daily operations needs specific processes or infrastructure that facilitates the extraction of the necessary information from face-to-face interactions, phone calls, e-mails and even from community comments. The advantage of feedback from daily interactions is that it has emerged from real situations and experiences. On the other hand, special studies require from customers some cognitive evaluations or simulations that are limited by the customer's cognitive abilities. Therefore, alternative methods such as ethnography and metaphor elicitation are gaining popularity for understanding the holistic customer experience.

An information-sharing platform is necessary to disseminate the voice of the customer in the organization. For this purpose large and medium size organizations use CRM solutions. The advantage of CRM is that based on recorded data it also makes it possible to predict customer profitability and preferences,

therefore, being the basis for proactive and customized customer interactions. Yet CEM requires more qualitative data that sees further than most CRM solutions are able to record and analyze.

### 3.1.3. Planning customer experience evoking

Based on knowledge about customer experience requirements, the organization can improve customer experience by planning and organizing interactions in the desired way. This requires a *customer experience strategy* that is optimized in order to engage the customers with the highest value to the organization, but also to satisfy the requirements of various functional units of the organization. The organization should choose a strategic *experiential position* by focusing on a specific experience valued by its target customers (Dube, LeBel and Sears 2003), this allows it to differentiate itself from competitors. Analysis of the industry and the organization's key capabilities should lead to relevant experiential positioning.

Evoking superior customer experiences can be expensive. That is why costs and profitability play an important role in planning the customer experience strategy. Frow and Payne (2007) emphasize that superior customer experience needs to be achieved at a competitive cost and imply that improvements in customer experience should be based on the profit potential of different *customer segments*. The business organization achieves the necessary level of visibility for designing profitable customer experiences by segmenting the customers based on profit potential. In order to arrive at a win-win customer experience strategy, the model of *dyadic value creation* (Storbacka and Nenonen 2009) could be used. This is in line with relationship marketing principles that focus on the profitability of customer relationships (see Zeithaml, Rust and Lemon 2001; Ang and Taylor 2005) and customer lifetime value (Jain and Singh 2002; Gupta *et al.* 2006). This implies that customer groups should be segmented according to two key criteria: a) the value of the customer to the organization; b) customer needs, thus the value of the targeted experience to the customer. Following this line of thought, a customer experience strategy of an organization may have to accommodate several experience designs for customer groups with different needs and value for the organization.

After selecting the target customers, the targets can be set for intended customer experiences. It has been said that customer experience is *pervasive* (Rowley 1999) in the sense that any aspect of the offering that does not contribute to the customer experience is redundant. Accordingly, the organization should first answer the question: what kind of emotional, cognitive, sensory, action-oriented and social response do we need to elicit in the target customers in addition to providing instrumental/functional benefits? Based on Pine and Gilmore (1999), four questions should be asked to determine the experience design: What should the *aesthetics* of the experience context be like? What should the customer do to *participate*? What information should the

customer *learn* and explore? What *entertainment* should be included to make the experience enjoyable? However, it is not always clear what dimensions lead to superior customer experience and loyalty in a particular service or product. For instance, in contrast to common thinking, Pullman and Gross (2004) demonstrated that not all positive emotions lead automatically to loyalty. Thus, the positive emotions that the organization is currently evoking in customers are not always the desired or necessary emotions. Pullman and Gross (2004) found in the case of the circus VIP tent that the “VIP emotions” (feeling privileged and inspired) were not at all connected to loyal behaviour, instead “basic emotions” of comfort, fun and amusement led to loyalty, discarding the impact of the “VIP stimuli” at the circus.

The customer experience strategy should encompass the whole customer journey from the pre-purchase phase to the post-consumption phase. For this purpose, a customer touchmap can be used to describe the customer journey around which the interaction will be planned. According to relationship marketing principles, it has to be acknowledged that every individual customer expects the journey to continue from the point where it was paused/finished the last time she interacted with the organization. This expectation of an ongoing relationship poses a challenge for large organizations; some of them have found the solution in using CRM software (Frow and Payne 2009) to track the history of customer interactions and continuing the interaction from the point where it was paused last time.

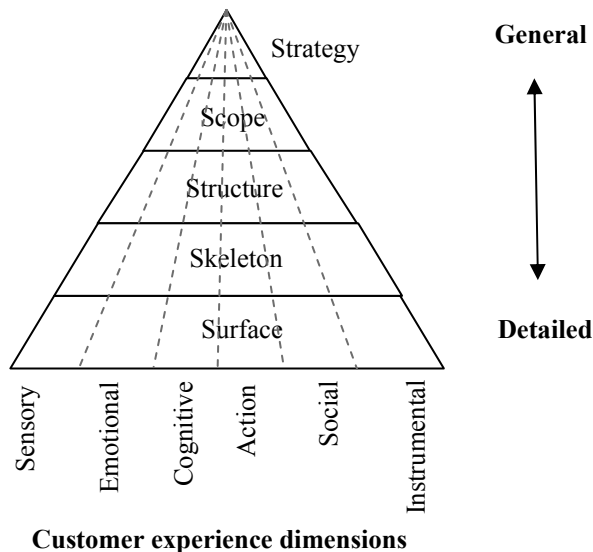
In addition to face-to-face interactions with customers, most organizations utilize alternative channels, such as e-mail, phone, fax, skype, virtual communities etc (Banerjee and Hart 2005; Payne 2008). Accordingly, the customer experiences need to be planned *across* channels as well as *within* a channel (Frow and Payne 2007). The organization must decide which channels to utilize, which service experiences to evoke in each channel and how to integrate the different channels to provide a superior customer experience. Based on this, channel specialization is defined – activities are allocated to the interfaces that are most capable of providing the required experience, thus customers are guided to other interfaces whenever another interface better enhances the customer experience (Patricio, Fisk and Cunha 2008). This implies that service interfaces are substitutes for specific activities, but complement each other in providing the customer experience.

Once the targeted experiential position is chosen Berry, Wall and Carbone (2006) propose developing an experience *motif* that reflects the core experience strategy and brand values. On the very general level it is a *unifying theme* (Pine and Gilmore 1998) that helps in aligning the clues, provides guidance for employees and tells a certain story to customers. A motif is more concrete and actionable than conventional mission statements. It is meant to help in coordinating the delivery of clues in day-to-day basis.

The role of *service design* methods that help to plan the customer interactions is emphasized by several authors (Johnston 1999; Hume *et al.* 2006;

Patricio, Fisk and Cunha 2008). The *service blueprint* is an appropriate tool for mapping and systemizing the service interaction process. It is a visual description of a sequence of activities that both employees and customers go through in a certain service encounter (Shostack 1984). It clarifies the roles and marks all contacts between the customer and service provider during service delivery and production. According to Lovelock and Wright (2002) and Bitner, Ostrom and Morgan (2008), a service blueprint specifies the links between: 1) customer actions, 2) frontstage employee visible actions, 3) physical evidence, 4) frontstage employee invisible actions, and 5) backstage supporting processes. *Customer actions* during the whole experience are a central part of the service blueprint; all value creating activity is designed around customer actions. It is important to note that a service blueprint is fundamentally distinct from a touchmap or customer journey, because the blueprint explicitly focuses on the organization's point of view of the customer experience; while the touchmap describes the experience from the customer's point of view in the context of her own life.

To visualize the planning of customer experience evoking, the approach by Garrett (2006) could be used. He describes the design process of product *user experience* on five sequential layers: strategy, scope, structure, skeleton and surface. It is proposed in this thesis that adopting this approach for CEM purposes allows us to create a summarizing framework for describing the customer experience planning process (see Figure 12).



**Figure 12.** Levels of customer experience planning (compiled by the author)

On the *strategic* level, customer requirements would be balanced with business objectives concerning the product and service. Based on this, *scope* allows us to define and describe the customer experience that will be targeted. In the next phase, *structure* deals with mapping the customer's movement through the experience. Next, the *skeleton* reflects the arrangement of specific interfaces and "user controls". On the *surface* level, the clues of the experience are addressed. Following this kind of design process assures that the clues are not designed only based on aesthetic grounds, but support all the other choices made in the experience design. It is proposed in this thesis that the dimensions of customer experience need to be considered in each level of the design process.

On the surface level, the "positive" clues are utilized to evoke desired impressions, and "negative" clues are eliminated to ensure the integrity of the experience. Carbone and Haeckel (1994) suggest ranking experience clues according to their impact on perception, differentiation, revenue, and also calculating the necessary investments and running costs. Clues that pass the strategic and cost-benefit analysis are integrated into the design of the service process, or what Carbone and Haeckel (1994) call the *experience blueprint*. As a research gap the literature does not give any guidelines about the proper *depth* or *breadth* of the clues that an organization needs to consider in the CEM strategy, so this issue needs further investigation.

***In summary***, planning the evocation of customer experience is a process with high strategic importance because it lays the foundation for the organization's success or failure. It involves the analysis of customer needs and experience requirements as well as the organization's resources, capabilities and competitive environment. The purpose of which is to elaborate a plan for evoking customer experiences that are valued by customers, profitable for the organization and allow for sustainable competitive advantage.

The potential value of the customers for the organization and the requirements for the experience differ. Therefore, segmenting the customer base provides the necessary visibility for the organization. In order to arrive at a win-win plan for customer experience evoking, the worth of each customer during her lifecycle should exceed the costs associated with serving her by the desired margin.

Targets for multiple dimensions of customer experience need to be set in the plan for customer experience evoking. For this purpose, understanding customer experience requirements and the effect of clues on customer loyalty behaviour is needed. Furthermore, the plan should dynamically include different phases of the customer journey, based on relationship marketing principles.

Based on the contents and scope of the targeted customer experience, planning at the operational level can employ tools such as an experience motif or service blueprint. A customer experience motif reflects the most important aspects of the targeted experience, and works as a unifying theme that provides general level guidance for employees. A service blueprint is a detailed visual

description of the sequence of activities that the customer and employees go through in certain encounters. It is a flexible tool that facilitates defining rules for customer contact points, planning the flow of processes, explaining the roles and also explaining the use of physical stimuli; therefore, it is considered appropriate for planning and managing customer experience evoking. At the surface level, the right set of clues is planned in accordance with: 1) the overall experience strategy, 2) the clue's impact on customer experience and 3) the costs related with the clue.

### **3.1.4. Organizing customer experience evoking**

The literature emphasizes three important components that need to be integrated with CEM to effectively evoke customer experiences: branding, human resource management and cross-functional alignment.

#### *The role of branding for CEM*

Frequently, organization's mission, values and experience strategy are tied to the brand in order to make the message sound and visible (Millard 2006). Therefore, the brand acts as a *communicative tool*, offering cues of the value for customers (Crosby 2009). The brand acts as a promise to consistently deliver a cluster of functional and emotional values to customers; it is a balance of complementary features meeting the customer's rational, emotional, social, cultural and other needs (O'Cass and Grace 2004). From the customer experience perspective, it can be suggested that the brand *supports assimilation* with the targeted meaning and values during customer experiences, and it is a tool that improves the *recall* of the branded experience. Rindell and Strandvik (2009) suggest that the brand image functions as an interpretation framework for the customer experience. Brand can therefore enrich the customer experience by adding *symbolic meaning* to the product or service that may encompass any of the experience dimensions.

Customers are exposed to brand-specific stimuli, such as identifying colours, shapes, typefaces, design elements, slogans and mascots. These stimuli are used in order to differentiate from competitors in terms of brand identity, products, marketing communications and purchasing context (Brakus, Schmitt and Zarantonello 2009). Brand awareness is usually built through marketing communication activities and also by direct service interactions. In addition, customers may hear and read about the brand from external, independent sources and make their own judgments. However, when the customer has moved beyond the purchasing phase, the first-hand experience of service starts to strongly influence the brand image in the customer's mind, whereas promotion loses its assertive power (Crosby and Lunde 2009). Therefore, brand experience is more than the projection of an image protected by a trademark in

promotional messages, it is also about actually delivering unique experiences promised by the brand.

There has to be consistency between the promoted brand promise and the perceived experience, otherwise customer trust is eroded. To this end, Crosby and Johnson (2007) have emphasized the need to integrate brand management and service management divisions in order to consistently deliver the promised experience. Ryder (2007) has gone even further by suggesting that the brand should fundamentally link all aspects of customer experience. This claim, which at first glance seems to overestimate the importance of the brand, is however, supported also by other prominent marketing scholars, like Prahalad and Ramaswamy (2004b), who emphasize that the future of competition lies in a *holistic brand value structure*, the main purpose of which is to enhance the customer experience.

Similarly to the concept of servicescape, the term *brandscape* has been used to address a place that provides customers with the opportunity to have an experience that is exclusively associated with the brand (Ponsonby-McCabe and Boyle 2006). Brandscape addresses physical as well as virtual places like flagship stores and webpages. Gilmore and Pine (2002) have used the term *experience place*, to refer to a venue where customers can be immersed in the thrilling experience of learning about and trying out the branded products. Gilmore and Pine (2002) have proposed a classification of experience places ranging from a flagship store and branded-shops present in major customer experience hubs (shopping-malls) to a derivative presence in other shops (shop-in-shop) and at independent retailers' store shelves (see Figure 13). From the organization's point of view, brandscape makes it possible to enforce the connection between brand values and customer experience via carefully selected clues that trigger desired emotions and thoughts. From the customer's point of view, brandscape may even take the form of an altered reality, where the distinction between fantasy and reality is blurred for a while. It has been suggested that the initial experience of the brandscape is better if there is no pressure to make a purchase. The positive experience that encourages future purchases should make business sense. Such "showrooms" are also used in B2B marketing (*Ibid.*), and report dramatically increased deal-closing rates after customers have experienced the place.

Location	Physical access	Virtual access
single	- flagship location	- flagship site
	- experience hubs	- experience portals
	- major venues	- major platforms
	- derivative presence	- derivative placement
ubiquitous	- world-wide markets	- world-wide web

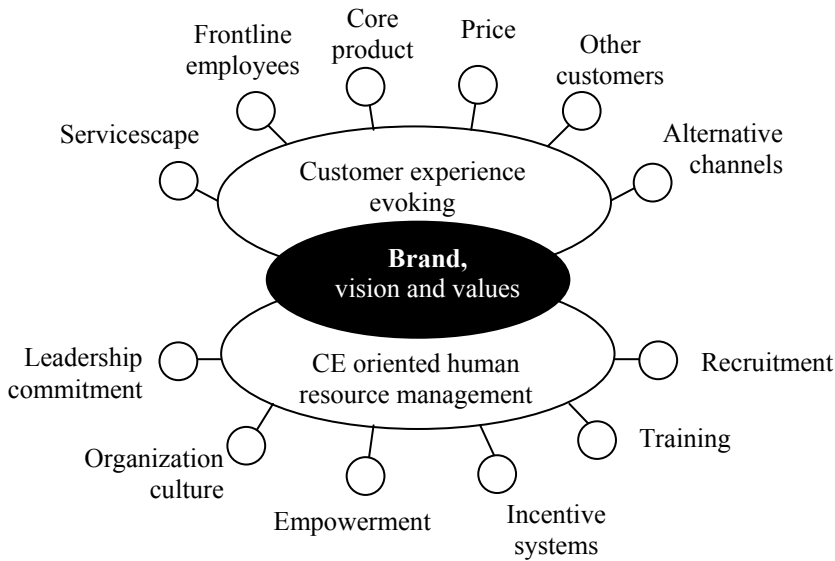
**Figure 13.** Hierarchy of physical and virtual locations within a brandscape (source: adapted from Gilmore and Pine 2002)

While the organization can control brand values and *identity* via the purposeful planning and delivery of stimuli and communications, it cannot fully control the brand-related experiences or the brand *image* in customers' minds (De Chernatony 1999). The beliefs, meaning and emotion assimilated with the brand in the customers' minds are created by the customers (Ponsonby-McCabe and Boyle 2006; Payne *et al.* 2009). Rindell (2007, p. 162) concludes this mechanism in her thesis: "Consumer's corporate images are constructed through dynamic relational processes based on a multifaceted network of earlier images from multiple sources over time". The brand message will be perceived and lived differently by different customers, as also discussed in previous chapters of this thesis. Therefore, the implication for CEM is that the organization should identify segments of customers based on how customers will essentially have different experiences of the brand.

### *The role of human resource management for CEM*

Several authors have emphasized that human resource management practices need to be tightly connected to CEM (Berry, Wall and Carbone 2006; Meyer and Schwager 2007) because employees are considered critical for delivering superior customer experiences. For example, in the SERVQUAL scale that measures service quality (Parasuraman, Zeithaml and Berry 1988), such aspects as assurance, empathy and responsiveness are largely dependent on employee behaviour. In addition to quality, it has also been shown that employees are key to creating a particular distinctive style of service that differentiates the brand and creates brand equity (Grace and O'Cass 2004; Mosley 2007). For instance, Berry, Wall and Carbone (2006) analyze the case of "Container Store" – a successful retail chain, which actually sells commoditized food and drink containers. But these standard containers are sold to customers as personal solutions by savvy and energized employees, which makes the difference leading to success.

After explicitly identifying employee behaviours associated with superior customer experience, the human resource management practices need to be aligned with this behaviour (Schneider and Bowen 1999). Tosti (2009) has marked that an organization's internal and external faces need to be congruent, meaning that employees should be treated internally in the same way as the organization wants to treat customers. It is difficult for frontline employees to care for customers if they feel mistreated by their colleagues and the organization. Customer satisfaction/loyalty is achieved if the employees are satisfied themselves (see for example, the service profit chain model in Heskett *et al.* 1994; Cook *et al.* 2002). Therefore, several authors (Mosley 2007; Ryder 2007) have considered corporate values to be a unifying framework that connects customer experience and the "employee experience". This is described in Figure 14.



**Figure 14.** Brand as an integrating link between customer experience evoking and customer experience oriented human resource management (compiled by the author)

*Emotional labour* refers to the planning, effort and control needed from employees to express organizationally desired emotions during interpersonal transactions with customers (Morris and Feldman 1996). It facilitates customer emotions and experience. Two types of strategies can be employed to display the engineered emotions: *surface acting* and *deep acting* (Hennig-Thurau *et al.* 2006). The former involves only the feigned outward behaviour of service employees, while the latter involves self-induced authentic emotions and attitude. When comparing the effect of surface and deep acting on customer satisfaction, Hennig-Thurau *et al.* (2006) found that the customers' emotional responses and satisfaction is driven by the authenticity of the emotional display, and not by how much the employee smiles. The effect of non-authentic customer service could be compared to bad acting at the theatre. Voss, Roth and Chase (2008) have referred to a case study of a historic castle tour, where employees with deep historical knowledge (but no acting skills) were initially used as group guides. But after a while managers found that hiring people with acting skills (but with poor knowledge of history) led to more valuable customer experiences.

Mosley (2007) notes that the service interaction can be managed by *prescribing employee behaviour* and preparing *scripts* in simplistic services only, because in complex situations this may lead to rigid "fake" behaviour. Therefore, it is suggested (Crosby and Johnson 2007) that more successful organizations do not impose strict controls on employees, but ensure that

employees have a clear understanding of the brand promise and *organization values*. This point of view is supported in the literature about internal marketing (Lings 1999; Pappasolomou and Vrontis 2006) that addresses the enforcement of the right employee behaviour derived from the organization's vision and brand image.

There are many human resource management issues that influence customer experience; this section brings out areas that are considered most important for successful CEM by marketing authors. Firstly, senior leadership commitment and example has been pointed out as an important factor for implementing CEM and a customer-oriented organizational culture (Berry, Wall and Carbone 2006). Secondly, an organizational climate and culture that acknowledges the necessity for evoking the targeted customer experience is mentioned as an antecedent for successful CEM (Tsai 2005). A supportive environment that recognizes the importance of trust helps employees to act upon that perspective and perform their roles in a way that earns the trust of customers. Besides trust, Tosti (2009) proposes several other cultural values that lead to a successful customer-oriented organization: responsiveness, respect, commitment and responsibility.

Next, it has been suggested that firms should empower service personnel and give the responsibility for the customer experience to the people facing customers in order to generate customer-oriented behaviour (Peccei and Rosenthal 2001). For example, in an organization well-known for its customer experience, Southwest Airlines, the flight crew is instructed to "do whatever you feel is comfortable for the customers" (Millard 2006, p. 13). As for performance management, the incentive systems and recognition should naturally be guided by the customer experience outcomes. However, Meyer and Schwager (2007) urge caution because performance compensation that is too powerful can also distort employee behaviour.

A strong impact of employee commitment to customer experience has been acknowledged (e.g. Crosby and Johnson 2007). It is believed that employee commitment is dependent on the individual's identification with the organization's goals and values (Swales 2002). An employee, who understands the brand values, is compliant and happy, promotes the organization and is proactive beyond her job requirements, and is very likely to offer customers a superior customer experience. Therefore, a crucial aspect of CEM is recruiting and retaining enthusiastic and committed employees (Millard 2006). Employees, who have an internalized desire to serve customers well. It is advantageous to select employees with certain capabilities and a predisposition to deliver the targeted customer experience. Since attending and valuing feelings is an important part of customer experience evoking, it can be suggested that emotional intelligence (Bardzil, Slaski 2003; Kallas 2010) is an important competence for frontline employees. Appropriate employee behaviour is enforced by training and internal communication that explains the processes of evoking the targeted customer experience.

### *Cross-functional alignment and CEM*

Customer experience encompasses every aspect of an organization's value proposal, and should involve basically all the people responsible for delivering it. Yet it is recognized that people in the different functional divisions of organizations rarely give a thought for how their work shapes the holistic customer experience; and when they do think about customer experience they tend to have a different understanding of the targeted experience (Meyer and Schwager 2007). Furthermore, the *functional efficiencies* in organizations are often in conflict with delivering superior customer experiences because business organizations are by nature focused on internal efficiency (Millard 2006). The production unit is usually concerned with cost, quality, and timeliness issues; the service unit concentrates on the transaction at hand; and the sales unit's main focus is to increase sales and margins for the current period. In this kind of situation there is a threat that local optimums are produced instead of evoking a holistic experience that is most valued by the customers.

Therefore, several authors (Frow and Payne 2007; Lutz and Foong 2008) have considered cross-functional alignment and integration as an important part of CEM. The customer touchmap, planned experience strategy and service blueprint are important tools that help to ensure alignment across different functional units. However, evoking a superior customer experience often requires the re-development of legacy processes and systems (Millard 2006; Bonnemaizon, Cova, and Louyot 2007). Consequently, efficiently *implementing organizational changes* is one challenge for a successful CEM.

According to Kwortnik and Thompson (2009), the scope of the authority of the CEM unit in an organization may range from a strong *unifying* function that has the power to align production, sales and marketing to merely a *linking* function that facilitates knowledge-sharing and decision-making across functions. Voss, Roth and Chase (2008) have suggested that a strategic level manager, known as a *chief experience officer (CXO)*, should be in charge of CEM. The CXO manages the evoking of customer experiences by coordinating resources and people and focusing the organizational mindset on customer experience. Alternatively, an executive level committee composed of chiefs of marketing, sales and operations can be responsible for CEM.

***In summary***, it can be presumed that branding plays an important role in managing customer experience because brand identity is perceived by customers as a long-term promise by the organization that also carries a symbolic meaning. Some authors suggest that brand image outlives single experiences in the customer's mind. Therefore, it is important that brand values and identity are in accordance with those aspects of the organization's offering that the customer experience is intended to assimilate with. Again it is important to remember that while the brand-related stimuli can be controlled by the organization, the brand image is still ultimately created in the customer's mind, and therefore, is influenced by customer-specific factors. This implies that planning customer

experiences should consider the brand perceptions of different segments, because different customers will ultimately have different experiences of the brand.

Brand image and value is not just a matter of marketing communication, but is also influenced by the customer's immediate experience with the service. Therefore, the organization needs to integrate the brand-related stimuli with everyday customer interactions. Furthermore, it has been suggested that the brand should be the link that integrates all aspects of customer experience in order to deliver consistently the targeted impressions. Based on this idea *brand-scape* is a physical or virtual venue set up by the organization, where the customer can have an experience that is exclusively associated with the brand. This kind of immersive environment allows the organization to enforce the connection between targeted brand values and customer experience through carefully planned and selected clues.

It has often been emphasized that CEM needs to work closely together with the HRM function in order to align employee behaviour with targeted clues. Human resource practices that are used in the organization quite directly influence the quality of the clues, and thus, the customer experience.

There are two important aspects that CEM requires from employees in customer interactions: a) they should behave according to the planned experience strategy, and b) they should behave authentically because discernable fake behaviour does not elicit the targeted experience in customers. To fulfil these conditions, employee attitudes and emotions need to be self-induced and the employees' internal values need to be aligned with the targeted experience strategy. Therefore, employee commitment to the organization (and its values) is considered an important antecedent for evoking outstanding customer experiences, and for earning customer loyalty. This implies that the same targeted set of values and behaviours should be used inside the organization (because it is difficult for the employee to embody double-standards). It has been proposed that brand values, and mission should be used as a unifying framework for aligning customer experience evoking with the way the organization manages its employees.

On the contrary, if the organization only strives to manage employee behaviour in customer interactions by prescribing the behaviour (for instance by preparing the scripts for conversation), the second, authenticity condition, is unlikely to be fulfilled if the employee is not a very good actor. As a consequence customer experience will be deficient. Therefore, many authors have proposed that successful CEM does not impose strict prescriptions and controls on employees, but rather strives to achieve the buy-in to the brand promise and organizational values. To achieve the targeted employee behaviour, specific HRM practices are used, such as strong leadership support, favourable organizational culture, empowerment, congruent incentive systems, proper training and also specific recruitment criteria that lead to evoking the targeted customer experiences.

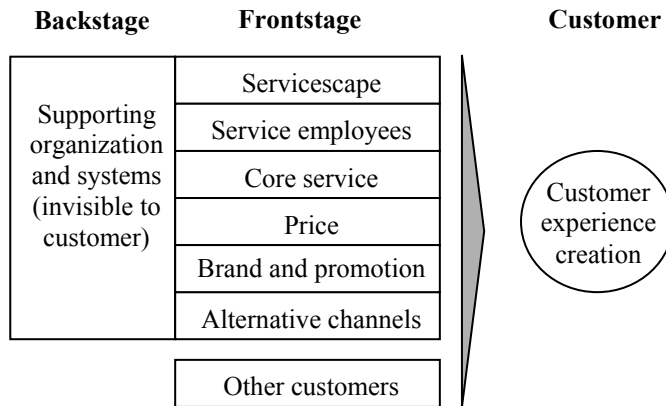
In order to evoke the targeted customer experience the goals of all value creating functions need to be aligned with customer requirements. The organization's need for internal efficiency needs to be balanced with its impact on customer experience. The influence of the CEM unit on other functions, however, depends on the organization – its authority can range from a powerful unifying function to a weak information sharing function.

### **3.1.5. Coordinating customer experience evoking**

After setting the objectives for customer interactions based on a customer experience strategy, it is important to make sure that they are met. The delivery process must be carefully coordinated to ensure that each touchpoint provides the intended experience for the customers. To describe the process of coordinating customer experience evoking at the operational level, the literature on service management could be drawn upon. Batista, Smart and Maull (2008) have described service processes as the *integrating link* between customer relationship management and internal processes management. Service processes define how customer interactions are integrated with other processes that altogether evoke the customer experience. Applied correctly, service management should allow for process optimization as well as customer delight. This finds support in the article by Kworntnik and Thompson (2009), who propose an organizational function they call *service experience management*, which melds service process management and customer experience management.

Services and subsequently customer experiences are produced by a system of people, technology and physical elements connected by processes that facilitate the exchange of information, deeds and goods (Windischhofer *et al.* 2009). The service system consists of two parts: backstage and frontstage. *Frontstage* includes visible elements of service operations divided in the literature into the physical environment and service employees (Lovelock and Wright 2002; Hoffman and Turley 2002). However, this thesis argues that other organization-controlled elements that evoke customer experience also need to be considered as part of the frontstage in the experience delivery system (Figure 15).

Some parts of service production are hidden from the customer in the technical core that is also called the *backstage* (Hoffman and Turley 2002). Backstage activities are typically managed separately from the frontstage in order to increase efficiency and control (Zomerdijk and Voss 2010). But in some cases this decoupling is likely to create coordination problems and harm customer experience as well as the organization's business performance (Kotri and McKenzie 2010). Therefore, CEM needs to link the front- and backstage closely, and make sure that the backstage also understands its role in creating the customer experience.



**Figure 15.** The service system for delivering customer experience (compiled by the author)

As discussed in the previous chapter, the service blueprint could be a guide to help employees offer the planned experience clues. To assure a smooth implementation, it has been suggested that decision points and decision rules, alternative courses of action and possible *failure points* be marked on the blueprint diagram to reduce failures caused by employees carrying out the service (Shostack 1984). To deal with pinpointed quality inconsistency problems, additional processes can be designed, employees can be trained or dialogues can be scripted. Mosley (2007) has noted that while organizations have quality control processes in place to assure that the functional side of production and service delivery is consistent, the interpersonal complexities involved in service delivery are rarely managed with the same rigor.

Broderick (1999) argues that *role theory* is applicable in managing the customer interface because it is a bridge between the processes of the person's intra-psychic and social life. Focusing on specific role elements allows us to analyze interpersonal interactions as well as the performance of the service. Roles can be defined for service providers and enforced by training in order to deliver the desired customer experience (Lovelock and Wright 2002). In another words employee behaviour in a specific encounter can be scripted to emit the designed humanic and functional clues. *Role congruence* occurs if role expectations are clearly understood and fulfilled.

However, research shows that the engineering of emotional service outcomes should take place "behind the scenes", so the outcome looks like an *authentic* interaction, rather than a directed process (Arnould and Price 1993). Romm (1989) found that if the service provider's emotions are perceived as routine or fake, the desired customer response is less likely to follow.

From the experiential marketing point of view, the customer should also be viewed as an opportunity and resource to increase service performance. The

customer can influence the productivity and quality of service processes as well as the outcome – experience, deeds and performance (Lovelock and Wright 2002) because every individual customer brings own needs, expectations, knowledge and skills to the service encounter. However, an influential article by Ostrom and colleagues (2010) concludes that organizations still tend to see customers as passive receivers of the value offering instead of active co-creators of value.

An important concept that explains the collaboration of the customer and supplier is *co-creation* – it addresses the creation of value through shared innovation, design, production or other activities (McColl-Kennedy *et al.* 2009; Ostrom *et al.* 2010). This means that the customer is allowed to create her own unique experience with the organization by providing conductive artefacts and contexts; allowing customers to live their own lives instead of filling it with pre-planned experiences. Thus, the goal for the organization would be to create an attractive and robust experience environment that enables the co-creation of experiences (Prahalad and Ramaswamy 2000; 2004a; 2004b). Gentile, Spiller and Noci (2007) mention a continuum of consuming experiences ranging from experiences that are constructed largely by the organization to experiences that are mainly constructed by the customer.

Therefore, instead of trying to hide and buffer production processes from customer “disturbance”, firms need to focus on developing ways to engage customers in co-creation (Bateson 2002). Kotri and McKenzie (2010) have detailed in a case study of an industrial supplier how effective customer involvement in backstage production processes can increase the value of the offering as well as directly increase the organization’s profit.

In addition to “objective” gains, customer participation may also lead to a better experience because when the customer feels that she is in control, she is also willing to attribute failures to her own actions. From this point of view, the customer is to some extent responsible for her own satisfaction. Hence, if the variability in the customer input is neglected, the firm’s ability to deliver the service successfully is reduced. For this reason, Edvardsson (1997) has proposed that the service system should allow customers to contribute to the production and delivery of services, thereby increasing service quality.

To accommodate customer participation on a mass basis, the firm needs to utilize flexible or modular processes (Patricio, Fisk and Cunha 2008). However, customizing production and delivery processes can be expensive; thus, it needs careful strategic consideration and customer prioritization. Kotri and McKenzie (2010) suggest that the optimal scope of customization for each customer depends upon a trade-off in terms of customer (segment) value for the organization and the extra cost of the customization.

Customizing the offering for individual customers often requires personal interaction (Gwinner *et al.* 2005). Therefore, customization is the task and responsibility of frontline employees that need to exercise discretion. Mass-customization of human encounters requires that the service employees actively

recognize the subtle cues from the customer interaction and then adjust the service delivery accordingly (Bitner, Brown and Meuter 2000). For example, employees of Disneyland are trained to recognize several emotional expressions and cues that customers may show. They have also been provided with a portfolio of scripts that they can use to respond appropriately (Dube and Menon 2000). Customization of employees' behaviour has been divided in two broad categories by Bettencourt and Gwinner (1996): *adapting interpersonal behaviour* and *adapting service offering*. Interpersonal behaviour refers to interaction elements such as vocabulary, tone of voice, tempo and gestures. Service offering adaptation involves tailoring the service attributes based on the unique needs of the customer (Gwinner *et al.* 2005), and is usually more costly than behaviour adapting.

To manage the customized service delivery on a mass basis, many organizations utilize operational CRM solutions, that provide real-time access to information about customers' past transactions and preferences (Rigby, Reichheld and Shefer 2002; Payne and Frow 2005). CRM solutions help to ensure that the customer interaction is consistent at all touchpoints, providing the so-called 360° view of the customer. Even so, Crosby and Johnson (2007) remark that instead of using CRM to enrich the experience, there are plenty of organizations who use CRM only for short-term sales-boosting purposes.

***In summary***, it is proposed that service management principles can be used to coordinate the evoking of customer experiences, addressing a system of people, technology, physical elements and processes that integrate customer interaction with other processes in the organization. Service systems are often viewed as consisting of frontline and backstage, separated by the line of visibility to the customer. The frontline consists of elements that are visible to customer, and therefore, affect the customer experience. The backstage involves support processes that are usually managed separately in order to increase efficiency. The service blueprint could be used as a tool to coordinate the front and backstage processes according to customer experience requirements. Also, role scripts and role training for employees could be used to coordinate the operational interaction with customers to deliver the planned clues in an authentic way.

The organization has to be prepared to customize its offering and clues operationally with the help of flexible or modular processes. Customization can involve simple adjustments in employee behaviour or adjustments in the configuration of core service attributes. Collaboration with customers can also have a deeper scope and lead to shared innovation, design or production activities. This has also been called co-production, where customers can be a valuable resource, facilitating an increase in service performance as well as cost efficiency.

CRM solutions are used to support and coordinate the daily service interactions with large numbers of individual customers. Operational CRM keeps

track and integrates information about every customer's past transactions and preferences across various touchpoints. This provides frontline employees with information and guidance on how to customize the interaction in order to enhance the value of experience for a particular customer.

### **3.1.6. Measuring customer experience evoking and its results**

The fifth and final component of the CEM framework addresses the measurement (and controlling) of the outcomes of CEM. The main outcome of CEM is the customer experience. It has been claimed that positive, valuable and memorable experiences invoke in customers: emotional connection (Pullman and Gross 2004), positive word-of-mouth/advocacy (Rahman 2005), higher spending of money and time/share of wallet (Joy and Sherry 2003), repeat purchase intentions (Kao, Huang and Yang 2007), greater loyalty (Bloemer and de Ruyter 1999), stronger relationship (Stuart 2006) and tolerance of single service failures (Wong 2004).

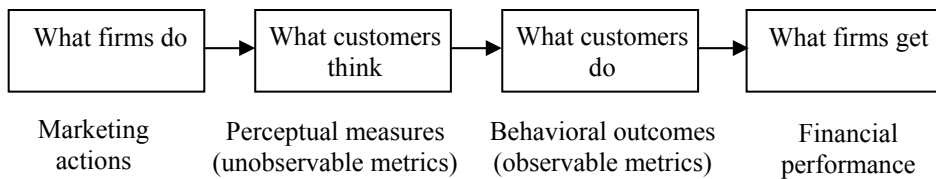
Brakus, Shmitt and Zarantonello (2009) are among the few authors who have empirically tested the relationship between customer experience and resulting customer attitudes. They found that the brand experience (consisting of four dimensions: sensory, emotional, intellectual and behavioural) significantly impacts customer satisfaction and loyalty. In their study, the effect of customer experience was even stronger on loyalty than satisfaction. This could be explained by the restrained cognitive nature of satisfaction evaluations while re-purchase intent is based on other experience dimensions as well. In another study, Berry, Carbone and Haeckel (2002) report a 13% increase in perceived quality and 30% drop in complaints after implementing a CEM programme at a hospital. Studying the hotel industry, Dube and LeBel (2003) established that loyalty was about 50% higher for customers who could recall some particular experiential facet of the hotel stay, compared to respondents who did not recall anything special.

The bottom line for the firm is that delivering a positive customer experience offers: higher brand reputation, higher customer equity (Peppers 2010), higher revenue and higher sales margin (Stuart 2006; Lywood, Stone and Ekinci 2009). But CEM can also result in cost savings from implementing more efficient processes or removing processes that are redundant for creating customer experiences.

It is necessary to acknowledge that CEM often requires organization-wide shifts in operating principles and practices. Therefore, the CEM initiative may not be profitable in the short-run. It takes time to implement changes to organization-controlled elements that affect customer experience, and for the customers to notice and remember the changes in the experience. Therefore, it is proposed here that the financial gains from improved customer experience spread over a long period. In accordance with this, Peppers (2010) has argued that instead of the popular metric of *marketing ROI* (return on investment) that

focuses on the short-term profit of a campaign or initiative, the metric of ROC (return on customer) should be used. The latter is based on the customer *lifetime value* calculation (Gupta *et al.* 2006). Peppers (2010) suggests that in the experience, the customer may generate short-term value for the organization by purchasing the product, but in addition to that the experience can make the customer more likely to do business with the organization and its brand in the future. Consequently, the best way to measure the investment in the experience is by comparing the customer’s lifetime value before and after the experience.

Gupta and Zeithaml (2006) have suggested a four-component framework for systemizing customer metrics (see Figure 16).



**Figure 16.** Framework of customer metrics (source: Gupta and Zeithaml 2006)

It seems that this framework can be fruitfully adopted in the CEM domain to explain the performance measurement part of CEM.

- Firstly, inside the organization it is possible to measure the objective performance of elements that influence the customer experience. For instance, by monitoring the time to answer customer phone calls, time spent queuing for a cashier, but also room temperature or service employee skills. This can be complemented by the somewhat more subjective evaluation of clues by mystery shoppers. Mystery shoppers can also measure the consistency and effectiveness of clues.
- Secondly, the customer experience can be probed. Instead of Gupta’s “what customers think”, all six experience dimensions should be examined using the methods discussed earlier in chapter 4.5.2 about understanding customer requirements. Customer perceptions and attitudes towards the experience are in practice often estimated using *composite scales* of service quality, perceived value, satisfaction, loyalty, net promoter score and brand awareness (Zeithaml *et al.* 2006; Wood 2009). However, from the CEM point of view it is important to distinguish between the six “basic” components/dimensions of customer experience and the resulting attitudes and responses that are based on those components. Crosby and Johnson (2007) have proposed that customer experiences should be measured on three levels: a) the *customer relationship* level includes all quantitative information about brand perceptions, touchpoints and customer-specific factors for prediction purposes; b) the *touchpoint* level identifies high-impact factors to delight customers in a specific encounter, mostly by using qualitative

data; c) the *event monitoring* level continuously captures feedback about the customers' recent experiences, mainly in quantitative form.

- The observable behavioural outcomes of customer experience can be measured using easily observable customer acquisition and repeat purchase or churn rates, up-selling and cross-selling volumes, numbers of trials and known recommendations (Gupta and Zeithaml 2006).
- The financial value of the customer to the firm can be measured in terms of sales revenue, sales margin or profit. However, these indicators do not reflect the longer-term value of the customer to the firm; therefore, the measure of customer lifetime value (CLV) is increasingly used. CLV is defined as the sum of discounted net profits received from a customer during his relationship with the firm (Zeithaml *et al.* 2006). It is calculated based on the customer's observed behaviour, attitude and other relevant information. Customer equity (CE) is another concept that is useful for CEM by reflecting the lifetime value of current and potential customers, taking account of the predicted effect of different marketing actions (*Ibid.*). As these indicators are calculated at the individual customer or segment level, they facilitate considering customer and market specific factors that influence the customer's experience. The brand equity measure could also be added to this list because it also reflects the organization's ability to capitalize on delivered customer experiences.

***In summary***, the causal chain that leads to profit looks like this from the CEM perspective: if the organization has managed to provide the right set of stimuli to evoke the customer's desired experience on multiple levels, customers respond with loyal behaviour. This may include the customer's emotional connection to the organization, lasting preference, positive word-of-mouth, strong relationship and so on. On the bottom line of the financial statements this means that the organization can in return achieve higher revenue, margin and profit.

The results can be measured at different stages of this CEM-profit chain in order to take corrective action. First, whether the organization has been able to deliver the elements that it had planned to can be evaluated. Secondly, whether the clues offered by organization did evoke the targeted experience in customers and indeed if this experience is valued by the customers can be investigated. Thirdly, the customer's reactions to the delivered experience can be measured, especially those aspects of behaviour that create value for the organization (e.g. loyalty). And lastly, short-term and long-term financial gains for the organization can be measured.

CEM may involve implementing large-scale changes in customer service practices that take time before they are memorized and appreciated by customers. Therefore, it is proposed that financial gains from such initiatives are spread over a long period, and the proper metrics for measuring such an impact would be the change in customer lifetime value (instead of quarterly profit).

## 3.2. A tentative framework for the analysis of customer experience evoking and management

The aim of this subchapter is to draw together the concepts and literature presented in previous sections of this study. Discussion of the characteristics of customer experience, the elements for evoking customer experience and CEM processes is combined into a tentative framework that will be used for investigating the cases in the empirical part of the study. For this purpose specific research questions will be formulated that address all three aspects described above.

**Customer experience characteristics.** Although CEM is the central interest of this study, the framework needs to begin by describing the phenomenon of customer experience because CEM can be successful only by understanding the characteristics and creation mechanisms of customer experience. Based on a synthesis of the literature, customer experience is defined in this thesis as a subjective and multidimensional response to direct and indirect interactions with the organization and its value offering, accumulating over the consumption cycle (discussed thoroughly on page 23). A particular customer experience can be described using six dimensions: sensory (page 39), emotional (p. 41), cognitive (p. 47), action (p. 49), social (p. 49) and instrumental (p. 50). It has not been addressed in current literature, how the character of customer experience influences CEM. Therefore, this study also aims to explore if the organization needs fundamentally different CEM processes for delivering different types of customer experiences.

The dynamic nature of customer experience is reflected by the concept of the customer journey, which can be divided into four phases. The phases are (p. 55): pre-purchase, purchase, core-consumption and post-consumption. It has to be noted that for repeat customers, the customer journey and phases are likely to be different than for first-time customers.

To investigate the relevance of these issues for describing customer experience and facilitate an understanding of the CEM framework the following empirical research questions are posed. Based on these questions, interview guide was prepared – a detailed list of the interview questions can be found in Appendix 8.

### **Research question 1 – characteristics of customer experience**

- 1.a. What are the relevant dimensions of customer experience? (Interview questions 19 and 20.)*
- 1.b. How can the dynamics of customer experience be described and utilized in CEM? (Questions 23–26.)*
- 1.c. What are other important characteristics of customer experience? (Questions 21–22.)*

**Evoking customer experience.** To describe customer experience creation, the theory of clues is used in this thesis, according to which customers receive and process clues from the environment. Clues are attributes of products, services and context that evoke customer experience. Clues are dualistic by nature – objective and subjective at the same time. Three types of clues can be distinguished: functional, humanic and physical (p. 64). Although the experience is ultimately *created* in the faculties of the customer’s mind that processes the clues, the experience is *evoked* by the organization through the set of organization-controlled elements and context. Based on the literature review, the elements that are emitted by the organization and that interact directly or indirectly with customers are grouped into the following categories (p. 71): servicescape elements, service employee related elements, core service elements, price elements, brand and promotion elements and also elements related to alternative channels and other customers.

In addition to these elements, the customer experience is inherently influenced by the customers’ psychology. In order to evoke superior experiences, some universal psychological principles are extensively used by marketers. These approaches can be summarized as addressing: 1) memorizing and recall of the experience (p. 75), 2) processing the experience in real time (p. 78), and 3) fulfilling universal human needs (p. 79). The experience is perceived and interpreted based on the individual customer’s mindset and the particular consumption situation. Therefore, explicit consideration of the individual customer’s goals, needs and personality is also necessary for evoking superior experiences. Although the organization cannot control these factors, it can take them into account when managing customer experience evoking. Customer-specific factors are grouped into three categories in this thesis: personal traits (p. 85), previous experiences (p. 86) and situational characteristics (p. 87).

To investigate these issues in the case study, the following research questions are posed.

## **Research question 2 – evoking customer experiences**

- 2.a. Which clues and elements do organizations utilize to evoke customer experiences? (Questions 9–11.)*
- 2.b. Do organizations account for universal psychological principles when evoking customer experiences? (Questions 12–16.)*
- 2.c. Do organizations take into account the customer’s individuality in evoking the experience, and elicit customer-specific factors? (Questions 17–18.)*

**Customer experience management.** Managing the evoking of customer experience requires specific processes, skills and capabilities from organizations. Based on the analysis and synthesis of the literature, CEM is defined in this thesis as a strategic activity for evoking customer experiences that convey value both to customers and the organization in a win-win manner (p. 90). At

the operational level, CEM addresses the management of customer interaction with the context of the service by the deliberate development and delivery of clues across all consumption phases. This thesis organized the CEM components proposed in previous studies into a framework of five major components that are inherent to CEM.

*Understanding customer experience requirements.* This process provides insight for the organization for planning and delivering the experience that is valued by customers. Feedback from customers may include information about past, present and future (potential) experiences (p. 100). Capturing the “voice of the customer” may take place during daily interactions or with special studies (p. 101). To analyze and share customer knowledge, the organization needs a platform (like CRM) that facilitates the dissemination of the knowledge in the organization (p. 103).

*Planning customer experience evoking.* Based on the analysis of customer requirements, organizational capabilities, the competitive environment and other relevant factors, the customer experience strategy should be elaborated (p. 105). Segmenting customers based on their profitability and needs provides the necessary visibility for setting experience targets for each segment. This is followed by an operational plan (blueprint) for evoking customer experiences that are valued by customers and at the same time profitable for the organization (p. 107). At the detailed level, the plan should show how the organization-controlled elements (clues) are to be employed and managed (p. 108).

*Organizing customer experience evoking.* Firstly, branding is used as an important communicative tool for consistently communicating and delivering the experience strategy to customers as well as employees (p 109). The brand supports the assimilation with the planned features of the experience and improves the recall of the branded experience. However, brand image is not just a matter of marketing communication, but is also based on stimuli that are perceived in immediate experiences (p. 110). Secondly, several authors have emphasized the connectedness of CEM to human resource management. To ensure that frontline as well as backoffice employees are capable, committed and empowered to evoke planned customer experiences, the human resource practices need to be tightly aligned with CEM (p. 111). The following aspects of HRM have been considered important for CEM (p. 113): leadership commitment, favourable organizational culture, congruent incentive system, proper training and criteria for recruiting. It has been suggested that brand and organizational values should form a unifying framework that guides the treatment of customers as well as employees. Thirdly, cross-functional alignment is an important function of CEM. Alignment between the goals and outcomes of internal functions and processes is necessary for the smooth and efficient delivery of planned customer experiences (p. 114).

*Coordinating customer experience evoking.* At the tactical level it is important to coordinate the clues that the organization generates at different customer touchpoints in order to evoke the planned experience. It has been proposed

(p. 116) that service management principles can be used to coordinate a complex system of people, technology, processes and physical elements that form the service interface. It is also suggested that customers need to be recognized as active co-creators of the experience because in many cases customer input is crucial for service production (p. 118). To enable the personalized interaction and customization of the experience, the organization should employ flexible or modular processes and allow its employees to use discretion in serving the customers (guided by the experience strategy).

*Measuring customer experience evoking and its results.* The metrics and measurement of the customer interaction process and outcomes make it possible to take corrective action to improve CEM. Measurement should include (p. 121): a) production of the elements that evoke customer experience (internal metrics), b) customer perceptions of the experience in multiple dimensions (external metrics), c) resulting customer behaviour, and d) the financial results of the value exchange for the organization over a short and long period.

To investigate these components and related processes, the following research questions are posed.

### **Research question 3 – components of the CEM framework**

- 3.a. How do organizations understand customer experience requirements? What activities are undertaken to that end? (Question 4.)*
- 3.b. How do organizations plan customer experience evoking? What activities are involved? (Question 5.)*
- 3.c. What kind of organizing activities are necessary for customer experience evoking? (Question 6.)*
- 3.d. How is customer experience evoking coordinated? What activities are used? (Question 7.)*
- 3.e. How is customer experience evoking measured in organizations, what metrics are implemented? (Question 8.)*

Based on the discussion above it is clear that to understand the CEM phenomenon, three levels of analysis need to be distinguished: the characteristics of customer experience, customer experience evoking and the management of customer experience evoking. The next part of the study focuses on exploring these three levels as well as highlighting important links between them in the case study of Estonian service organizations.

## 4. RESEARCH OF CUSTOMER EXPERIENCE EVOKING AND MANAGEMENT IN THE CASE OF SIX ESTONIAN ORGANIZATIONS

### 4.1. Research methodology

This subchapter begins by presenting and discussing the underlying assumptions of the thesis concerning the nature of reality and knowledge – explaining the issues of ontology and epistemology. Based on this, it explains the choice between inductive/deductive and qualitative/quantitative research methods. Thirdly, the choice of the instrumental case study method is explained together with the rationale for how the validity and reliability of the study will be assured. Finally, the research plan is outlined and a detailed description as well as justification is provided for the techniques used in the data collection and analysis.

#### *Philosophical standpoints of the study*

*Ontology* refers to the nature of “reality” that the researcher investigates. As the aim of this thesis is to find out which processes and elements are involved in CEM, it could be argued that this study relies on the realism paradigm. Realism holds the view that the world is made up of properties that exist irrespective of human conceptualization (Brink and Rewitzky 2002). For instance, elements of reality exist in the form of sales numbers, agreements, sales margins and product failures. On the other hand, the nominalism paradigm is also useful for this thesis. The nominalism view argues that the world is made up of *individuals* (Pyysiäinen 2002), where all theoretical universals are just linguistic abstractions.

This thesis takes the viewpoint that “CEM reality” is influenced by both – objective business results and procedures (referring to realism) as well as individual employee opinions, dispositions and decisions (referring to nominalism). Elements from realism and nominalism are used in this study as long as they allow the scientific analysis of the CEM phenomenon. It is assumed that the two ontological levels are not independent, but analysis on one level may inform the other. Therefore, this research searches for patterns in organizational and contextual variables as well as in meanings constructed by people.

*Epistemology* explains the relationship between the recognized reality and the researcher by answering the question “how do we know”. It has been said that epistemology has two extremes: positivism and anti-positivism (Wicks and Freeman 1998; Patomäki and Wight 2000). The predominant *positivistic* research has its roots in the natural sciences, and it assumes that there is a “real

world” that exists independently from the researcher and other people, and can be represented and measured by quantitative methods (Healy and Perry 2000). However, in social research it has been argued that positivistic and quantitative methods strip the context from meanings and impose outsider meanings and interpretations on data (Gephart 1999). On the other extreme, *interpretivism and constructivism* have been well-established as alternative (anti-positivistic) scientific approaches. Central to these is the idea that meanings are subjective acts of interpretation, and hence there is no objective “reality” or knowledge, which is independent from human beliefs held in a particular context (Gephart 1999). Nevertheless, by the same token interpretivism and constructionism are considered (Healy and Perry 2000) inappropriate for research in marketing management because they exclude the objective economic and technological aspects of business.

Instead, the *critical realism* paradigm is considered an appropriate basis for investigating CEM in this study. This approach combines the relevant elements of both epistemologic extremes. The critical realist believes that there is a real world, but it is imperfectly apprehensible because it is born from people’s minds. Patomäki and Wright (2000, p. 223) suggest that critical realism is a solution to overcoming the controversy between positivist and anti-positivist approaches: “*According to critical realism the world is composed not only of events, states of affairs, experiences, impressions and discourses, but also of underlying structures, powers and tendencies that exist, whether or not detected or known through experience and/or discourse.*” On a similar account of critical realism Miles and Hubermann (1994, p. 4) contend that social phenomena: “*exist objectively in the world and exert strong influences over human activities because people construe them in common ways.*” Therefore, critical realism assumes different levels of reality, which means that the underlying level may possess some structure, potential and tendencies that are not always realized and manifested at the level of experience.

Therefore, reality is studied and constructed based on the views of individuals who have encountered the CEM phenomenon, and by combining the views into a coherent whole. It is acknowledged that the interviewees’ perception is not reality as interpretivism would suggest, but it is a window through which a picture of reality can be triangulated with the help of other perceptions, written materials and observation.

According to the critical realist view, science is a process that aims at illuminating certain *relatively enduring* structures, conditions or things that at least in part are the cause of the phenomenon (Patomäki and Wight 2000). In critical realism, the *causality* is viewed neither as deterministic nor probabilistic, but the plurality and contingency of causation is acknowledged. This means that many causes interact with each other in complex ways, producing a variety of effects on dependent variables in different circumstances and environments. Consequently, the social context and structure is the real condition (reason) for actions. Critical realist research discovers knowledge of the world by describing

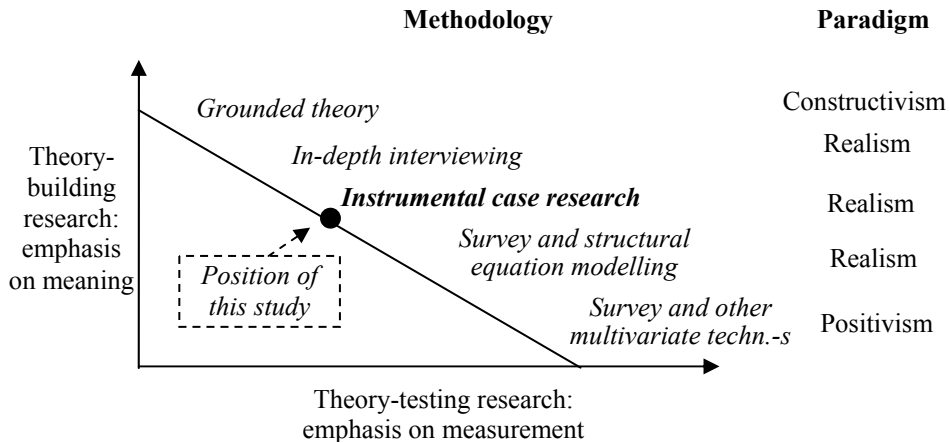
broad, generative mechanisms that operate in the world. To understand social context, Patomäki and Wight (2000) suggest the following elements: a) related actors, b) meaningful actions, c) regulative rules, d) resources leading to capabilities, and e) relational practices (accomplishing identity). Therefore, this study aims to explore and describe actions, actors and processes related to CEM in case organizations, together with causal explanations of the forces at work. On a more general level, it tries to find structures, sequences and “regularities” that would help other organizations to learn from the cases researched.

### *Research approach*

There are two basic approaches to creating scientific knowledge: deductive and inductive. Since CEM and customer experience evoking are emerging areas of research (without well structured theories), an appropriate approach would be inductive. However, Perry (1998) suggests that pure induction, for example, grounded theory, prevents the study from benefiting from existing theory. Therefore, a combined approach is taken, which means that the author’s pre-understanding of previous studies and professional marketing practice was used in writing the preliminary literature review, next the constructed tentative framework was used in guiding the data collection and data analysis, and based on the data and ideas gained in the fieldwork process the preliminary framework was again refined.

The choice of *instrumental case study* as a research method in this dissertation follows from the ontological and epistemological perspective described above. An in-depth qualitative study of a limited number of cases allows us to obtain sufficient information from both the objective and subjective sides of customer experience evoking and management. The focus of this study requires a close understanding of operations, strategy, structure and practices in several organizations – this kind of data can be best provided by a qualitative case study. Figure 17 depicts the discussed scientific paradigms and the range of methodologies according to theory-building or theory-testing purposes. As can be seen, this study is positioned in the middle, in the critical realism paradigm.

This study carries mainly theory-building elements (vs. theory-testing) as it aims to *describe* CEM practices and explain decisions, but it also *explores* more generally the causal relationships concerning the evoking and management of customer experiences. While this study is informed by the existing body of knowledge about CEM, and guided and focused by it, the complex phenomenon of CEM is still not well enough understood in the literature to use structural equation modelling and generalize the results for a population. Therefore, an obvious choice is instrumental case research, as it answers “how and why” questions (Healy and Perry 2000); with the aim of describing and exploring CEM. Originating from the critical realism paradigm means that the case itself is not intrinsically the focus, but the purpose of the case study is to understand something else – to understand the CEM phenomenon.



**Figure 17.** Positioning instrumental case study methodology and related paradigms (source: Healy and Perry 2000, with adaptation)

The chosen methodology does not allow us to separate the researcher from the research, thus the author’s subjectivity has to be acknowledged. In this type of qualitative case research there cannot be a “totally objective” researcher (Daymon and Holloway 2002), some kind of bias in the questions and variables is inevitable. Therefore, the concern should not be how to exclude the human factor, but rather how to cope with the possible downsides of subjectivity (Diefenbach 2008). This challenge is coped with by making the author’s assumptions and objectives explicit; likewise rigorous research processes are followed (such as establishing a theoretical framework, using multiple cases, purposeful sampling, probing questions, systematic data analysis and the display of the results etc.). These procedures are described in the following sections.

### *Case study methodology*

A case study is defined by Yin (1989) as an inquiry that describes a phenomenon in a real-life context, when the boundaries between the context and the phenomenon are not clear. As noted earlier, the aim of this study is to contribute to the understanding of the CEM framework and provide confirming and contrasting details to existing knowledge by presenting an analysis of CEM in six organizations in Estonia. In this sense, the case study is suggested as a preferred research strategy to gain a profound understanding of the causal relations within particular settings as suggested by Eisenhardt (1989; 1991). The case study method is considered appropriate for exploratory investigations, where the phenomenon is not well understood yet.

Because the critical realism paradigm says that causal relationships are not fixed, but contingent on their environment, this study also concentrates on “why” things happened in a given environment and not just describing them. Therefore, the gaps in the literature are not expressed as precise hypotheses or propositions, but rather as broad research issues that will be used as section headings in data analysis as suggested by Perry (1998).

The advantage of the case study is that it provides a holistic view by studying the subject in its natural setting without focusing in advance on a limited number of variables. Given the cross-functional nature of customer experience management and evoking this allows us to tackle CEM related issues meaningfully. Equally important is that in the Estonian context, where there are only a few organizations with really large numbers of customers, the function of CEM is probably based on subjective perceptions and decisions rather than institutionalized procedures – therefore, the flexible qualitative research is better able to reveal the underlying picture. Because of the inherent complexity and ambiguity of organizational issues, a common questionnaire is not suitable for the purposes of this study – it is too fixed.

However, the review of the literature that discussed the theoretical constructs of CEM, allowed us to go into the case organizations with quite a well defined focus and to collect the data systematically. Special attention was paid to the relationships among the concepts of interest. At the same time, Eisenhardt’s (1989) suggestion to begin the study as a clean theoretical slate was kept in mind – at the beginning of the interviews probing about specific variables and relationships was avoided, this was done after the interviewees had expressed their own opinions.

Perry (1998, p.787) has noted that given the realist perspective that case study research in marketing often takes, the research questions should be more descriptive rather than prescriptive: “no positivist experiments or cause-and-effect paths are required to solve the research problem.” Following the same line of thought, this case study aims to answer the question “how do?” rather than “how should?” Based on this, a refined CEM model is proposed in the last chapter of this study, which needs to be tested for statistical generalizability in further, more quantitative, research.

According to deductive thinking, falsification is a function of an instrumental case study (Flyvberg 2006). Thereby a case study is considered the most rigorous test for any theoretical propositions because of its in-depth analysis. If even single case does not support the theory, the theory cannot be considered generally valid and probably needs refinement. Therefore case studies carried through in this thesis also serve as means for possible confirmation/ falsification of the proposed CEM framework.

Multiple case design is used in this study. The evidence from multiple cases is considered more compelling, robust and generalizable (Stavros and Westberg 2009); therefore, adding to the strength of the findings (Eisenhardt and Graebner, 2007). The rationale for selecting cases will be explained in the next section.

A case study can involve holistic or embedded design, which means there are single or multiple levels of analysis in a single case (Eisenhardt 1989; Yin 1989). This study uses components of both approaches. In order to bring forth operational details of the CEM phenomenon, the subunits (CEM components and elements for evoking customer experience) are examined in each case. At the same time, CEM is also investigated as a larger, holistic unit of principles by which customer experiences are managed. This kind of study design should avoid the threat (noted by Yin 1989) that CEM becomes a context, instead of the target of the study, at the same time providing detailed insight.

Grünbaum (2007) urges case study researchers to be precise about the unit of analysis. In this study the investigation unit is aimed at better understanding the organization's processes, structure, rules and capabilities as opposed to the level of individual employees or the network of organizations. The result would be the ability to organize the findings so that conclusions are detached from specific individuals or organizations and could be transformed to the conceptual level.

Next, some important criticisms of case studies are outlined (based on Eisenhardt 1989; Firestone 1993; Dubois and Gadde 2002). Below it is also explained how these limitations and risks are tackled in this study.

- Case studies are situation specific and not appropriate for generalization to a population.
- Some authors of multiple case studies have claimed some sort of statistical generalization. Which is obviously not attainable.
- Some case studies are merely descriptions, from which readers are often left to make their own interpretations.
- Case studies can produce overly complex theories if empirically rich data is extensively used and the researcher loses the overall perspective.

First, it has been realized that situation specifics can also be an opportunity to better understand the phenomenon from a holistic point of view (Dubois and Gadde 2002). To address the same point of criticism about the context specifics of case studies, Flyvberg (2006, p. 224) notes that there is not, and probably cannot exist, a general predictive theory in the social sciences or human affairs, therefore: *“Concrete, context-dependent knowledge is more valuable than the vain search for predictive theories and universals.”* To address the second point of criticism, this study does not claim any statistical generalization. Third, the conclusions from within-case and cross-case analysis are presented explicitly and discussed in relation to the theoretical framework. Fourth, this study also uses the theoretical framework to retain control over the case descriptions and to avoid burgeoning descriptions.

### *Validity and reliability of the study*

Critical realist research may use criteria for assessing study quality borrowed from both paradigms: positivism (validity and reliability) and interpretivism (authenticity and trustworthiness). For example, Miles and Hubermann (1994) unify these approaches, expressing that validity and authenticity as well as reliability and trustworthiness refer basically to the same points of concern. This study uses the more traditional terms of validity and reliability to address the quality of the study. In broad terms, validity means that a model, category or concept describes reality with a good fit. Reliability means that the study instrument is stable, and the results can basically be replicated by others in similar settings. Strategies for tackling the validity and reliability of this study are summarized in Table 14 and discussed below.

**Table 14.** Strategies for assuring the quality of this study

<b>Quality indicator</b>	<b>Strategy</b>	<b>Phase of research</b>
External validity	<ul style="list-style-type: none"><li>• use of prior theory and generalization to theory</li><li>• replication logic</li><li>• “thick” case descriptions</li></ul>	planning, data collection and discussion planning, data collection and analysis analysis
Construct validity	<ul style="list-style-type: none"><li>• use of prior theory</li><li>• multiple data sources and respondents</li><li>• establish chain of evidence</li><li>• participant feedback</li></ul>	planning, data collection and analysis data collection analysis analysis
Internal validity	<ul style="list-style-type: none"><li>• multiple respondents</li><li>• pattern matching</li><li>• explanation building</li><li>• participant feedback</li></ul>	data collection analysis analysis analysis
Reliability	<ul style="list-style-type: none"><li>• case study database</li><li>• case study protocol-diary</li><li>• detailing the procedures of case selection, interviewing, data display etc.</li></ul>	data collection and analysis planning, data collection and analysis analysis

Source: compiled by the author

*External validity* refers to the results of the case study that can be generalized to other, similar settings (Daymon and Holloway 2002). The goal in this study was analytic and case-to-case rather than statistical generalization. According to Yin

(1989), in analytic generalization, the researcher strives to generalize a particular set of results to a broader theory, rather than to a population. Generalizing to a theory means that one provides evidence that supports the theory, but not necessarily proves it definitively (Firestone 1993). So firstly, to allow for case-to-case transfer, thorough case descriptions will be provided in the empirical section. The conditions under which the proposed conclusions apply are thoroughly explained. Secondly, in order to support/prove the theoretical generalizations, replication logic is used to claim analytical generalization in multiple case studies (Yin 1989). In this study, the results are replicated in organizations that deliver similar as well as different customer experiences (according to literal and theoretical replication logic). And thirdly, external validity is increased by specifying theoretical constructs and relationships before data collection. This allows us to confirm or negate the theory and make the relevant generalizations.

*Construct validity* refers to the ability to establish correct measures for the concepts being studied. To avoid subjective judgments and increase construct validity, three processes could be used (Yin 1989): 1) use multiple sources of evidence, 2) establish a chain of evidence, and 3) use informants for reviewing the draft. This study utilized multiple sources of data wherever possible (compared interview results of different respondents, also involving webpages and other written materials). Secondly, the chain of evidence was maintained in the report by references to specific interviews and documents. Thirdly, the case study results were confirmed by key informants. And fourth, prior theory from experiential marketing literature was used to specify and triangulate the constructs with prior studies.

*Internal validity* refers to explicating the causality of how certain conditions lead to other conditions (Healy and Perry 2000). The proper inferences about causal relations were ensured by triangulating the data by using several interviewees to explain and confirm the same aspects of the CEM. Rich descriptions of the context and a concentration on “why” issues should also ensure the internal validity. A structured process was used during the data analysis to clearly present the chain of evidence between data, results and generalizations. And lastly findings were further shown to participants and asked for their comments to assure that the results correctly reflect their view of reality.

*Reliability* means that the process of the study is consistent and stable over time and across researchers (Miles and Huberman 1994). A study with high reliability can be replicated by other researchers. Yin (1989) suggests two tools to increase the reliability of a case study: 1) to use a case study protocol, and 2) to use a case study database. To ensure the reliability of this study, all the documented data sources have been gathered into a database. Interviews and interview transcripts are also preserved in the same auditable case study database. Secondly, a research protocol-diary was used, to allow other researchers to follow through the “decision trail” (Daymon and Holloway 2002). This allowed us to document unclear issues and systematically document

the steps in the data analysis. In practice, an MS Word file was used to note down the emerging ideas, questions, actions and challenges during the data gathering, analysis and conclusion making phases. In addition to those aspects, Daymon and Holloway (2002) suggest providing a thorough or “thick description” of the organization’s context to increase the reliability of the study because then the reader can understand what it is like to be in the described settings. Fourth, the procedures of case selection and the interview process are thoroughly described; and fifth, relevant data display matrices are used to increase the reliability of the study.

From a different viewpoint, Diefenbach (2008) emphasizes that qualitative case studies by nature reveal specific insights under specific circumstances, and therefore, do not lend themselves to repeatable experimentation. According to him, the weakest element of this type of study is the failure to explicate the theoretical contribution that the case makes to the literature. To overcome this threat, the results of this study are explicitly connected to the systematic literature review and theory-based framework.

#### *Selection and number of case organizations*

In a multiple case study, the selection of research cases should be guided by the research purpose, questions and theoretical context (Eisenhardt 1989). Yin (1989) emphasizes that case selection logic has to be distinguished from sampling logic commonly used in surveys. Case studies utilize *replication* logic. Multiple cases should be selected in a study so that they predict similar results for all cases (literal replication), or produce contrary results for predictable reasons (theoretical replication). In this study, both types are used. According to Eisenhardt and Graebner (2007), cases should be selected so that they fill the *theoretical categories* and provide examples of polar types, or so that they replicate and extend emergent theory. It has also been discussed how many cases should be included in a case study research. Based on Eisenhardt (1989) and Perry (1998), four cases is the minimum and 10 cases the maximum. With less than 4 cases it is hard to construct a complex theory, and if the research has more than 10 cases it loses its in-depth value.

This study utilizes 6 cases. The main criteria for case selection were: 1) the characteristics of customer experience should be different, 2) the organization’s CEM efforts need to be considerable in order to provide material for study. Accordingly, three cases were expected to offer customer experiences with a prevailing *emotional dimension of experience* (literal replication) and the other three with a prevailing *instrumental dimension of experience* (theoretical replication). This refers to the *maximum variation* strategy in case design, which should allow us to understand the consequent differences in the CEM processes of significantly different cases. Flyvberg (2006) assures that this way the generalizability of the study is increased because opposite cases should reveal more information, as different cases activate more actors and mechanisms. This

allows us to see whether the main patterns hold, while also documenting diverse variations.

The studied cases were: Casino, Hotel, Travel Agency, Security Service Provider, Bank, Mobile Operator. The cases are listed with the reasons for their selection in Table 15. The identities of the studied organizations are, however, not disclosed in this study because CEM touches upon business issues that are considered sensitive to competitors (e.g. market strategy) and may evoke undesired customer experiences through the press. This was a precondition for the study set by the managers of the organizations.

**Table 15.** Reasoning for the choice of the six organizations studied

<b>Case</b>	<b>Prevailing experience dimension (expected)</b>	<b>Additional reasoning</b>
<b>Casino</b>	<i>emotional</i>	– very high importance of emotional dimension, potentially extreme case
<b>Hotel</b>	<i>emotional</i>	– confirming case – reputation for exemplary management of customer service
<b>Travel Agency</b>	<i>emotional</i>	– confirming case – reputation for exemplary management of customer feedback
<b>Security Service Provider</b>	<i>instrumental</i>	– mixed character of customer experience, deviating case
<b>Bank</b>	<i>instrumental</i>	– confirming case – reputation for exemplary CEM
<b>Mobile Operator</b>	<i>instrumental</i>	– very high importance of instrumental dimension, potentially extreme case – reputation for exemplary CEM

Source: compiled by the author

To explain the background of the organizations studied it has to be said that most of them are leading companies in the Estonian market. Therefore, the responsibility for market development and setting an example was acknowledged in most of the organizations. Two companies from the case analysis were distinguished as offering the best customer service in Estonia in 2010 by an independent market research company (Spiegelberg 2010). For another two case organizations, their high NPS scores (60 and 67) showed that customers are generally very satisfied with the delivered experiences.

The organizations studied have successfully been operating on the Estonian market for more than 10 years. Most of them were established shortly after Estonia regained its independence. Three of the case organizations had about 500 employees, while the smallest had 200 and the largest ones 1800 and 3000

employees. Revenues in 2009 varied from 6 MEUR to 200 MEUR. This means that the case selection included two large organizations (in the Estonian context) and four medium-sized organizations. It is important to note that for clarity, the organizations are addressed in this study by a singular term, although all the organizations had many regional units in Estonia. For example, Hotel instead of Hotel chain, Casino instead of Casino chain etc.

One exception among the cases is the Hotel, which went through a major reorganization in July 2010. From then on it continued to work under the brand of a multinational hotel chain, which means that the management structures and practice changed significantly. Therefore, this case is about the Hotel organization that existed until July 2010.

All case organizations can be considered “services” providers in the traditional sense as opposed to “product” producers. The tangibility of their service is very low. This should assure that the six organizations are more easily comparable for the purposes of the study. Moreover, the studied organizations offer services that are not solely dependent on one employee (as opposed, for example, to the hairdresser type of service), but the services are delivered as a result of the *cooperative endeavour of front and backoffice*. In these organizations the frontline employee is an intermediary that helps to deliver the core service that is prepared and produced in the backoffice. Therefore, these case organizations allow us to study the CEM processes more thoroughly also involving issues of organizational alignment and coordination.

It has to be noted that the organizations studied serve both business and private customers (except the Casino). The focus of this study is private customers because the experience dimensions are more clearly observable in this segment. Therefore, the following analysis does not go into business customers’ experience in detail, because their decision-making involves complex factors, such as roles, power and strategy within the decision-making unit. However, as general information, the interviewees confirmed that the business customer experience mostly involves less emotional and social aspects and is more instrumental and cognitive.

### *Data sources*

A combination of data was used in the case studies: interviews, relevant written materials (news articles, annual reports, webpages, and internal documents) and brief observations. The main data sources are presented in Table 16. As the data for analysis was gathered from multiple sources, this allowed for triangulation, which provided stronger substantiation for confirming insights and propositions about CEM practices, but also increased the validity of the findings (as suggested by Stavros and Westberg 2009). The data for analysis is mainly qualitative, with some quantitative components. In the interviews, the quantitative data helped to avoid false impressions when interpreting subjective answers.

**Table 16.** Data sources used in the study

Source of data	Units of data
semi-structured interviews	26 interviews, 55 hours, 506 pages of transcript
annual reports	6 reports
webpages, blogs, Facebook pages, news articles	for 6 organizations

Source: compiled by author

The first stage in the data collection was to review published materials about the organizations: webpages, news articles and annual reports. The organization's webpages were investigated for data about CEM processes and context as well as for evaluating the experience evoked through the webpage. News articles were also used as supporting evidence about the organizations' activities and historical context. Annual reports were investigated for performance results and management annotations. The relevance of these materials was also discussed and corroborated with the organizations' managers in order to clarify ambiguous text and increase confidence in the interpretations.

Secondly, interviews were conducted with 3–5 key officials responsible for CEM activities in each organization, following Perry's (1998) suggestion that there should be at least 3 interviews per organization in a case study. Use of multiple respondents minimized the threat of bias and poor recall. Interviews were used as the primary sources to obtain first-hand information. Interviews allowed the managers to express their own views and complement the other data sources. In combination with interviews a "walk-through audit" was conducted by the author to gain an understanding of the elements the organizations used for evoking the customer experience. It was not possible to retrieve relevant internal documents from the organizations. The managers were hesitant about publishing documents, such as market strategies, service standards, process descriptions, employee scorecards or the results of market studies. However, many of these documents were made available to the author during the interviews. Information from the documents was explained and confirmed during the interviews.

Data generated from different sources allowed for triangulation – that benefited the study by increasing the accuracy of the findings and the confidence in the results. However, triangulation was not used to nullify the paradigmatic differences between positivist and interpretivist realities (Moran-Ellis *et al.* 2006). Instead, based on the critical realist worldview, triangulation allows us to enrich the understanding of the multifaceted and complex CEM phenomenon by disclosing both "interpretivist" and "positivist" sides of CEM. Therefore, the data is combined through analytical integration logic, rather than comparison or validation logic. Note that this approach does not allow us to combine raw data,

but only brings it together into one explanatory framework, therefore, some dissonance is present, as multiple accounts are reflected.

### *Conducting interviews*

Interviewees were chosen based on three criteria: 1) involvement in CEM processes, 2) involvement in strategic management, and 3) sufficient experience in the organization. People directly involved in CEM operations provide valuable information about the components and relations in the CEM framework, while the top managers provide information about the organization's overall strategy and processes. It was kept in mind that interviews should be conducted until a reliable (converging) picture emerged from the interviews about CEM processes and practices in the organization. This purpose was achieved for 6 organizations after 24 interviews in total. The job functions or positions of interviewed people are summarized in Table 17. The average tenure of the interviewees was 7.7 years in the organizations studied; this should ensure that they are well aware of internal processes, structures and strategies. At a more detailed level, the job titles and interview details are presented in Appendix 9. In addition, two interviews were conducted with independent CEM experts in Estonia.

**Table 17.** Job functions of interviewees

<b>Job function</b>	<b>Number of interviewees</b>
Marketing management	9
Sales management	5
Service management	4
Personnel management	2
Development management	2
CEO	1
Quality management	1
Experts of CEM	2

Source: compiled by the author

Semi-structured interviews were used with a focus on key areas of customer experience management. The *interview guide* included 27 questions that were divided to three sections addressing the key aspects of the CEM framework: 1) characteristics of customer experiences, 2) evoking the customer experience, and 3) managing the customer experience evoking (see Appendix 8 for a detailed interview guide). Interview questions were based on the theoretical framework and research questions, but were structured in a way that also allowed for new perspectives to arise during the interviews.

For inductive purposes, it was considered important to start the interviews with questions that ignore prior theory, in order to capture the interviewees' perceptions and not the author's. The initial questions in each section were general and basically content-free, asking the interviewees to tell their story about the research issue.

Probing questions were also prepared to address issues that the interviewee did not raise first. During the interviews care was taken to rephrase probing questions with words used by interviewee as suggested by Perry (1998). The probing questions make up the largest part of the interview guide. Answers to probing questions are used to ensure the consistency of cross-case analysis and the reliability of the study. Probing questions were formed as open-ended in order to facilitate necessary explanations. Some probing questions include scales in order to compare the perceptions of the interviewees and facilitate data analysis.

Naturally, some additional questions were asked during interviews to adjust to emergent themes and to understand each case in as much depth as possible. However, this was not used as an excuse to be unsystematic, but rather as controlled opportunism to improve the resultant theory (as suggested by Eisenhardt 1989). Factual questions as well as idealization questions were used during the interviews. In the latter case, it is believed that speculation helps to open up some important issues and limitations in the organization's processes.

It has been said that interviewing requires complex skills and demands effort from the researcher, because it is a specific type of interaction. As suggested by Rapley (2001), the interviewer should present himself as a neutral and facilitative speaker throughout the interview in order to produce data clear of distortions. Before writing this thesis the author has personally conducted about a hundred personal interviews with managers of organizations due to his previous studies and position as a management consultant. This should assure that the researcher was experienced enough to avoid the common pitfalls in interviewing (such as: pushy questioning, influencing the participant's answers, not "sensing" the participant, distracting or even de-motivating the participant etc.). A potential risk with personal interviews is that the interviewer may influence the responses by the way he expresses the questions or because of selective perception. Care was taken to minimize these risks by maintaining a neutral tone and not directing the interview before the respondent had expressed his view.

The author was alert to the politically and socially accepted answering-style of interviewees; when such answers were detected, three tactics were used: 1) the questions became more detailed, 2) other interviewees were probed to elaborate the same topic critically, 3) triangulation with observational and documented evidence was sought. However, Diefenbach (2008) contends that "tactical answering" also provides important data because it is evidence of a dominant ideology, and therefore, a crucial part of social systems.

In the initial discussion with the key informant/contact person in each organization, the most suitable people for interviewing were determined. All the interviews in this study were conducted face-to-face. Personal interviews allowed the interviewer to observe the respondent, provided flexibility to the interview, and allowed the interviewer to probe for relevant areas. Personal interviews also created the opportunity for discussion and feedback. Daymon and Holloway (2002) even suggest naming the interviewees as *participants*, which expresses the need to achieve collaboration between the researcher and the researched. In this study, good collaboration with the interviewees was achieved. All interviewees gave permission to contact them again if additional questions arise or clarification is needed.

The interviews were scheduled beforehand. When agreeing about the meetings with the respondents an introductory e-mail was sent to them that presented the topic of the interview in general terms. Interviews were carried out in places most convenient for respondents, which was often the respondent's office. Participants were promised anonymity at the organization level. Before the interviews, all the respondents were asked if it is acceptable for them that the interviewer records the conversation. Interviews started on an open-ended fashion – asking for the participant's opinions and insights. But shifted to a more focused mode to probe specific areas not covered earlier. Comparisons of evidence with existing literature helped to sharpen the understanding of the constructs of interest. Most of the interviews lasted between 1.5 and 3 hours. To capture information accurately, a digital recorder was used at all interviews. Notes were taken during the interviews and immediately after in order to register the interviewees' reactions and comments. The recordings, questionnaires with notes as well as interview transcripts are archived in the case database.

### *Data analysis*

Based on a pure realist approach it would be important to have ways by which the accuracy of responses can be validated (e.g. through observations). On the other hand, nominalism aims to find value in the subjective experiences of the interviewees. This study takes elements from both approaches, with the emphasis on producing "realist elements" from the data that are confirmed by 1) written records, 2) responses from other interviewees, and 3) observations by the author. On the other hand, some answers were included in the data analysis on a narrative basis, where the interviewee's subjective comments were seen as valuable.

It is important to note that to analyze the characteristics of the experience (research questions 1.a.–1.c.), the interviewed managers' opinions and evaluations were analyzed. The subjective reality of interviewees was utilized, because CEM decisions in organizations studied are based on those manager's subjective opinions rather than some external "objective" reality. Therefore, the subjective opinions provide a better context for understanding the causes and

relationships of CEM processes in organizations. It should also be noted that the expressed opinions about the characteristics of customer experience are based on the organizations' *current customers*, as their needs and experience is presumably familiar to the executives.

Memoing was used in data collection and analysis phases. Containing reflective remarks, memos allowed the interviewer to tie together different pieces of data into recognizable conceptual patterns (as suggested by Miles and Huberman 1994). Therefore, memos were an important step from immediate evidence to general conclusions. Basically, two types of information were included in memos: patterns arising from data and puzzling aspects of the evidence.

The qualitative data analysis software, NVivo, was used to facilitate the categorization of data (for a review of this method, see Bringer, Johnston and Brackenridge 2004; Leech and Onwuegbuzie 2011). However, the data categories were quite well defined already by the interview questions, so in this research, the use of NVivo did not add much value to the analysis, as also discussed in Auld *et al.* 2007. Further, each of the six case organizations was treated as a separate unit of analysis in order to maintain a context-specific understanding of CEM processes and influencing factors. Aggregation of this information across cases (in NVivo) could lead to a loss of important data. Therefore, the categorization of CEM activities and processes was mostly based on the tentative framework. As the data analysis proceeded, an improved understanding of the CEM subject was reached and the categories and relationships between them were refined.

It has been suggested that the coding of data and the use of visual displays helps to make the analysis process more transparent (Miles and Huberman 1994). In this study, coding was not used extensively; the main reason for this is that such a procedure would put strict requirements on the data; also, it would contradict the critical realist assumption that an interview is used to report on a reality beyond the interview. The benefits of an in-depth case study, such as subtle information, could also have been lost. However, visual displays were extensively used.

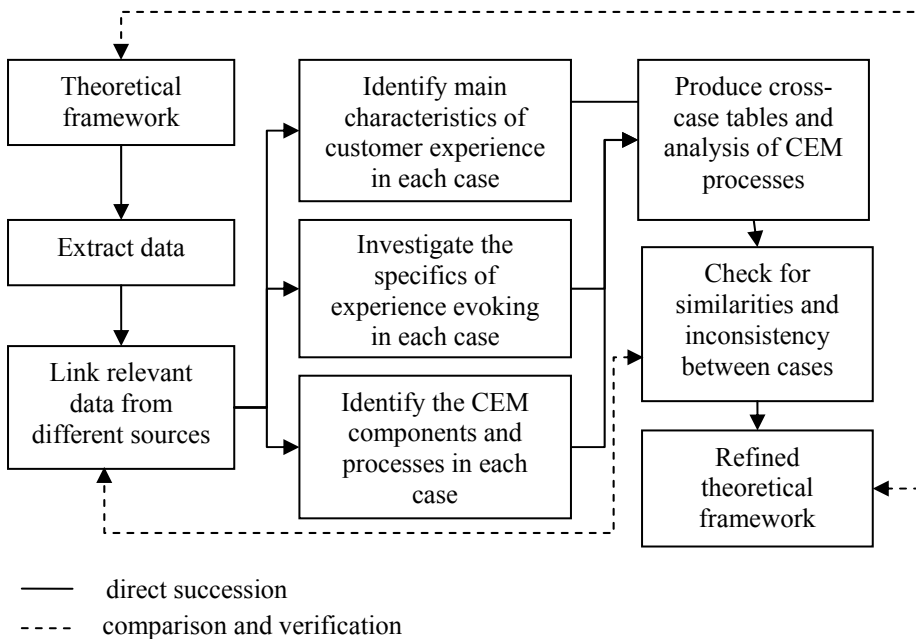
When analyzing the interview data, two assumptions were made to handle the divergences in answers. The views of senior executives had more weight in general level issues (strategy and capacities), whereas the middle managers were assumed to possess more accurate knowledge of day-to-day operations and practices. Although no major disagreements surfaced in the interviews, it was noticed that senior managers tended to see things as they "should be" instead of "as was," especially in everyday operations. Thus, the answers from all informants were carefully weighed and further validation was sought to a few diverging answers from additional informants.

According to Eisenhardt (1989), there are two important aspects in theory-building case analyses. First, care should be taken to construct and sharply define the involved *constructs*. In this study, tables are used to demonstrate how

accumulating evidence from different sources converged on single constructs and elements. Secondly, it is important to verify the *relationships* between constructs in each case, and thus, replicate the relationships in multiple cases. Therefore, special attention was paid to the data collection and analysis phase to understand why relationships hold. This should also ensure internal validity.

The emerging concepts from data analysis were also continuously compared to extant literature, which was used as a template to find similarities and especially contradictions (as opportunities to extend the theory). It effectively reduced the threat of researcher (unconscious) bias and the effect of preconceptions (Diefenbach 2008). Linkage of findings to literature also increases the internal validity as well as generalizability of the study.

The logic of the data analysis process is summarized in Figure 18. After extracting the data, the information from different interviewees was linked and compared. Data was first analyzed using the within-case analysis, in order to identify the issues that were specific for each case organization. Based on the gathered data, the preliminary case studies were written up. Flyvberg (2006) warns about erasing phenomenological detail in favour of conceptual closure. Therefore, rather dense descriptions of the cases are provided. Within-case analysis explores and reports the unique patterns of each case before moving on to the phase of generalizations across cases.



**Figure 18.** The data analysis process (compiled by the author)

In the cross-case part of the analysis, cases were treated as a whole; commonalities and divergences of organizations were revealed as the answers to research questions were presented and discussed. To avoid the forced smoothing of diversity, the suggestions by Miles and Huberman (1994) were followed: a) a thorough understanding of each case was gained, and b) aggregation was avoided as much as possible to preserve the context. Finally, by distilling the data into common issues, the author was able to make conclusions with confidence about the implementation of CEM in the studied organizations. Based on emergent themes, suggestions are made to refine the preliminary theoretical framework.

***In summary***, it can be said that this study uses elements from both ontological perspectives – realism and nominalism – keeping an open mind toward the reality existing objectively in the world as well as subjectively in the minds of the respondents. It is believed that this allows for a richer analysis of the CEM phenomenon. From the epistemological perspective, the study adopts a *critical realist perspective*. According to this, the world consists not only of events, impressions and interactions, but also of underlying structures and tendencies, where the underlying “powers” are relatively stable (objective) and exert influence, even if they are not manifested in immediate experience.

The contingency of causation is sharply acknowledged in the critical realism paradigm, where effects on dependent variables are complex, and depend on the whole range of contextual variables. Therefore, this study takes a qualitative approach to exploring and describing the elements, structures and regularities that are involved in CEM. *An instrumental case study* research method is considered most suitable for gaining sufficient information on complex organizational issues from the objective and subjective sides of CEM. It allows the author to investigate and reflect upon complex phenomena in a real-life context without being limited to a certain set of variables or relationships. It is acknowledged that the case study method does not easily permit the separation of the researcher from the research; therefore, some inevitable subjectivity is admitted. However, specific strategies and procedures were planned and utilized in the study to assure that a) the concepts and causality would be correctly detected, b) the results could be generalized to other settings, and c) the study process would be consistent.

This study used a multiple case design that provides more robust and compelling results than a single case study. Six organizations were studied; the selection was made on a theoretical basis. Several data sources were used to gain a richer insight and confirm/triangulate the results. Interviews were used as the primary source of information about CEM processes and customer experience evoking. Three to five officials in each organization were interviewed. The interviews lasted 1.5–3 hours, and were recorded and transcribed. Other data sources included published materials, like news articles, annual reports and webpages.

Due to the paradigmatic standpoint of this study (that recognizes multiple levels of reality), the extracted data was combined through analytical integration logic, rather than direct comparison. Coding was not extensively used in this study because subtle information about “subjective realities” would be lost.

## **4.2. Factors influencing CEM in the Estonian context**

This subchapter briefly analyses the historical legacy and business environment of Estonian organizations from the CEM perspective. CEM practices are shaped by such factors as market characteristics, the attitudes of organizations’ managers, employees and customers. Therefore, the recent past and current state of the Estonian marketing and customer service landscape is briefly analyzed in order to explain the effect of the context on the study. First, the managerial aspects are discussed from an organizational perspective; secondly, customer perceptions and perspective are presented, and lastly, the results of interviews with industry experts for their opinions about CEM in Estonia are presented.

### *Organizational perspective*

The history of modern marketing thought in Estonia is relatively short. The official Soviet ideology rejected most aspects of marketing (Fox *et al.* 2005). The official position during Soviet times was that consumption needs to be restrained; the regime did not favour excess consumption or hedonism. Therefore, achieving high levels of customer satisfaction was not considered important for producers and service providers in Estonia during the period of Soviet rule (1944–1991). This resulted in a scarcity of market feedback to organizations. Instead, central planning was used as a substitute approach in order to carry out demand estimations, distribution, pricing and other marketing functions. Ignorance of customer preferences coupled with other economic priorities led to the production of goods of inadequate quality and quantity. Evidently organizations lacked the profit incentive. Therefore, Estonian business organizations have had the added burden of Soviet management practices to overcome as they move toward a greater focus on the key role of customer satisfaction and experience.

Concerning customer service encounters during the Soviet era, consumption was partly facilitated by “under the table” deals by employees of retail organizations (Keller 2005). Sales employees manipulated goods in high demand. Scarce goods were made available to those customers whom they personally preferred. Their attitude towards customers has been illustrated as “like towards the lowest beggar” (*Ibid.*). This attitude was enforced by over-secured workplaces, as the state was responsible for guaranteeing work for everyone (Alas and Edwards 2007). Therefore, many employees did not really care about the results of their work.

The Estonian monetary reform in 1992 ended the deficit of goods, the supply of products increased gradually and the power in the relationships between sellers and customers shifted (Vadi and Suuroja 2006). Salespeople needed to be re-trained in order to embrace the new role of a service provider. One such training program that began already in 1991 is thoroughly described in Vadi and Suuroja (2006). This evidence suggests that Estonian organizations understood the need for delivering customer experiences at a level that customers expected quite early. But the need for change did not only concern direct encounters and salespeople – entire organizations needed strategic reorientation to become customer oriented.

Several studies have pointed out specific attitudes among employees in Estonia. It was found by Alas and Edwards (2007) that compared to Finnish and Hungarian blue-collar employees, Estonian blue-collar employees attach less significance to the meaning of their work, they do not see work as a useful way of serving society, they are also less committed to the company and care less about linking their salaries to company performance. Although the study was conducted in the electronics industry, this can still be considered indicative of national differences. The results of the study imply that Estonian blue-collar employees are less sure about the meaning of their work and relatively self-centred and individualistic in their work place (at least in the electronics industry). This is probably caused by the transition in society, where survival needs dominate over higher-level needs. But as noted by Tooman (2003), this may also be caused by a lack of serving-oriented education and culture. One could draw parallels between blue-collar workers and service employees, which would imply that Estonian service employees may also be best motivated by relatively low-level needs.

McKenzie and Merrilees (2008) have pointed out in their case study of a service organization in Estonia that compared to Finnish service workers, Estonians have a greater desire to be told what to do, they have less aspiration for trying new things and have a fear of making mistakes.

Further, a poor work ethic in Estonian organizations has been brought up as a large obstacle to increasing productivity. Based on interviews with Estonian managers, Vadi and Türk (2009) argue that little attention has been paid to incompetent or careless professional behaviour. Consequently, it is suggested that in addition to changing employee attitudes, management practices also need updating. This would involve more training for managers to increase their competence.

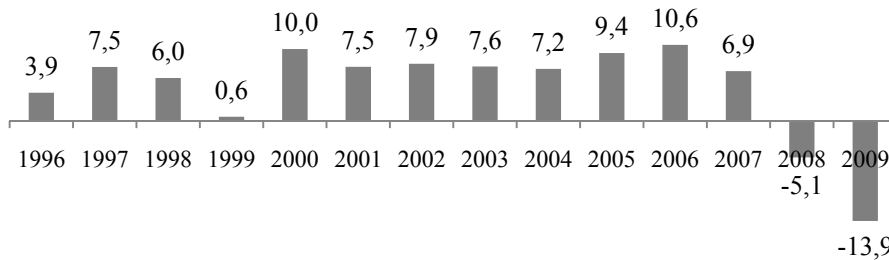
In a recent study, Johnson and colleagues (2009) remark that at the organizational level, customer service in the Baltics is viewed differently from the USA. They compare the current situation in the Baltics to the 1970s in the USA, when customer service was viewed mainly as a narrow marketing issue. They imply that customer service is commonly understood as a list of extra-services, based on the simple principle “more is better”. At the strategic level, this means that customer service is provided based on past practices or industry

norms, rather than on sound insight into how the provided service really adds value to customers and contributes to company profitability. CEM definitely addresses this gap, by making customer service an integral part of the processes that deliver superior customer experiences. But based on previous research, one could expect that in Estonian organizations customer service is not yet established as an integrating part of the entire value creation process.

Furthermore, while addressing the marketing function of Estonian organizations one has to consider the implications of marketing strategy standardization and adaptation decisions, because of the large number of multinational corporations (MNC-s) operating in Estonia. A study by Širavliova and Angelis (2006) indicates that MNCs in the Baltics tend to standardize mostly the *brand name*, *distribution approach* and *packaging*. While on the other hand, the degree of standardization is lower for *pricing*, *promotion* and *selling methods*. They propose that a stronger global image (like Coca-Cola) allows for less adaptations and a weaker image requires more adaptations for local customers to accept the product. As three out of the six organizations involved in the following case study are part of an MNC with headquarters outside Estonia, this aspect may influence their CEM activities in Estonia.

Another aspect that influences the activities of organizations in Estonia is the relatively small market size. The Estonian population is about 1.34 million people. This limits the target group for potential new services and solutions that are targeted mainly at the Estonian market. The managers interviewed confirmed that it is challenging to develop specific service solutions in the Estonian market to some smaller groups of customers because often there are not enough customers to make the investment pay off.

From 2000 to 2007, GDP growth in Estonia was remarkable (see Figure 19). For many companies this was also a period of rapid growth. As noted by Vadi and Türk (2009), this created an illusion for many companies that no matter what you do you can be successful. As the demand was higher than what companies could provide, organizations did not analyze their activities intensively nor think about strategic plans. This also emerged from the interviews that the author made in the case organizations. The managers of all six organizations admitted that in the period of rapid economic growth they focused on market penetration and utilizing the growth opportunities in the market. As explained by one manager from the Bank: “*Sales went into fertile ground, virtually everything that you did or sold was purchased.*” However, improving customer experience/satisfaction was not high on the agenda for most managers. “*Everybody was doing very well, one did not have to look for customers and customers had a lot of money and kept on coming to you. Like mice to a sleeping cat,*” one manager from the Security Service Provider concluded. At this time, financial results were excellent despite some customers complaining.



**Figure 19.** Estonian GDP growth as a percentage, based on fixed prices (source: Statistics Estonia)

The recent economic recession (2008–2010), however, had a somewhat devastating impact on initiatives that aimed to make organizations more customer-centric. Those organizations that had increased their operations recklessly during the period of rapid economic growth had to change tack, and pursuing efficiency became their overwhelming goal during the recession. Rapid changes in the organizations’ strategies led to restructurings and layoffs. Therefore, several companies have cancelled research and development projects, including research into customer needs. This is illustrated by one manager of a case organization: *“Not all the cuts were done in reasonable areas. Customer research was one such area.”* The total market volume of this organization fell by an astonishing 50% in 2009.

However, other organizations operating perhaps in a more aggressive competitive environment, and perhaps in a more stable market, understood the strategic importance of customer centricity better than ever when the crisis arrived:

*“From this moment we started to analyze very deeply, what customers actually say, what service they use, what feedback we get. How can we make new products or services based on their experience, help them, teach the customers.”* (Head of branch network and contact center division, Bank)

The reason for this was explained during an interview with the head of the retail bank: *“Now the competition lies not in products or technology, but in customer relationships, how can we retain and develop them? – The customer experience definitely. The focus of the market has moved towards relationships.”*

There are also other important factors that have positively contributed to customer focus in Estonian organizations, such as:

- the considerable presence of Western organizations that transferred their management practices and higher service standards to organizations in Estonia;

- emerging new generation of Estonian entrepreneurs, managers and service employees that have not been directly affected by the Soviet legacy;
- a strong emphasis on exports to Western markets that has forced organizations to improve their interaction skills with customers and adjust production according to customer's requirements.

### *Customer perspective*

After regaining independence, the conditions in Estonia were favourable for accepting products and promotional activities from the West. The depressing experiences remembered from Soviet times weakened the cultural resistance to Western consumer culture (Keller and Vihalemm 2001). However, due to the smallness of the Estonian market, most Western firms did not adapt their products and approaches to Estonian customers, as it did not make business sense. Therefore, some customer alienation could be expected as a result of the mismatch between the “imported” customer experiences and the lifestyles and values of Estonian customers. But on the other hand, one could argue that adopting Western standards helped Estonian service and consumer culture to develop.

Hence, during the last two decades, Estonian consumer culture promptly caught up with the West. During first decade of the current millennium, consumerism<sup>1</sup> in Estonia grew rapidly. Comparing studies of Estonian customers in 2002 and 2008, Keller and Kiisel (2009) found that the share of the population that rated very high on consumerism increased from 13% in 2002 to 39% in 2008. The share is higher among high-income groups. This result highlights the need for systematic CEM because obviously there is a large share of the population that appreciates the symbolic meaning provided by multidimensional customer experiences.

With regard to customer experiences in Estonia, a large-scale study based on the SERVQUAL method in 2002 indicated that Estonian customers noted the largest number of critical incidents in the following areas of service quality: employee *responsiveness*, employee *assurance* and the *empathy* of service employees. Empathy and assurance received the most negative feedback (Eesti Inimarengu Aruanne 2002). This implies that in general Estonian customers did not have many complaints about the tangibles (servicescape) and the reliability of the core service. Instead, the “how” side of services was causing dissatisfaction, involving the attitudes and behaviour of service employees.

These results are confirmed in another study of service quality in Estonia by Tooman (2003). She found that the largest number of negative incidents within service provision in Estonia belong to three categories: not giving *recognition* to

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<sup>1</sup> Consumerism refers to the symbolic consumption of products and services that satisfy needs beyond physiological survival and mere material possessions; but are oriented toward pleasure, identity and lifestyle needs (Campbell 1987).

the individual customer, not acting in the most *convenient* way for the customer (but for the employee), not aiming to solve the customer's problem *immediately*. Based on this, Tooman (2003) suggests that the biggest challenge for providing quality services in Estonia is not a lack of technical knowledge or skill, but a culture that is not service oriented; therefore, employees lack serving attitude and service competencies. She attributes this problem to the lack of service-minded education, which already starts in basic school.

A similar conclusion is supported in an extensive qualitative study undertaken by McKenzie (2006) to define service quality dimensions for Estonian customers in the retail context. It was found that personal interaction strongly dominated over two other dimensions – physical aspects and problem solving. With respect to *personal interaction*, Estonian customers overtly expressed their desire for a display of deference from the retailer (to the customer). McKenzie (2006) suggests that the large number of critical incidents pertaining to salesperson expertise and courtesy indicates that Estonian salespeople have difficulties in providing the necessary service level because of a historic lack of skills and training. In terms of the *physical aspects* of the retail experience, it was pointed out that Estonian shoppers specifically want to exert their own sense of shopping capabilities; therefore, providing self-service tools could be important. In terms of *problem solving* it was found that Estonian customers are quite willing to accept responsibility for making the right product choice, but in return expect the retailers to take responsibility and correct the problems that are under their control. Therefore, it should be advantageous for service providers to communicate formalized rules about the boundaries of responsibilities as part of the customer experience.

### *Industry experts' view of CEM in Estonia*

Before selecting and contacting the case organizations, the author interviewed two industry experts to gain an insight into CEM practices in Estonian organizations. Both experts have considerable experience advising organizations in Estonia about customer relationship management, market research and CEM. Indrek Saul has about 10 years experience as a customer relationship management consultant for KPMG, PriceWaterhouseCoopers, and currently works as an independent consultant. Mari-Liis Eensalu has 10 years experience at TNS Emor, where she currently works as a leading research expert. The results of the preliminary interviews, which are briefly discussed below, helped to improve the focus of the case study, and also to make some conclusions about the generalizability of case study results for other organizations.

Firstly, it is important to note that both experts were of the opinion that organizations in Estonia do not analyze or scrutinize the customer experience according to multiple dimensions, neither do they analyze how specific experience dimensions are evoked.

*“Estonian organizations understand CEM as customer satisfaction management today. As a rule they are not thinking about experience, or about the specific emotions that are evoked in customers... I do not know any organization in Estonia that would analyze exactly how emotions are evoked in their service events, or what the emotional outcomes should be exactly.”* (Saul 2010)

Instead, organizations focus on customer satisfaction and service quality from the process management perspective, to make sure that “all queries are answered and services delivered within the promised time”. It was admitted that the emotional side of the experience is receiving increasing attention, but currently organizations are only probing this area. Similarly, the experts believed that universal psychological principles are not very systematically utilized in customer experience design or delivery in Estonian organizations, but “natural” emotional intelligence is used.

The experts said that emotions have received the most attention in brand management and marketing functions, where it has been understood that the emotional side of the experience is important too (Eensalu 2010). But brand management is often quite separated from the rest of the organization, which means that other functions do not acknowledge emotions to that extent.

It emerged from these interviews that a major obstacle for CEM is that Estonian organizations have difficulties understanding their mission – the reason why they exist – and communicating this to their employees as the cornerstone of targeted customer experience.

*“Talking about CEM we quickly arrive at the meaning of the organization and its values: what is important and what is not... Often employees only remember values mechanically. If the employees are not moved by the mission and it does not have any personal meaning for them, they cannot create a superior customer experience.”* (Saul 2010)

This implies that there may be problems defining or sharing the customer experience strategy within the organization or achieving the commitment of the employees to deliver it. On the other hand, one could also question whether the values that are implemented in Estonian organizations even support the evoking of superior customer experience or are they mostly focused internally?

The experts said that the development of CEM in an organization depends very much upon the decision-makers (Eensalu 2010). If the top management believes that a systematic understanding of customer opinion is important then CEM activities are implemented. It was not believed that a lack of resources would be the reason for not adopting CEM.

*“You cannot really say that handling your customers is just an additional activity, that you can choose to do, or not to do.”* (Eensalu 2010)

Another weakness that was pointed out by the experts was the over-fixation on service employee behaviour in efforts to improve the customer experience

(Eensalu 2010). Less attention is paid to improving the core service and pricing, although those aspects are often more important. This leads to the threat that “systematic” things are not changed, and the service employee is held responsible for things that she cannot influence.

The experts’ opinions about what CEM is exactly are presented in Table 18. Clearly, the experts’ opinions fit the five-component CEM framework developed in this study well, confirming the validity of the framework.

**Table 18.** CEM components pointed out by industry experts

<b>CEM</b>	<b>Mari-Liis Eensalu (2010)</b>	<b>Indrek Saul (2010)</b>
<b>Under-standing</b>	Understand customer expectations through various research methods	– Describe how customer consumes the service ( <i>customer journey</i> ) – Identify important <i>moments of truth</i>
<b>Planning</b>	Strategic understanding about customer’s requirements concerning product or service, based on which the plans are made about <i>unique selling proposition</i>	Process development: – decide upon points for competitive differentiation that create much value for the customer, – lower spending in places that do not create much value for the customer, – plan pleasure and pain points to assure good recollection ( <i>experience profile</i> )
<b>Organizing</b>		Create capabilities: make employees understand, make them able and willing to deliver the experience
<b>Coordi-nating</b>	Implementing activities and plans through campaigns and daily service encounters	
<b>Measuring</b>	Control and feedback	

Note: empty cell means that interviewee did not address that aspect

Source: interview transcripts

Both experts agreed that CEM is for more developed and larger organizations because it is a complex issue and requires systematic management. It was believed that small entrepreneurs do not think that systematically, but they do it simply based on their “natural intelligence”.

*To summarize*, it can be said that the history of modern marketing is quite short for Estonian organizations as well as customers. After regaining independence, Western practices have been adopted rapidly on both sides. This has stimulated

the development of a customer-centric service and business culture in Estonia, but some problems still remain. Previous studies have revealed the following areas that need improvement: lack of service-oriented work culture, employees not taking responsibility and initiative, isolated customer service and branding functions and a lack of managerial competence. Indeed, these factors have a negative influence on the development of CEM. Further, the development of superior customer experiences is influenced by the small size of the Estonian market and the strong presence of MNCs, which often leads to standard solutions, but could also provide access to foreign know-how.

Experts alleged that Estonian organizations have *insufficient comprehension of CEM*, which in business practice is understood as customer satisfaction management. Therefore, practitioners often neglect the multidimensional and subjective nature of customer experience. Based on the experts' opinions one can infer that other important factors that influence CEM implementation in Estonian organizations include: the lack of a *systematic* and *shared understanding* of the organization's mission (i.e. targeted customer experience), and the low *engagement* of employees in delivering this.

From the customer perspective, Western consumer culture has been adopted rapidly in Estonia in recent decades. There is an increasing share of customers who buy services that are related to social, identity and hedonic experiences; and could therefore benefit from systematic CEM. Customer satisfaction however suffers partly because of the previously mentioned problem areas in organizations.

### **4.3. Characteristics of customer experience in the case organizations**

To answer research questions 1.a.–1.c. this chapter details the customer experience characteristics in the selected six organizations. Firstly, it investigates what the important dimensions of customer experience are in the six cases. Then, the analysis proceeds to explain the dynamics, extraordinariness, participation and other characteristics of customer experience.

During the interviews, the dimensions of customer experience were thoroughly introduced to the managers, and they were asked for their evaluation of the significance of each dimension for their customers. Before going into a detailed analysis of the experience that each case organization provides its customers, the results are summarized in Table 19. The table displays the average scores for each case. These scores are calculated based on the managers' evaluations presented in Appendix 10. Although the number of respondents in each case is small, this table provides a better insight than purely qualitative ratings. Also, this data can be compared to other industries and organizations in future studies.

It is important to note that in this and all following comparisons and analyses, the cases will be ordered according to the prevalence of emotional and instrumental dimensions. Starting with the case organization where the emotional dimension is high and the instrumental low (Casino) and ending with the case organization where the emotional dimension is low and the instrumental high (Mobile Operator). These criteria form a figurative scale, where organizations are ordered, enabling us to analyze the differences in CEM for organizations that offer distinct customer experiences.

**Table 19.** Significance of customer experience dimensions in the studied cases

	Sensory	Emotional	Cognitive	Imagi- native	Action	Social	Instru- mental
<b>Casino</b> n=3	5,3	6,7	3,3	6,7	4,3	4,8	3,3
<b>Hotel</b> n=4	5,8	7,0	2,3	3,8	5,9	6,1	4,5
<b>Security</b> n=4	3,0	6,6	3,5	4,3	1,0	4,3	3,8
<b>Travel</b> n=2	4,5	5,8	5,0	7,0	2,8	5,3	5,5
<b>Bank</b> n=3	3,3	6,0	5,0	3,3	1,7	4,5	7,0
<b>Mobile</b> n=3	5,3	5,0	4,0	2,3	2,2	4,8	7,0

Legend: 1 – not important for customers... 7 – very important for customers

1-2	2,1-3	3,1-4	4,1-5	5,1-6	6,1-7
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Source: author's analysis based on interview transcripts and Appendix 10

This data substantiates that the emotional dimension of customer experience prevails in the case of the Casino and the Hotel. The Casino is also highly rated for the imaginative dimension of experience, and the Hotel is highly rated on action and social dimensions. In the case of the Security Service Provider, the emotional dimension was considered most important, whereas in qualitative answers it was specified that the imaginative dimension is also important. The Travel Agency is a somewhat mixed case that equally shows the high importance of the emotional and instrumental dimensions, although it is clear that the imaginative dimension clearly prevails in this case. The instrumental dimension is most important in the case of the Bank and the Mobile Operator; however, the emotional dimension was also remarked upon in these cases.

Managers mostly admitted that although they have discussed some aspects of the above described customer experience dimensions at meetings, they have not conducted such a detailed description before. In their own activities the

executives had mostly used the distinction between *emotional* and *rational/practical* arguments. As a remark it can be said that after discussing the dimensions of customer experience with the managers, they were also asked if they see such a structure as valid or useful. Majority of respondents considered it a useful model for structuring their thinking.

A more detailed discussion will now be presented at the organizational level in order to investigate the appropriateness of the framework for analyzing the dimensions of customer experience for each of the case organizations individually. Another important goal for this section is to build the basis and context for the analysis of CEM processes in the following chapters.

**Dimensions of customer experience for the Casino.** The Casino's service can be summarized as offering customers gambling experiences through slot machines and table games in a glamorous and entertaining environment.

*The sensory dimension* of the experience is said to be a necessary enabler for evoking the customer's main goal at the Casino – fantasies and emotions. The interviewees believed that without proper sensory clues, the customer's mind will not create fantasies in the Casino. Therefore, the environment is designed to astonish the customer through the senses of sight and sound using glitter, flashing lights and glamour.

*The emotional dimension* is considered to be important for casino customers. A casino inevitably evokes strong positive and negative emotions in customers (through winning or losing). A casino strives to do both – amplify the positive and relieve the negative emotions so that the customers would return. It was also emphasized that the Casino creates a fun and safe social environment, where a person can relax and enjoy her emotions, take out her tensions and relieve stress. This is achieved through the friendly and empathic behaviour of the employees as well as the entertainment.

*The cognitive dimension* is considered important only for new customers that enter this exciting place for the first time to discover what the casino experience is like. It is not believed that repeat customers come to the Casino to improve their playing skills or learn the game; therefore, the overall importance of this dimension is relatively low.

*Imaginative dimension.* It is believed that dreaming about jackpots and big wins is one of the biggest motivating factors for casino customers; thus, it is a very important part of the experience. This is illustrated in following quote.

*“Thinking that I am smarter than the house, that I can play better than the house, I can outsmart them, is important. I believe this is even more important than emotions... Although everyone knows that in the end the house has the advantage. It is everyone's free choice to believe it.”*  
(Marketing director)

This implies that customers tend to overestimate their chances of winning. Reality is perceived more positively than it actually is, maybe because of

emotionally charged impressions and spectacular jackpots offered at the Casino. Indeed seeing other customers winning supports this kind of thinking.

*The action dimension* is moderately important because customers stay in the Casino for quite a long time. Therefore, a special chair that avoids tension in the foot muscles is provided at each slot machine. The Casino has also recently implemented lounge areas, where customers can sit comfortably on a sofa.

*Social dimension.* It is believed that social acceptance for a casino customer comes from two different groups: non-customers outside and customers-employees inside the Casino. The customer wants to be accepted outside the Casino as a person who visits the Casino, yet the attitude of Estonian society towards casinos was said to be unfavourable. Therefore, the Casino strives hard to improve this reputation through flawless PR (public relations). The social dimension is important before and after the game, but not during the playing experience because gambling was considered quite individualistic game.

*Instrumental dimension.* Only a few customers are believed to be motivated by the rational goal of winning money (big jackpots) or saving money (cheap drinks, food and free entertainment). Most customers are believed to be motivated by less rational arguments.

*“Many of our customers try to think of the reasons they come to the casino as rational. They reason with themselves that it is the opportunity to win and also the cheap drinks, and other arguments... They have to sell it to themselves and usually the internal dialogue involves rational arguments... I believe that in the end it is still the adrenalin that starts this thing.”* (Marketing director)

Therefore, the instrumental argument of winning money has a supportive function in the casino experience. It makes it possible for customers to imagine that they are behaving rationally, and that they are about to win money. But it rarely is the most important aspect of the casino experience because calculating it rationally it is obvious that in long run no one can beat the house.

**Dimensions of customer experience for the Hotel.** The Hotel offered its customers an accommodation service in business class and tourist class hotels, with a wide variety of additional services and friendly employees.

*Sensory dimension.* Visual stimuli and smell are considered quite important for Hotel customers. It was said that customers do not want to smell cigars, cleaning chemicals or see disorganization in the hotel. The tone of the employee’s voice and the visual design of the Hotel as well as its webpage were also mentioned as influential elements.

*The emotional dimension* of customer experience is unanimously considered the most important dimension for hotel customers. As explained by the marketing manager of the Hotel: *“Emotion is the thing that we have used for differentiation in recent years because you are not selling just a bed and breakfast anymore. The time is such that everything must go through emotion.”*

The interviewees admitted that positive emotions were understood in a broad sense, it was not defined which specific emotions are to be evoked in the customers. Positive emotions were evoked through special facilities, additional services and pleasant interactions with service employees. Relieving negative emotions was also considered important – every service employee was empowered to recover a customer's unsatisfactory experience instantly at the Hotel's expense.

*The cognitive dimension* of customer experience was not considered important by the managers of the Hotel. "Customers do not come to learn or see the hotel. It is part of the whole tourist package. Other destination sights are more important," explained the marketing manager. Yet it was recognized that information about the hotel is important for the customers in the pre-purchase phase of the experience.

*The imaginative dimension* was considered important before and after visiting the Hotel. Based on photographs or brochures, customers get an initial understanding of the Hotel (pre-purchase and purchase phase of the experience). But also pleasant memories after the stay in the hotel are considered relevant for customers (post-consumption phase).

*The action dimension* is considered important because customers stay in the hotel for a relatively long time. Comfortable beds and chairs in the hotel rooms are crucial, but operational elevators are also elementary in multi-storey buildings. It was said that bad performance in this dimension can rarely be compensated with other aspects of the experience because customers address problems in this area very seriously.

*Social dimension.* It is believed that recommendations from acquaintances greatly influence the choice of hotel (pre-purchase). For many customers which hotel one stays in is also considered a status symbol. You can feel like an outsider, if you do not stay in the same hotel as your friends or colleagues. Interaction with and exposure to other customers inside the hotel is also taken into account by the service personnel. For example, conference participants are accommodated on the same floor and children's birthday parties are isolated from business meetings in the restaurant.

*The instrumental dimension* of the hotel experience is motivated by the practical need for a place to sleep, wash and eat. However, as said earlier, just plain "bed and breakfast" is not considered nearly as important as the emotional or social aspects. The relative unimportance of the instrumental dimension is illustrated in the next excerpt:

*"When we had a campaign where we advertised the cheapest price for a standard room, the interesting thing is that 50% of the rooms that were sold through this campaign were sold in a higher price category...The emotion works through pictures, and you see which room is better. You also see the price difference, but you perceive it as being so small that you still book the higher class room."* (Corporate marketing manager)

This could of course be partly attributed to the specific positioning of the Hotel on the market – high value/high price.

**Dimensions of customer experience for the Security Service Provider.** A security service for private customers mostly means home surveillance using technical solutions and a patrol service if the alarm is triggered. (But the organization also offers the advanced services of manned security guards and bodyguards.)

*The sensory dimension* is considered relatively unimportant in the case of security services. It is mostly evoked by brand logo displays on security guards uniforms, patrol cars and door stickers at the customer's homes. Yet these single elements are managed carefully as they are believed to have an influence on customer experience.

*The emotional dimension* was considered on average the most important for customers of a security service. A security service allows customers to feel secure and confident, instead of experiencing fear, worry or frustration.

*“You receive a phone call from your security service provider and are told that the alarm went off at your home. You will be worried – what is happening there? On the other hand, you are happy that the patrol is already hurrying to the place... But if you have not received a phone call, you can be sure that everything is totally ok. This is also an emotion.”*  
(Marketing manager)

*Cognitive dimension.* To some extent the customer can learn from the Security Service Provider's experts about how to protect her possessions or personal safety. But for private customers this dimension is considered not very important, as the solutions employed are quite simple.

*The imaginative dimension* of customer experience is considered moderately important for the customers of the Security Service Provider. This works when a person sees or hears about the tragic results of a burglary (perhaps from colleagues, a neighbour or on TV) and *imagines* that this could also happen to her. If the customer has once been the victim of a burglary, she most probably has vivid and unpleasant *memories* that also reinforce the need for a security service. The security service can make her feel secure because she knows that her home is guarded. However, it was also said that if the customer lives in a safe neighbourhood, and no alarm goes off for years, the sense of threat is reduced and this dimension of the experience wears off.

*Action dimension.* The security service requires very little activity from the customer. Basically, the only effort is to type the security code into the system's keypad.

*The social dimension* of customer experience is said to be mostly connected to the organization's public reputation. As the Security Service Provider has a reputation for being a large and trustworthy organization, it is believed that customers are proud to be associated with it. However, security guards do not

have a very high standing in society, and that may hinder the reputation of the organization. It was said that in a small society like Estonia, customers are very concerned with “their neighbour’s opinion”; therefore, the social dimension is moderately important.

*Instrumental dimension.* The managers interviewed believed that for the average private customer, emotions are more important than the monetary loss (instrumental dimension). If the customer only cared about the loss of money through a burglary, she would purchase insurance because it is cheaper than security services. The security service also works as a preventive measure – it deters thieves. But it is very difficult to measure this effect in numbers. Therefore, the actual practical gain from the security service is hardly perceived by the customer because burglaries happen quite rarely. Nevertheless, when it does happen the Security Service Provider saves the customer time, money and health – as the alarm goes off it is the patrol instead of the customer that hurries to the scene.

**Dimensions of customer experience for the Travel Agency.** The service portfolio of the Travel Agency is huge, including outgoing tourism, incoming tourism and internal tourism within Estonia. A specific aspect of the Travel Agency’s service is that it is only an intermediary. The actual service is almost always provided by other companies (airlines, hotels, tour operators etc.). This makes the Travel Agency a particularly interesting case because it makes it possible to demonstrate clearly the importance of the customer experience *dynamics*. From the CEM perspective, this means that the agent cannot influence the consumption phase of the customer experience. Yet many customers do not know/understand that the Travel Agency is only an intermediary. Therefore, these customers assume that the agency is responsible for the quality of the whole travel experience – this has some advantages and disadvantages for the Travel Agency as will be discussed next.

*The sensory dimension of customer experience* is recognized in the Travel Agency as very important while the customer is travelling (consumption phase), but this is not a key consideration in the interaction with the Travel Agency (pre-purchase and purchase phases). While discussing the sensory experience, the managers interviewed first mentioned the design and usability of the webpage because this is their main sales channel; but office design and cleanliness were also mentioned as elements that evoke sensory experiences. Interestingly, the managers emphasized that the expected sensory experience depends very much on the customer – while wealthy “platinum” customers need nice neat impressions, customers that buy discounted services do not care that much about sensory stimuli.

*Emotional dimension.* The Travel Agency’s managers acknowledged that emotions are mostly expected from the trip and not from interactions with the Travel Agent. Yet offering positive emotions and “the feeling of happiness” during customer interactions was considered important. This was mainly

achieved through friendly and professional service employees. But reactive emotions are also evoked in the customers through the organization's public actions and public image.

*The cognitive dimension* is again considered more important in the consumption phase (travelling), which is outside the Travel Agency's control. But in interactions with the Travel Agency, the cognitive dimension is mostly associated with knowledge about the destination and means of travel. The travel consultant can provide this information before the trip.

*Imaginative dimension.* Trip planning and perhaps also dreaming about travel takes place before the consumption phase; therefore, this is considered an important dimension of customer experience for the Travel Agency. It was noted that photographs of travel destinations "sell very well" – they are believed to evoke imaginative thinking and emotions in the customers. For the same reason, travel stories are published on a blog and in a magazine for customers. "*We do not tell customers to buy a ticket and go travelling, but we do tell them that something great is happening somewhere; all this is to activate the imagination,*" concluded the sales director.

*The action dimension* is believed to have little importance in interactions with the Travel Agency because the service at the sales office or over the internet is smooth and fast. However, during the travelling phase, the customer's physical involvement is essential.

*Social dimension.* The interviewees mentioned that 7–8 years ago simply being the customer of the Travel Agency was considered a status symbol. Today, this is considered less important; instead the reputation of the travel destination is believed to have social meaning. It is believed that customers follow traditional and social media, and their decisions are influenced by the predominant opinion. "*People need social acceptance and they do not want to do things that are not approved by others,*" the sales director explained.

*Instrumental dimension.* Overall, the travel experience does not have much instrumental value for private customers, as explained below:

*"One does not have a physical need to travel. For private customers, all kinds of travel that is not taking care of some kind of business, always involves an emotional decision. It has nothing to do with being rational."*  
(Sales director)

But the Travel Agency's service clearly has instrumental value for customers (in the pre-purchase and purchase phase) – it makes it possible for the customer to save time as well as money by purchasing all the services from one agent that knows all the different destinations and travel service providers.

Yet in terms of the whole experience, saving money is often not the primary goal in the travel experience. To illustrate the inferiority of the instrumental motive when choosing a vacation package, the following example can be considered. In a successful sales campaign, the Travel Agency recently advertised a low price for its vacation package deals (starting from 255 EUR). But the

actual average price of the package deals sold during this campaign was twice that price (530 EUR). This implies that customers were quite willing to spend much more than they perhaps initially planned.

**Dimensions of customer experience for the Bank.** The Bank offers its customers universal banking services, financing, investment and also insurance services. In addition to a branch network, the Bank has a wide network of ATMs and a self-service option on their webpage.

*Sensory dimension.* The managers interviewed admitted that sensory experiences do indeed influence customer experience, but this dimension is not a priority for the Bank. It was noted that managing the sensory dimension requires quite a thorough knowledge of the subconscious reactions of humans to different stimuli. The Bank had hired an external expert to design the servicescape for the branches (visual sense) and also a musical therapist to advise on the choice of music in the branches.

*Emotional dimension.* The emotions that a customer gets from a bank are not as wide-ranging as perhaps with some other services. It was said that customers mostly expect the feeling of being listened to and being accurately understood by the bank. This refers to empathy, but the aspect of trust was also emphasized:

*“As a customer, I want to feel that the advice I am given is really the best, considering my situation. Not that it was given based on someone else’s agenda or that the service employee did not know what she was talking about. I guess this is trustworthiness.”* (Head of retail banking)

To this end the training for service personnel emphasizes the skill of sensing the customer and thinking with the customer. It is considered important to offer the customer positive emotions, even a small compliment will do, if there is no need for a financial transaction.

*Cognitive dimension.* It is believed that customers expect the Bank to teach them how to handle their money matters – how they can conveniently take care of their needs and problems concerning money. This aspect of the customer experience was considered quite important by interviewees because most customers are not familiar with different financial services.

*The imaginative dimension* of the customer experience is used mainly when selling future oriented “products”: housing loans and insurance. It is believed that the customer’s imagination is encouraged by helping them to analyze their dreams about owning their own home and advising them on what needs to be done and in what order. But sometimes the Bank also needs to discourage the customer from impracticable dreams and wishful thinking. Secondly, it is believed that imaginative thinking has an important role in buying insurance products that are acknowledged mostly through actual damage. *“But how can we talk about this without depressing the customer? We do it through flowers, we use terms like ‘peace of mind’ and ‘feeling secure’,”* explains the head of retail banking. Therefore, it could be concluded that a housing loan involves

“positive” imaginative thinking for the customer, and insurance service benefits from “negative” imaginative thinking.

*The action dimension* is not considered a significant part of the customer experience at the Bank, because interactions do not last long. Nevertheless, comfortable chairs and convenient barriers are provided for customers in branch offices.

*Social dimension.* The interviewees from the Bank said that this aspect involves issues related to “social status indicators” and “mass psychosis”. For example, the fact that some customers greatly appreciate the platinum card with its special design was mentioned. But there are others who refuse the special card because it shows off how much money they have. It was also said that the actions of the Bank are often reflected in the press, and that indirectly influences the social dimension of the customer experience at the Bank. Therefore, the Bank always has to consider the reaction of press carefully. But overall, the social dimension of banking services was not considered too important.

*The instrumental dimension* of the customer experience is considered the most important for the Bank’s customers. The Bank helps them solve real, practical matters concerning money in their lives. Money itself is an “instrument” in the customer’s life. The Bank helps to facilitate payments, but also to accumulate wealth and to leverage people’s financial power in terms of giving credit.

*“This aspect is definitely essential. But we are too used to thinking that customers are always rational. Other things are also important. For example, if the card payments are working, but the design of the card is embarrassing for the customer, this does not lead to satisfaction.”* (Head of retail banking)

**Dimensions of customer experience for the Mobile Operator.** In addition to traditional call services, the Mobile Operator offers a mobile internet service and value added services such as: positioning, payments and mobile-based ID services.

*The sensory dimension* of the Mobile Operator’s customer experience is considered quite important because the call service is most of all based on the customer’s sense of hearing. The sense of sight is also important to browse internet via a mobile service,. In addition, it is believed that customers’ senses are influenced via indirect experience through advertisements (e.g. style and design of communication).

*The emotional dimension* was not considered important, unless the customer experiences a service failure, then strong negative emotions would occur. It is believed that mobile services have become like commodities, there is less fun in the service. The positive emotions that the Mobile Operator aims to evoke in customers are: assuredness, the feeling of friendliness and personal treatment.

*Cognitive dimension.* Learning is considered important only for the customers of the mobile internet service because it is a new service. For that purpose

information materials and advice is provided. However, the primary call service is quite elementary, hence the importance of the cognitive dimension is lower.

*The imaginative dimension* is considered marginal in the case of the mobile service. The customer's imagination is only evoked in some marketing clips ("smell phone") to emphasize the innovativeness of the organization.

*The action dimension* is also irrelevant because the small handsets do not involve considerable physical effort when using the core service. Interactions with the organization mostly take place through electronic channels, and the few face-to-face encounters do not last long.

The importance of *the social dimension* was said to depend on the customer. Some customers believe the operator they use is like a status symbol, while others do not. Recommendations and opinions of friends are considered to influence the choice of mobile operator quite a lot in the pre-purchase and purchase phase of the experience. However, the opinions of other people influence customers less in the consumption phase. The importance of the social dimension of the customer experience was said to depend on the distinctiveness of the competing providers. If the reputation of some provider is exceptionally good or bad, then it is important to for customers subscribe with the "socially right" provider. However, if the reputation of all providers is similar, then this dimension loses its importance.

*The instrumental dimension* of the customer experience was unanimously recognized as the most important for the Mobile Operator. Using the mobile phone as an instant and convenient communication "instrument" allows people to save time and money compared to other communication options.

**Dynamics, extraordinariness and participation characteristics of the customer experience in studied organizations.** The following section analyzes other important characteristics of customer experience in the case organizations, such as dynamics, level of extraordinariness, participation and immersion; therefore, answering research questions 1.b. and 1.c.

Customer experience is *continuous* by nature in the case of three of the case organizations: the Mobile Operator, Bank and Security Service Provider (see Table 20). This means that there is a continuous contract with the provider, and the experience is evoked basically every day of an average customer's life. In the case of the Hotel, Travel Agency and Casino, the services are not used every day and there are no binding contracts – their service is *discrete* by nature. This has implications for the management of interactions and experience evoking. Organizations that provide a continuous (direct) experience probably have more opportunities for evoking a superior customer experience, but on the other hand they are also more vulnerable because continuously high performance is expected from them. On the other hand, organizations that offer a discrete service have more difficulty in using relationship marketing principles or tracking interactions with individual customers. As will be explained in the

forthcoming chapters, these organizations use loyalty programs to save information about customers.

**Table 20.** Dynamics, extraordinariness, and participation characteristics of customer experiences in studied organizations

<b>Organization</b>	<b>Time perspective</b>	<b>Extraordinariness</b>	<b>Participation</b>	<b>Immersion</b>
Casino	discrete	flow (extraordinary for big wins or loses)	medium	high
Hotel	discrete	flow (routine for frequent customers)	medium	high
Security Service Provider	continuous	routine (flow in critical incidents)	low (medium at selecting and installing)	low
Travel Agency	discrete	flow/extraordinary (routine for frequent travellers)	high	low for agency service, (high for travel)
Bank	continuous	routine (flow with some products)	low (medium with some products)	low
Mobile Operator	continuous	routine (flow for techno freaks)	low (medium when selecting operator)	low

Source: compiled by the author based on interview transcripts

Based on interviews it became evident that none of the studied organizations had formally described a *customer journey* or even a *customer touchmap*. Only as a pilot project had the Bank described the customer journey for single “products” by explicating customer needs, emotions, actions and touchpoints. This allows the Bank to identify the most important touchpoints and where the impact on customer experience and purchase decision is the greatest; it also allows them to understand the effectiveness of different channels. However, it was stated that the description of the customer journey today only exists “in theory” – it is not yet used operationally.

Four phases of customer experience were explicitly identified only in the Casino’s CEM processes. There were special activities explicitly planned for potential customers (to lead them to the Casino), potential customers inside the Casino (to ensure they get the experience), active customers (to raise their turnover) and inactive customers (to make them return).

Interviewees from both the Hotel and Travel Agency said that all four phases of the experience naturally receive attention in their organization. However, this was done intuitively, and there was no formal model for it:

*“No, we did not intentionally divide customer experience into phases. But we did attend to all these phases: we had to work to make the customer buy; we had to carry out the purchase transaction...; we also had process rules for when the customer arrives at the hotel; and the customer was also provided with a feedback sheet after the hotel stay.”* (Sales division manager, Hotel)

Different requirements of *first-time* and *repeat* customers were clearly acknowledged, but mostly there was no explicit strategy for treating them differently. This situation is illustrated in the following excerpt:

*“Need for information is different – people who have been here before won’t even bother to listen to the receptionist, they just take the key and run. If something is changed or closed you have to shout it to their back. On the other hand, new customers want to get a lot of information, you have to tell them everything about the hotel, and there is not enough time to answer all their questions.”* (Rooms division manager, Hotel)

In the case of a “continuous” experience, the consumption phase lasts much longer than other experience phases. Which means that there is no post-consumption phase for those customers, and basically there is no repeat purchase unless the customer decides to stop buying the service. Therefore, it is logical that the approach to CEM taken by the Mobile Operator, Bank and Security Service Provider is different from the other three organizations.

Interviewees from the Security Service Provider said that they have not identified strategies for interacting with customers in different phases of the customer experience. Each interaction is unique and how to handle them is at the discretion of the customer account manager. The Bank and Mobile Operator also had no explicit strategies for the four experience phases; instead they used the customer lifecycle model (from childhood to retirement) to understand the dynamics of the customer needs, which is of course quite a general approach.

Based on the four-phase model of customer experience one can conclude that the loyalty programme for a “discrete service” organization is aimed at encouraging the customer to return (post-consumption) and make a repeat purchase. Whereas the loyalty program for a “continuous service” organization is aimed at extending the consumption phase.

Lastly, extraordinariness, participation and immersion characteristics will be discussed. In the case of the Casino, the customer experience is considered to be *flow*, it is not routine, neither is it extraordinary. The player is usually quite *immersed* in the experience. However, the *participation* is not considered

significant, as the entertainment service is already set up and will be delivered to her – not much depends on the customer's actions.

For Hotel customers that arrive for a vacation, the experience is not considered routine; it is flow, as it is supported by additional services inside and outside the hotel. On the other hand, for businessmen who travel frequently and only need a place to sleep, a hotel stay is quite a routine event. The immersion and participation characteristics are at the high to medium level because the customer remains physically in the Hotel environment for a significant amount of time.

The customer experience at the Security Service Provider is quite routine for more than 90% of the customers who never experience any critical incidents, and flow for those who face some kind of incident. Participation from the customer is expected only when selecting and setting up the alarm equipment and service; after that customer participation is minimal. Similarly, the immersion characteristic is also low.

The Travel Agency managers answered that their customer experience is mostly characterized as flow or extraordinary. However, while travelling really may be extraordinary for most customers, the services of a travel agent are less extraordinary (pre-purchase and purchase phase of experience). Customer participation is nevertheless high in the pre-purchase and purchase phase (planning the trip and purchasing the tickets) as well as in the consumption phase (travelling). Immersion is definitely high in the travelling phase, but quite low in interactions with the Travel Agency.

Customer experience at the Bank is considered quite routine. Experiences that could be considered flow are only evoked with some products, such as housing loans or investing large sums of money. Therefore, the customer is not immersed in the experience and participation is low, except in the case of a few important products as explained above.

Customer experience of mobile communications is considered quite routine, except for a small segment of customers who could be called techno freaks. Customer participation is usually low; more involvement is only needed when changing operator or mobile device.

***In summary***, the answers for the first group of research questions are concluded below. Based on these results it can be said that the framework that was discussed in the first chapter of theoretical part was valid and useful for explaining various aspects of customer experience in the case organizations.

**Research question 1.a.** All seven dimensions described in the theoretical framework were necessary and relevant when describing the customer experience in the case organizations. According to the initial design of the case study, the highest importance was placed upon the *emotional* and *instrumental* dimensions of customer experience. But in addition to those, *imaginative*, *social*, *action*, *sensory* and *cognitive* aspects also appeared to be important for at least some organizations.

**Research question 1.b.** It became evident that the dynamics of customer experience varied quite broadly in the case organizations – in some instances the experience is relatively short-lasting and *discrete*, while in other cases the consumption phase may be *continuous* from basically the customer’s childhood to retirement. In the discrete cases, the four-phase experience dynamics model is relevant, while in the continuous cases it is not.

**Research question 1.c.** In three cases, the customer experiences could be considered predominantly *flow* – requiring some skill and offering some challenge. In the other three cases, the experience is mostly *routine*. In rare situations the customer experience could also be considered *extraordinary* (for example when winning a large prize at the Casino). Participation and immersion characteristics were case specific and varied from low to high. As a rule, routine experiences required less participation or immersion from customers.

## 4.4. Evoking customer experience

This subchapter answers the second research question: which elements (clues) do organizations use to evoke customer experience (2.a.); how systematically do the organizations implement universal psychological principles in evoking customer experience (2.b); and how do the organizations learn and consider customer-specific factors that influence the experience (2.c).

### *Elements and clues for evoking customer experience*

The importance of single clues for evoking customer experience was confirmed by the managers interviewed.

*“There are small details that you need to take into account that make up the whole. It is not just that you have a good design and a clean table. Every little deviation comes back with feedback immediately.”* (Director of human resources, Casino)

However, it was also conceded that customer perception of the clues is not studied systematically in the organizations, rather this information emerges from customer feedback. Customer perception of clues is often revealed in the open-ended questions of surveys, where the customers give feedback about small details of the service. As illustrated by the marketing director of the Casino: *“We have not directly asked about the colour of the carpets or the design of the chairs, but this kind of feedback is given. It is appreciated. Then we can plan our actions and reorient if necessary.”* The same argument goes for NPS questionnaires, where the open question “why?” provides a detailed insight into the customer’s perceptions about important clues.

The interviewees explained that understanding how the clues influence customer perceptions is crucial for the marketing department, communications

and brand management. Attention is paid to the colours, wording and symbols that are used in commercials. Some organizations also carefully plan the clues that are displayed in the servicescape of the branch offices. For example, the choice of light bulbs in retail offices is illustrated by the head of retail sales and service at the Mobile Operator: *“We analyzed which light is the right one, what angle it should have and what size. How should we display the mobile devices? It seemed unbelievable at first, how much impact the lighting could have.”*

But it appears that in other functional areas besides marketing and servicescape planning, the impact of clues is not that finely scrutinized and measured. Therefore, it could be said that the impact of single clues on the customer experience is not managed in an integrated manner in the organizations studied.

There are several reasons for this. Firstly, some managers believed that the organization can perceive the clues the same way as the customer, as illustrated in the following quote.

*“We have not studied the influence of clues on customers because some things are so obvious. It is clear that it works if we smile within 3 seconds – it is good; and if we do not smile then it is bad... We keep our sales offices clean, our service people have uniforms, plus we smile to our customers, we always try to be polite and benevolent – but we do not do this in order to place clues.”* (Development director at the Travel Agency)

Secondly, the interviewees explained that it is rather challenging to measure the impact of single clues on revenue. The managers pointed out that the elements that influence customer experience have a concurrent effect “the whole set counts.” And thirdly, they explained that it is difficult to please all the customers with the same clues. For example, after the Hotel had renovated half of its rooms, some customers did not like the new designs and still asked to be accommodated in the “old” wing.

The interviewees also admitted that the organization cannot always understand how customers perceive different clues and which clues are important. For example, the following quote illustrates how the Hotel had mistakenly thought that there was no need for writing desks in the renovated hotel rooms.

*“When we were planning the renovation of these rooms, we discussed this and it was found that people today use laptops and so there is no need for a writing desk. But in the end, it was clear that for most of businessmen this was important, they appreciate that desk, so they can put their computer and papers on the table... But we only understood this information after the rooms were ready.”* (Rooms division manager, Hotel)

And the second excerpt illustrates how experience evoking elements can be perceived in unexpected ways by the customers:

*“For example, we found out that a car that was shown in our TV commercial, which was actually an Opel, was perceived and remembered*

as a Lexus by the customers. The reason was that the customer believed that only rich people use ... [this Mobile Operator].” (Customer Needs Analyst).

Interviewees were asked to evaluate the relative importance of different categories of experience evoking elements in their organization in order to facilitate a comparison. The results are summarized in Table 21. As explained previously, the organizations are ordered in the table from most “emotional” experience (Casino) to most “instrumental” experience (Mobile Operator). The table displays the average scores for each organization. Detailed quantitative evaluations are presented in Appendix 11. The evaluations do not indicate exactly the amount of monetary resources that the organizations invested in the various experience evoking elements (it was not possible to measure this aspect in this study). Rather, it is quite a subjective evaluation about what elements are considered important inside the organization for evoking customer experience.

**Table 21.** Importance of groups of elements that evoke customer experience in the organizations studied

	Service-scope	Service employees	Core service	Price	Electronic channels	Promotion	Other custom.
<b>Casino</b> n=2	4,5	6,5	5,5	5,0	1,5	3,8	3,5
<b>Hotel</b> n=4	5,8	6,5	6,0	4,5	5,5	4,8	4,4
<b>Security</b> n=3	5,0	5,8	6,2	3,7	4,2	3,8	3,2
<b>Travel</b> n=3	4,0	6,7	5,3	4,5	6,5	5,2	3,8
<b>Bank</b> n=4	4,5	6,8	4,3	3,1	5,6	5,1	2,0
<b>Mobile</b> n=3	4,5	5,3	7,0	2,8	5,5	5,2	3,2

Legend: 1 – not important for organization...7 – very important for organization

1-2	2,1-3	3,1-4	4,1-5	5,1-6	6,1-7
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Source: calculated based on interview transcripts and Appendix 11

As can be seen, the elements associated with service employees receive relatively more attention within the organizations in the study (at least in the CEM context). This is followed by elements associated with the core service and electronic channels. The reasons for such an order are revealed in the following chapters, which analyze the CEM processes within organizations. It is worth noting that price elements have received only modest attention – this may be

explained by the fact that none of the organizations aim to be a price leader on the market, on the contrary they aim to offer premium brands.

It is outside the scope of this study to investigate single clues that each case organization is producing, instead the processes for managing the elements that evoke customer experience are investigated. The analysis of seven groups of elements is presented in chapter 4.5.5, which discusses the coordination of customer experience evoking. The results for each organization are separately presented in Appendix 11.

### *Universal psychological principles for evoking customer experience*

The interviewees confirmed that some well-known aspects of consumer psychology were implemented in customer interactions – like greeting customers with eye contact, making a positive first impression and so on. But there have not been special courses or studies of consumer psychology. Instead several managers said that they use “self-deductive” learning methods. Therefore, one may suspect that knowledge about advanced consumer psychology was not very systematically utilized in the processes that evoke customer experience because it was beyond current abilities. As illustrated by the head of retail banking: *“We have tried to put ourselves into the customer’s shoes – how would she feel in different processes – but to manage this consciously, this is the next level.”*

The Casino is perhaps an exception among organizations in the study because it was said that the world of casinos is “built on human psychology”. Therefore, the Casino quite intensively utilizes different aspects of human psychology to evoke a superior customer experience. For example, psychology had been considered when developing uniforms for frontline employees:

*“It is a psychological trick how we dress floor managers. Somebody needs to impose the rules, somebody the customers can respect. For example, if you need this person to be able to impose proper behaviour for the customer, then you do not dress him like an ordinary service employee, but dress him in the suit or costume.”* (Director of human resources, Casino)

Sales and service training in all organizations cover topics in psychology to some extent. For example, the interviewees said that service employees have learned what expressions to use and what words to avoid in an interaction, how to say “no”, how to evoke a positive impression and so on. Some psychological principles and guidelines were also formalized within the service standards for frontline employees in the organizations in the study. Service standards prescribed the style of conversation, tone of voice, appearance and so on. However, the prescribed interaction rules were not applied in the detail; the interviewees said that if an interaction with a customer runs freely with positive results, the employees are not punished for not repeating the “correct” phrases.

Thus, standards are mostly meant to instruct new employees and only give general directions for more experienced employees.

The ability of employees to utilize psychology to evoke superior customer experiences was said to depend very much on the employee's personality:

*“It depends on the type of person, some are good psychologists by nature. They are good from the first day they start the job, they swim like fish in the sea, they act subconsciously in the proper way, without reading any books about it. Although it does not mean that they can explain and teach this to other staff. Another employee may learn and learn and still does not become a psychologist.”* (Customer loyalty manager, Mobile Operator)

This obviously refers to the level of emotional or social intelligence. In the Bank, the term “social skill” was also frequently used to address this phenomenon.

In regard to the servicescape elements, it was said in all case organizations that the design and furnishings of the retail offices, also casinos and hotel rooms, were developed with some respect to customer psychology. (Less attention was paid to this aspect in the showroom of the Security Service Provider, which is perhaps not visited by customers that often.)

For example, the Mobile Operator purposefully furnished its retail offices with demo-tables where customers could independently touch and test sample phones. This solution was implemented with the explicit purpose of *making the perceived time shorter* for customers waiting in a queue. This was planned as a solution to the pressing problem of long queues.

The Bank went so far as to develop different booths for different services – loans and investments. However, the following quote illustrates that psychological principles are not the primary concern for managers in the organizations in the study. This excerpt explains how the distortion of perceived time duration is solved in Bank branches:

*“Customers say that: I noticed a short queue, but it is ok, I took a coffee. The queue is seen as being shorter in minutes if one takes a coffee. But we are weak in this ... for a banker it is the last thing to focus on.”* (Head of retail banking)

None of the studied organizations had explicitly considered an *experience profile* when planning their service process. A *gestalt characteristic* that was intuitively considered important in the case organizations is *ending the experience on a high note*, with a positive emotion. An aspect that was also considered important was being pleasant when initiating an interaction. There were rules for frontline employees like: make eye contact within the first 3 seconds, smile within 5 seconds, greet the customer by name and so on. This implies that the organizations did not consider it reasonable to begin a customer

interaction at a low level of pleasure – instead a positive first impression was targeted.

Surprisingly, the importance of the *increasing trend* in the experience was confirmed by tourists sequentially visiting several hotels in the Hotel chain:

*“Tourist groups that travel through all three Baltic states in 4-star hotels, they start at Lietuva [a hotel in Lithuania] go to Latvia [a hotel in Latvia] and finish at the Park Hotel [a hotel in Estonia]. Based on feedback we understood that the customers were not satisfied, but why? Then we looked where the customers were coming from, what their journey was like and understood what was wrong – Lietuva is new, Latvia is rather ‘tired’ and Park is relatively small and dark.”* (Sales division manager, Hotel)

The interviewee from the Casino expressed the opinion that increasing the experience profile can be implemented only for new customers, who enter with low expectations and for whom satisfaction increases rapidly. For loyal (repeat) customers, it is believed that satisfaction is basically at the same high level throughout experience episodes, and it cannot be increased much. With such customers, the organization can only *stretch time*. In the case of the Casino, this means building a service context where the customer loses the sense of time (no windows, no clocks).

Also in the opinion of the service manager at the Bank, a stable quality of service and minimal swings in emotions increases overall satisfaction more than varying experience profile. The problem with increasing the experience curve is that for repeat customers it increases the expectations for the next encounter. And then it is very likely that in the next encounter the customer’s expectations will not be fulfilled because the service level cannot increase forever. *“Wow-ing customers is cool, but every once in a while it will have to cause nasty falls,”* explained the service manager at the Bank.

The Travel Agency’s sales director also confirmed that for repeat customers it is difficult to offer an increasing experience profile because the expectations would become higher with every episode. In the case of the Travel Agency, it was also confirmed that overly high expectations in the beginning of the experience often posed a problem:

*“If the customer goes on the trip with inflated expectations, she will inevitably be disappointed, when she understands that things are as they are. We have directed our employees to lower expectations a bit if necessary, then it is more likely that the experience will be positive afterwards.”* (Sales director, Travel Agency)

The Casino has faced the problem of inflated customer expectations when the customer is downgraded in the loyalty programme. The available benefits and discounts disappear as the customer is moved, for example, from the diamond category to gold, so the customer is left disappointed. The same problem is

faced by all other organizations who “downgrade” customers in their loyalty programme for some reason. This move basically downgrades the customer’s experience.

A sound solution for evoking better customer experience from time to time, without causing the customer’s expectations to increase was implemented in Hotel. On special occasions, like the customer’s birthday or wedding anniversary, the Hotel offered free room upgrades (accommodation in a suite for the price of a standard room). This allows the customers to enjoy an experience that they would not otherwise get, thereby increasing the reputation of the hotel in their eyes. But on the other hand, customers easily understand that it is only a special occasion (birthday) and on other days they have to pay for it.

The customer’s emotional state inevitably drops at the moment of the episode when she has to pay for the service. Therefore, the timing of payment in all case organizations during the customer experience is detailed in Table 22. As can be seen, payment is mostly not requested from the customers at the end of experience, thus avoiding ending the experience on a low note.

**Table 22.** Timing of payment in experience episodes

	<b>When does the customer have to pay?</b>
<b>Casino</b>	straight after entering the Casino or adding credit during the experience
<b>Hotel</b>	mostly before the stay, but can also be at the check-out at the end of the experience
<b>Security provider</b>	monthly payment; if the customer cancels the service, the final bill is sent after the consumption period
<b>Travel agency</b>	always before travelling; in offices the payment is not done at the end of the episode
<b>Bank</b>	depends on the service: monthly payment or at the time of the transaction
<b>Mobile operator</b>	monthly payment; if customer cancels the service, the final bill is sent after the consumption period

Source: compiled by the author based on interview transcripts

The organizations had not implemented explicit procedures for *explaining ambiguous situations* to customers. However, there were explicit rules and procedures for solving conflicts with customers like turning to the office or division manager, and writing complaints.

The aspect of making the customer feel that she is *in control* was mentioned by the Hotel’s rooms division manager: “*Courses on handling complaints explained which phases to go through and not to make decisions on behalf of the customers, but to leave the choices to the customer.*”

The customer loyalty manager at the Mobile Operator confirmed that the *need for variety* motivates some of their customers. “*Some customers leave, although they are very satisfied. They just leave to try another provider, they*

*promise to come back. They have no complaints whatsoever.*” To avoid this, the operator continuously develops new solutions and packages to offer something new to its loyal customers every year.

The Bank also developed a general model that helps to explain the suitability of its “products” according to the *universal human needs* of its customers. The needs categories resemble Maslow’s needs hierarchy: safety, convenience, status, living out dreams and so on. If the analysis reveals that the important need for any group of customers is, for example, security, then appropriate services are offered to them. This implies that to some extent universal human needs are explicitly considered when evoking customer experiences.

#### *Customer-specific factors that influence the customer experience*

It was clearly acknowledged by the managers interviewed that it is challenging to understand the phenomenological world of customers. Thus, it is difficult to predict how customers will perceive the experience and what the resulting behaviour will be.

*“I try to picture myself on the other side of the service encounter as much as possible. Often it is hard because I am inside this work from morning to evening. It is interesting to hear what people see from the other side. Myself, I do not notice some things anymore... It is difficult to put yourself in the customer’s shoes.”* (Manager of interactive communications, Mobile Operator)

Another interviewee pointed out that the consideration for customer-specific factors and filters also depends very much on the employee’s background.

*“It is very individual, and depends on the background and education of the employee. What are your working habits, what you consider important. When the customer says something – whether you try to understand why she said that, what did she mean, what does she really want, what is behind it all.”* (Manager of security solutions, Security Service Provider)

But it was believed that the ability to understand customer-specific factors can be improved by training. As illustrated in the following excerpt.

*“It was explained to all frontline personnel at the add-on sales training. How can you understand a person? What should you look for? What should you offer her? What interests her? All this to avoid selling like a machine – simply reading aloud the list of your products. But your behaviour is based on the customer and her mindset. This clearly led to the desired results.”* (Marketing manager, Hotel)

Customer-specific factors that influence the evoking of customer experience are scrutinized in greater detail in the activities that involve larger groups of customers. For example, the development of marketing campaigns and new service packages aims to take into account the target group’s personal charac-

teristics, previous experience and life situations. Of course, this is done for the “average customer”.

The following section briefly analyzes how much information about customer-specific factors is elicited and saved at the *individual customer level* in the organizations in the study. The results are summarized in Table 23.

**Table 23.** Information about customer-specific factors at the individual customer level in the case organizations

<b>Case</b>	<b>Personal characteristics</b>	<b>Previous experience</b>	<b>Situational characteristics</b>
<b>Casino</b>	Information not saved formally	CRM solution allows to save/retrieve bonus card customers' preferences about casino, drinks etc.	Elicited in interaction with service employees and customer account manager
	Important customers are remembered by service employees (about 60% of players) and by customer account managers		
<b>Hotel</b>	No information besides contacts and birthday from check-in form	CRM solution allows to save preferences and problems for customers who have loyalty card	Bookings mostly reveal if customer's purpose is pleasure or work.
	About 10% of customers are remembered by reception employees (frequent visitors)		Elicited in interaction with receptionist
<b>Security Service Provider</b>	Few facts formally saved in CRM	CRM saves transaction history, contracts and contacts	Elicited in interaction with account manager, technician, patrols
	Some customers are remembered by account managers, but not by technicians and patrols		
<b>Travel Agency</b>	Information not saved formally	Solutions only for tracking customers requests and complaints	Elicited in interaction with travel consultant (minimal in case of e-mails)
	Many travel consultants have served their customers for a long time, thus remember well		
<b>Bank</b>	Quite a lot of socio-demographic information is saved in CRM	CRM solution saves all the previous transactions, promotional offerings, responses to those etc. E-mails and calls are saved in linked solutions	Elicited in interaction with frontline. Customer lifecycle models allow to anticipate some of customers' goals
<b>Mobile Operator</b>	Some socio-demographic information is saved in CRM	All service and interaction history is saved in data warehouse, including customer's complaints, e-mails etc.	Elicited in interaction with service employee. Support by predictive analytics that facilitates anticipating some wishes
	High revenue customers have personal account managers		

Source: author's analysis based on interview transcripts

It was mostly the task of service employees to understand the personal characteristics of individual customers based on subtle clues in the interaction, and adapt the service behaviour and service solution accordingly to create a satisfying experience for each customer. In the case of repeat customers, the employee may also remember some customer-specific characteristics from the previous encounters. Hence, the interviewees said that employees who know the characteristics of the repeat customers from previous encounters are likely to offer better experiences to those customers.

The interviewed managers said that it is not possible to determine the *personality* of individual customers based on single service contacts because the customer may have just been in a bad mood or it was a bad situation. Therefore, at the organization level there was no information about the personalities of customers. But it was feasible to gather data about the *socio-demographic characteristics* of individual customers and to save this information in customer databases. Although socio-demographic characteristics provide only some indirect information about individual customer experience requirements, one can still make some generalizations based on that information.

Information about the customers' *previous experience* with the organization was mostly saved in CRM databases. Some organizations (Casino, Hotel) used fairly simple solutions for saving information about transactions and simple preferences. Whereas others (Mobile operator and Bank) had implemented advanced solutions for saving, retrieving and analyzing information about previous customer interactions. (CRM solutions and related processes are analyzed in more detail in chapter 4.5.5, page 237). This information should make it possible to understand the customers' expectations towards the experience better, and thus, evoke improved experiences.

Customer-specific *situational characteristics* are mostly elicited during direct interaction with frontline employees. To support the efforts of frontline employees, the Mobile Operator and Bank strive to anticipate at least some of the customers' situational needs. In another words, CRM automatically offers products that the customer most likely intends to buy. This is based on the analysis of the customer lifecycle and the data that is saved about customer behaviour in organizational databases. Yet it is not possible to anticipate customer mood and most of other situational characteristics. Therefore, frontline employees play an important role in recognizing the influence of these factors on customer experience and making the necessary adaptations to clues.

From the CEM perspective, it is worth noting that with the growing popularity of electronic channels (e-mail, phone, webpage, smartphone), the information that frontline employees elicit about the personal and situational characteristics of customers is inevitably reducing. Compared to face-to-face interactions these channels are relatively poor for understanding customers' implicit requirements. It is likely that the increasing share of electronic interaction leads to a greater number of misunderstandings and customer complaints. But to compensate for this effect, the use of electronic channels makes it easier

to formally save information about customers. Therefore, the volume of formally saved information about customers is increasing, but the depth of the information is likely to decrease. The *management* of customer interactions will be explored in detail in next chapter.

***In conclusion***, the answers to the second group of research questions are summarized below. The results confirmed the relevancy of the theoretical framework (in chapter 2), but also revealed several areas for further research and pointed out managerial implications.

**Research question 2.a.** The interviewed managers confirmed the important role of clues. Customer *perception of clues*, however, was not pre-tested on the whole, but customer feedback was used to understand the effect of single clues and make improvements. To evoke customer experience, the elements associated with *service employees*, the *core service* and *electronic channels* received the most attention inside organizations, but *servicescape*, *promotion*, *other customers* and *price elements* were also acknowledged.

**Research question 2.b.** Universal psychological principles were often utilized based on “natural intelligence” and the tacit knowledge of the decision-makers. This means that well-known principles of consumer behaviour were used for planning and improving customer experience evoking, but on the other hand, some effects that were discussed in the theory part of this study were not explicitly used. Therefore, several managers admitted that it was not a focus area in their organization and could be improved. Implying that a more systematic approach to utilizing universal psychological principles could improve customer experiences.

**Research question 2.c.** Customer-specific factors that influence customer experience evoking were elicited mostly in *service interactions* by frontline employees and also via *special studies*. *CRM solutions* were utilized to store some of this information about customers and to offer improved (customized) experiences based on that insight. Yet in total only a small part of the information about individual customers was formally stored.

## **4.5. Customer experience management in case organizations**

### **4.5.1. Character and development of CEM in case organizations**

This chapter analyses and summarizes the answers to the third research question: what are the characteristic components and processes of CEM? Firstly, an analysis is presented of the interviewees’ definitions and descriptions of CEM as responses to an open question. Secondly, the five CEM components that were described in the theoretical framework are investigated in detail in the following subchapters to answer research questions 3.a.–3.e.

It became evident that the term customer experience management was not given specific meaning in the case organizations, except in the Bank, where the term customer experience was used in a broad sense as the output of excellent banking service. Despite the lack of a well defined concept, the interviewed managers remarked that CEM is an interesting topic.

*“The CEM process should have one meaning for everyone, but it means different things, and it is difficult to approach it in a structured way. It is underestimated in Estonia; companies believe that they already pay enough attention to their customers. But actually it is beyond our current capabilities.”* (Marketing director, Casino)

The following section analyses the interviewees’ views about what CEM is and what processes they associate with CEM in their organization. It is important to note that this question was asked as the first question during the interview; therefore, the interviewees’ answers were not affected by the theoretical framework or the probing questions.

Appendix 12 presents the analysis of the interviewees’ thoughts about the meaning of CEM for their organization. The emerging themes are subsequently discussed. CEM was most frequently associated with gathering *customer feedback* and *improving the processes* and delivery of experiences based on that insight. But it was also clearly stated that while feedback is mostly received after the experience as a reaction (in the post-consumption phase), the management of customer experience starts much further back with *servicing customers*, advising them, offering the right service with the right price, selling additional services and personalizing the service. This was taken even further by some of the interviewees who stated that CEM involves the *whole organization* – the actions of every employee and division. The importance of both *direct and indirect contacts* with the customer was also noted by some interviewees. And last but not least, the need to *satisfy and please the customer* with the above-mentioned activities was also mentioned by the interviewees.

An analysis was then conducted of what specific processes and activities the interviewees associate with CEM in their organizations. This was again an open-ended question without any guidance or direct influence from the researcher. The answers were first summarized for each organization, and these summaries can be seen in Appendix 13; and secondly they were categorized according to the theoretical framework. It became evident that the answers of the interviewees fitted the theoretical framework fairly well – all five components of the CEM framework were recognizable in each case organization. As seen in Appendix 13, for every organization some activities were mentioned that concerned: *understanding customer experience requirements, planning, organizing, coordinating, and measuring the evoking of customer experience.*

In addition to the activities that are categorized under the five major CEM components, one more aspect emerged in the answers for all organizations – *making improvements* to the processes that evoke customer experiences. The

implicit character of this process is illustrated by the marketing and communications director of the Travel Agency: “*This process is not formalized, but it involves the wisdom to utilize the feedback to avoid bad experiences and amplify good experiences in the future.*” For example, in the Bank, the customer feedback reports are shared every week to all units, including backoffice. Each unit needs to analyze this data, and if there are any recurrent problems they will be “put on the table” and appropriate solutions sought. It is evident that improvements are made at different levels – at the strategic level by the top managers, at the core service level by product managers, at the customer interaction level by the managers of frontline employees, and indirect interaction is improved by the marketing and communication managers. Thus, this aspect needs to be added to the CEM framework.

In order to understand how advanced the CEM processes in studied organizations are, the interviewees opinions were sought. Table 24 displays the managers’ ratings about how systematic CEM is in their organizations. Despite the fact that the answers only reflect subjective opinions, they provide background information for analysis in the following chapters.

**Table 24.** Interviewee ratings of CEM in their organization (1–just starting implementation...7–highly systematic use)

<b>Organization</b>	<b>Interviewees’ ratings</b>
Security service provider	4; 4; 3; 3
Casino	5; 4
Hotel	5; 4
Bank	5; 4
Travel agency	5
Mobile operator	6; 5; 5; 4

Source: interview transcripts

It appears that the lowest ratings were given in the case of the Security Service Provider. Interviewees from this organization said that they strived hard to improve the CEM area during the last year as evidenced by restructuring, extensive customer service training, implementing a loyalty programme and other activities. Yet it was believed that there is much more to be done, as illustrated in the following quote:

*“In our development activities we take this all [CEM] into account, but it has been quite hectic. When analyzing and generating solutions for particular lines of service or customer segments we have these aspects in mind. Yet we do not have an integrated framework for this.”* (Director of marketing and development division, Security Service Provider)

Confidence in its CEM efforts was highest in the case of the Mobile Operator, as illustrated by the head of the customer care and sales development department. “*We are at the upper level. Although we are not doing it systematically every day under the name of customer experience management. But we do it through established activities and routines that go from the top down and diagonally.*”

Perhaps the most important conclusion from these excerpts is that none of the interviewed managers believed that their organization is implementing CEM very systematically. Most of interviewees believed that there is plenty of room for improvement. One reason for this seems to be that CEM lacks an integrated structure and knowledge base to refer to.

#### **4.5.2. Understanding customer experience requirements**

This subchapter answers research question 3.a by thoroughly analyzing the first component of the CEM framework – processes and activities that organizations use to understand customer experience requirements. The subchapter is structured so that at first important and peculiar processes in each of the six cases are described (within-case analysis), then the cases are compared (cross-case analysis) and finally, a synthesis of the results is provided. The cases are ordered from the one that offers predominantly *emotional* experiences (Casino) to the one that offers predominantly *instrumental* experiences (Mobile Operator), as explained earlier. Also, it should be noted beforehand that the logic by which the information is ordered in each case description is based on the synthesizing framework (see ahead the Figure 20, page 190).

**The Casino** receives a lot of customer feedback through normal daily interaction between service employees and customers. The interviewees said that the service employees in a casino remember a significant proportion of their customers. Important customers also give direct feedback to their personal customer account manager by phone or e-mail. This information is shared in staff meetings and if necessary some actions are planned to improve the evocation of the customer experience. Once a month there is a floor meeting, where service employees talk about their challenges and customer behaviour. Top managers frequently participate in these meetings, and it was confirmed that it is possible to gain a lot of insight about customers in those meetings.

A CRM solution is used to save information about repeat customer transactions and preferences. To enable this a bonus card is used that facilitates identifying the customer and registering transactions. This information is used at the operational level by service employees to customize individual customers’ experience according to previously saved information. But this information is also used for segmenting and analyzing the customer base in the backoffice.

A process called the “Casino diary” is implemented to note down important service situations in each casino every day, such as which important customers

paid a visit, what winnings were paid out, which problems occurred, how they were solved and so on. This process provides backoffice managers with operational information about events in the casinos together with explanations from the service employees.

The Casino has also set up feedback forms on paper in each casino. The forms are especially placed in visible places so that giving feedback is easy for the customers. After the customer returns the completed feedback form to the frontline employee, she scans it and sends it to the backoffice. In some cases, the casino manager also needs to respond to the issue and write a report about the solution. The volume of feedback received through this technique is not large, about 500–1000 completed forms are received per year, but it was said that this provides valuable insight. The interviewees said that when analyzing the feedback from important customers, the context and emotional state of the customer is also considered. For example, if the customer has put five thousand euros into a slot machine and lost, then the feedback is usually not very rational.

The marketing director said that customers can also be understood by analyzing the results of marketing campaigns and promotional events. As there is a clear system for tracking the results of each significant marketing activity, it is possible to see later if the activities had the targeted impact on customer behaviour and learn from that.

The Casino also used to order special marketing research that provides a deeper insight into customer needs and satisfaction from an external partner. However, due to the economic recession during the last couple of years, these initiatives have been frozen. Today, it only orders daily media monitoring concerning news and stories in the casino industry. This allows them to be up with elements that indirectly evoke customer experience (elements associated with other customers), but also with the competitive situation.

**The Hotel** had implemented quite a formal procedure, whereby frontline employees had to ask for feedback from the customers while the customers were staying at the hotel. This kind of interest was said to be appreciated by the customers. Specific questions were prepared for the employees to be used, for example, in “elevator small talk”.

*“So that you would get feedback as soon as possible. If you can fix something, or improve something if there are some deficiencies, or then just get confirmation to that everything is working.”* (Marketing manager)

Thereupon, the employees either solved the customer’s problem operationally or passed the message to the responsible division. But there was no formal process for collecting or analyzing this data.

A CRM solution facilitated saving customer transaction histories and “factual” information about customer preferences. This was done based on loyalty-cards as in the Casino. The CRM solution was also used by the sales department to save/register the needs and preferences of groups and business

customers in a more elaborate way. Yet this information was not used for analysis of customer behaviour in the backoffice, but mostly for evoking better experiences on the frontline.

Customer complaints were not saved in a special database in the Hotel, and were mostly solved swiftly at reception. Nevertheless, customer complaints were written down in the shift manager's daily report, which was passed to the hotel manager, and if necessary, a remark was added to the CRM solution to offer the customer a better experience at subsequent visits.

Another important source of feedback for the Hotel is the feedback form (on paper) in the hotel rooms, which customers can complete before checking out. Alternatively, the same form was e-mailed after checkout to all customers that had not completed it in their room. The results on paper and e-mail were summarized in monthly reports at the hotel level (using a special software solution). However, the results were basically treated as anonymous and not connected to customer profiles in the CRM solution. Only if the customer had asked for a response to her feedback, was the request sent to the appropriate division manager to handle.

Next, to improve the understanding of customer experience evoking among the backoffice managers, the Hotel implemented a process named "manager on duty." This means that every weekend a manager (including supervisors, middle managers and even hotel directors) had to stay and work in the hotel. Her duty was to walk around and audit the premises and service processes according to a predefined checklist, but also to talk to guests about the perceived experience. As explained by the marketing manager: *"This is not much different from customer experience – you spend the night in a hotel room, you eat breakfast with the customers. It is positive because you have to be in the customer's role... It actually opens your eyes, you look differently at the hotel."*

In addition to the insights gathered about customer requirements from daily interactions and from the managers' own observations, the Hotel also proactively engaged customers in research activities. Occasionally, *ad hoc* customer studies had been undertaken before changing important parts of the Hotel experience – like the beds or the restaurant menu. To a small extent Facebook was used to involving customers in discussions about the experience in order to plan it together with the customers.

**The Security Service Provider** receives customer feedback firstly from daily service encounters. The interviewed managers said that they want to guide the organization toward a *proactive* service. The following quote illustrates this.

*"We want to make it so that the customer service employee is not a firefighter anymore, but would interact before and would evoke positive emotions in customer. This is why we now call customers, introduce ourselves as the client's account manager and ask if the customer has any problems. So we can read the customer's negative emotions and start solving problems before they become critical."* (Service manager)

Important aspects of daily interaction with customers are saved in a CRM solution, but the interviewees said that mostly factual or chronological information is noted down like order histories, contracts, customer contacts and problems. But there is no systematic approach to saving or analyzing “soft” information about the customers’ potential needs or other specific characteristics. The interviewees said that one exception is that when customers have left the reasons are noted down in the CRM and analyzed by backoffice.

Customer complaints are mostly received and handled by account managers. But there is no special solution for saving and analyzing patterns in customer complaints. If a critical mass of complaints is reached in some area then the service manager informs the corresponding division and solutions are sought for the issue at joint meetings.

The Security Service Provider also proactively engages customers in a major study project about customer satisfaction about once a year. The survey sample includes all existing customers and is administered via e-mail. Questions include various aspects of service at quite a detailed level. This provides existing customers with the opportunity to give feedback, so the organization can understand which aspects of the customer experience are superior and which are problematic. Secondly, a broader study of reputation is ordered annually. This involves a broader sample group and makes it possible to understand the position of the brand and general trends in the potential market too. As the market studies are administered and analyzed by an external market research partner, the results are shared in the form of reports within the organization. Obviously, this does not require a special customer feedback platform.

**The Travel Agency’s** managers believe that their organization has very good “contact” with their customers. Many employees have served the same customers for a long time. Therefore, they remember and know the customers’ preferences and understand the customers quite well. The interviewees said that this information reaches the top managers mainly through the managers of the sales offices and also from the call-centre.

Interestingly, there is no special CRM solution in this organization; instead they use a sales-pipeline type of software solution for processing and managing customer orders and also saving transaction history. Therefore, a bit more work is required from the service employees to save and retrieve the history of customer interactions (e.g. in personal mailboxes), and there is no shared or general view about customer interactions. Yet this disadvantage seems to be offset by other processes that facilitate managing and analyzing customer interactions. In addition to the salesorder-pipeline, there is a special software solution for handling customer complaints. In addition to systemizing the complaint handling process, this solution facilitates summarizing customer complaints – for example, for noticing repeat issues.

The Travel Agency proactively sends electronic “welcome back” cards to its customers after the travel experience. The purpose of this is to greet customers

and ask: “How was your trip?” Some customers give very thorough feedback to that question, describing their impressions. This information is of course useful for the Travel Agency; it provides information about the consumption phase of the experience. It also makes frontline employees take more responsibility for the entire customer experience as she can suggest different travel service providers and explain the compatibility of each with the customer’s requirements.

*“The card is sent to customers by the same employee that served the customer. In the beginning there was a fear among employees that maybe something went wrong and now she tells me about it. This is very human. So we worked with this and have reached an understanding that all kinds of feedback is positive. It is better if bad experiences are told to us than to someone else.”* (Sales director)

At the same time, an NPS survey is implemented to ask customer feedback. The sample for the NPS consists of customers (and potential customers) that have contacted the Travel Agency through different channels and in different experience phases. This kind of arrangement facilitates evaluating various aspects of the Travel Agency’s activities. Yet, the Travel Agency does not have a special platform for sharing customer feedback in the organization. The NPS results are summarized in an Excel table for different offices.

The Travel Agency also uses social media (Facebook) very actively. As opposed to the other case organizations, this channel is used proactively to obtain the customers’ opinions on different issues. Feedback from this channel is considered especially useful, as illustrated in the following quote by the marketing and communication director. *“Never before have I been able to talk with customers face-to-face. If I go to our physical service encounters once in a while this actually does not give me much. But now I can do this through social media.”*

**The Bank** trained frontline employees in recent years to be able to understand the customers better in their daily interactions, to “think with the customer” and based on that to positively surprise the customers. It was said that even the same customer comes to the Bank in different moods on different days. Therefore, it is crucial for service employees to understand how the customer feels today and customize the interaction accordingly.

Customer feedback and best practices about appropriate behaviour with different customers is shared at *daily branch meetings*, in the morning, where employees can discuss customer interactions with the branch manager and colleagues. The Bank has also created a more formal solution (webpage) for “good ideas”, where employees can post ideas for improvements. The ideas are evaluated quarterly, sorted and the best ones implemented. However, the interviewees said that frontline employees are often too occupied with serving the

customers and may also lack the right perspective for identifying the most relevant information and posting it to the webpage.

Thus, the interviewees said that the way frontline feedback reaches the back-office could be improved.

*“The call-centre is used very actively by our customers. But information from there only reaches us [segment management department] if there are big problems that concern many customers. Mostly customer problems and e-mails are forwarded to different departments to resolve. Therefore, we lack a full understanding of what the main topics are, why customers call us and what problems we solve.”* (Head of segment management department)

The Bank’s sales interactions with customers are also registered in quite a lot of detail in a CRM solution (offerings, responses, usage terms, complications). However the “soft” factors are not stored there, as explained in the following quote.

*“We do not type emotions into the customer management solution. This is our problem today; we have only stored rational things about the customer. On our way towards a customer-centric organization we have understood that we also need to save the soft information. But first we need a structured and systematic approach, so that every employee understands what we enter there and how to find that information.”* (Head of branch network and contact center division)

The CRM programme also facilitates sharing operational information about the customers within the organization; for example, to send a note to another employee that a customer needs a specific product. The interviewees said that the strategic capability of the current CRM platform for analyzing patterns in customer behaviour is limited, although some analysis and conclusions are made based on product usage patterns, and then suggestions are provided to frontline employees about which products to offer to specific customers.

A separate complaint management solution allows to register customer complaints from all channels and direct them to the responsible branch manager. The Bank has established the principle that the branch that is the source of the complaint or is closest to the customer has to solve it. It is the branch managers’ responsibility to solve the complaint. This arrangement facilitates learning and improvement at the branch level. There are no strict rules about how to handle complaints, but every employee has limits about what decisions she can make, and regarding what kind of amount, and if necessary the next management level is involved. Branch managers also need to write a brief report about solving complaints. Therefore, complaint handling is decentralized while the process itself is centrally managed through the software solution.

To facilitate the understanding of customer service and frontline operations among backoffice employees, the Bank inaugurated a project named “backoffice

at customer meeting”. This means that everyone from backoffice had to spend half a day in a Bank branch, together with frontline employees. In addition to the goal of promoting customer-centric integration in the organization this provided the backoffice with first-hand experience of customers’ problems and the appropriateness of the current solutions for satisfying customers.

An important source of customer feedback at the Bank is the NPS. This question is asked via e-mail from the customers that have visited a branch, called to telephone bank, written an e-mail or logged into the internet bank in the last week. Including episodes from different phases of customer experience, each week about 600 responses are received from customers. So every week the NPS results are made available to branch managers, middle managers and also top managers. Analysis is quite detailed, making it possible to summarize results on the individual employee level, the branch level, channel level, “product” level and also by customer segments. This provides insight into how satisfied customers are with the offered experiences and what areas need improvement. In this way customer feedback also reaches different backoffice departments. In each department there is a person who is responsible for analyzing the feedback and sharing the voice of the customer in meetings.

Once a year, the Bank does a special study to thoroughly understand customer needs and satisfaction. The results of this study provide more strategic insight, while the NPS fulfils a more tactical role. The interviewees said that the Bank does not do any traditional customer satisfaction studies anymore because they are too product and process focused, and the customers are not thinking “in these categories”. In addition, the Bank carefully follows service quality and brand reputation studies conducted by independent market research companies.

Sometimes customers have been involved in testing new services and marketing communication in order to understand if customers perceive the clues the same way as organization. But this is not done very frequently – mostly employees’ opinions are used.

Listening to customer opinions in social media is not done very actively with the purpose of understanding customers. The interviewees said that the Bank’s communication department follows postings in social media closely, but this information is shared in the organization only when the post is potentially damaging. The customers are not proactively engaged in social media to share feedback about the customer experience or reveal their preferences.

**The Mobile Operator** also receives lots of customer feedback in daily service interactions between frontline employees and customers. This information and insight is discussed at team meetings and important or recurrent issues are passed on to the *customer care and sales development department*. This department is responsible for deciding how to react to the feedback.

The Mobile Operator also has an intranet forum for passing on customer feedback inside the organization. Nevertheless, the interviewees said that it is definitely an area that needs improvement.

*“Service employees have a lot of information, but how can this reach the development team systematically? ... The development team is very receptive, but the sales personnel are the challenge. We have optimized our activities for serving incoming customers, and most of this information is left in the heads of the service employees.”* (Head of retail sales department)

The interviewees said that most of the customer-initiated feedback comes to the backoffice through customer complaints. To handle customer complaints, the Mobile Operator has set up a procedure that forwards all complaints in written form to a CRM. There is a separate organizational unit known as the *customer relationship group* that handles customer complaints. The attitude towards customer complaints is illustrated like this:

*“We want to believe that it is a cooperative action with the customer if the customer makes a complaint. We have to be grateful and be able to appreciate that she pointed out the right issue. Unfortunately, they also speak to a lot of other people about that bad experience.”* (Head of customer care and sales development department)

Information about customer complaints is summarized and analyzed by different service areas in a monthly report. The report is made available to managers in various divisions. They can also conveniently see the detailed information at a single complaint level.

Information about customer transactions and interactions is saved in a data warehouse with a CRM interface. The Mobile Operator has a large data warehouse with a complex structure and a huge volume of different entries about customers. There is a separate unit of analysts who analyze the data about the customer’s behaviour, according to orders from different divisions. It is worth noting that the Mobile Operator has also implemented a churn-model for estimating the probability that customers will terminate their subscription based on the data that the organization has stored about customers.

The Mobile Operator has also implemented various market research processes to proactively seek customer feedback. A sample of customers who have interacted with the Mobile Operator in retail offices or via the phone is surveyed quarterly. The main focus of this survey is satisfaction with the service in different channels according to such factors as employee proficiency, relevance of information provided, friendliness and so on. The questionnaire also includes the NPS question, but it is not the main focus. The results of this study are tracked back to interactions with individual employees, and based on this, frontline employees are evaluated quarterly.

In addition, a separate NPS tool is employed, which asks a question from a sample once a month via SMS. The interviewees said that the Mobile Operator has started to close the NPS feedback loop by calling back to disappointed customers with the purpose of understanding what could be done to remedy the

issue. However, the NPS results are not automatically imported into the CRM solution, a separate solution is used for gathering and analyzing these results.

Other surveys initiated by the organization that allow the Mobile Operator to understand its current and potential customers are also now described.

- A large-scale customer satisfaction survey is conducted twice a year, evaluating a wide range of *elements that evoke customer experience*, such as: network coverage, price, assortment, billing etc. The results of this study are tied to front- and backoffice employee goals, and their bonus salary partly depends on these results.
- Once a year a more specific satisfaction study is conducted that aims to understand customer satisfaction with *core services*: call service, data connection service and value added services. The results of this study are mainly used in core service development.
- Also once a year a “loyalty program satisfaction study” is conducted. This study measures the satisfaction of loyal customers with discounts, extra-solutions and partner-offerings in order to understand their current experience and also the needs for potential experiences.
- A general market study of the use of mobile communication services in the whole population is ordered a couple of times a year from external market research partners. These studies provide strategic level insights into the needs of current and potential customers.

In addition, focus groups are used to gain deep insight into specific areas concerning service characteristics and marketing communication. The interviewees said that the employees like the focus groups very much because they are stimulating, fun and provide the organization with valuable information.

The Mobile Operator also interacts with its customers in the social media setting. Customers can post feedback to both Facebook and the forum on the Mobile Operator’s webpage. Yet, this interaction is not integrated into the CRM, neither is it actively used to ask the customers their opinion or for developing new ideas.

**A summary of the cases** is outlined below in Table 25. The purpose of this analysis is to draw together and present in a single table the processes and activities that were implemented in the different cases for understanding customer experience requirements. The relevant processes that emerged from the cases are summarized in rows, and the application in each case is marked with a circle. The markings in the table are based on the case descriptions presented above as well as on the interview transcripts (Not all details were included in the case descriptions, but are retrievable from the case study database.) As noted earlier, the case organizations in the table are ordered from left to right according to whether more emotional or instrumental dimensions of customer experience apply (from the Casino to the Mobile Operator). This allows us to follow the patterns in CEM in the organizations that offer distinct customer experiences.

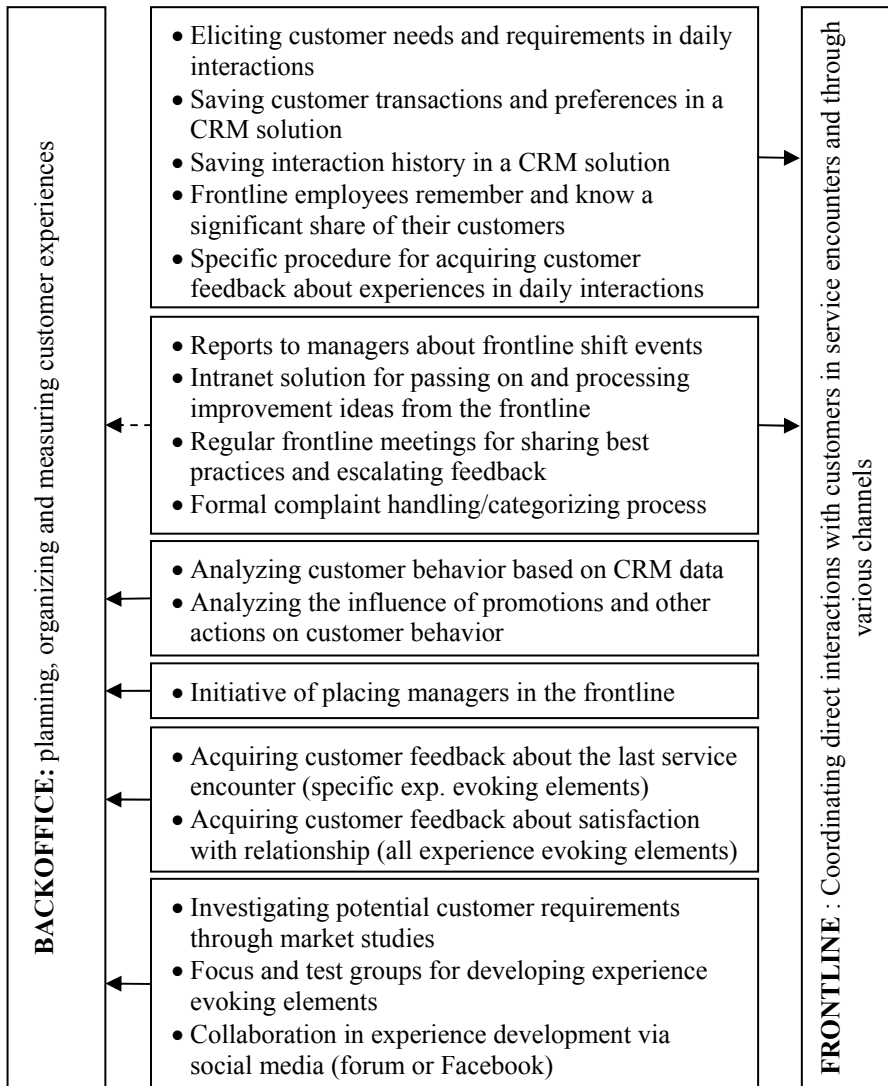
**Table 25.** Activities, processes and structures for understanding customer experience requirements in the organizations in the study

Relevant activities, processes, structures	Casino	Hotel	Security provider	Travel agency	Bank	Mobile operator
Frontline elicits customer needs and requirements in daily interactions	●	●	●	●	●	●
Saving customers' transactions and preferences in CRM solution	◐	◐	●	◐	●	●
Interaction history is saved in CRM solution	○	○	◐	○	◐	●
Frontline employees remember and know significant share of their customers	●	◐	NI	●	NI	○
Procedure for asking customer feedback about experience in daily interactions	◐	●	◐	◐	○	○
Formal complaint handling process	◐	◐	○	●	●	●
Regular frontline meetings for sharing best practices and escalating feedback	◐	○	○	◐	●	◐
Formal reports to managers about shift events	●	●	○	○	○	○
Intranet solution for passing on and processing improvement ideas from frontline	○	◐	○	◐	●	◐
Initiative for backoffice managers to experience the frontline (observing or participating)	○	●	○	○	◐	○
Analyzing customer behaviour based on CRM data (for predictions)	○	○	○	○	●	●
Analyzing the influence of promotions and other actions on customer behaviour	●	◐	○	●	◐	●
Acquiring customer feedback about the last service encounter (specific exp. evoking elements)	○	●	○	◐	●	●
Acquiring customer feedback about satisfaction with relationship (all exp. evoking elements)	◐	○	●	●	●	●
Investigating the requirements of potential customers' via general market studies	○	○	●	○	●	●
Focus and test groups for developing experience evoking elements	○	◐	○	◐	◐	●
Discussing experience development in social media (forum or Facebook)	○	◐	○	●	○	◐

Legend: ●/ ◐/ ○/ NI – applied/ partly applied / not applied/ no info

Source: author's analysis based on interview transcripts

Based on this analysis the processes for understanding customer experience requirements are summarized in Figure 20 and explained in the remainder of this chapter. The arrows in the figure show whether the identified activities involve mainly frontline, backoffice or both. While some information gathering and sharing processes are the responsibility of frontline (two upper boxes), others are initiated and coordinated by backoffice (four lower boxes). Therefore, the processes and activities are conditionally categorized into 6 groups.



**Figure 20.** Activities and processes for understanding customer experiences executed in frontline and backoffice (compiled by the author)

Firstly it can be induced that the managers in all the organizations in the study referred to customer interactions in the frontline as an important source of feedback and insight into customer needs and expectations. Indeed, during direct interactions, frontline employees can understand customer-specific factors and circumstances that influence the experience well. Often, intuition helps them also to see beyond the customer's "intellectual alibi" and understand what the customer is actually saying and why. Some organizations encourage their employees to ask for customer feedback during daily interactions (as opposed to special surveys). The purpose of such interaction is not to sell something to the customer immediately, but to ask how satisfied the customer is with the experience.

However, the processes that gather, save and analyze this rich information from the frontline are not particularly developed in the case organizations. Storing important information from service encounters about individual customers was carried out via CRM solutions. Yet, CRM solutions do not provide good functionality for saving "soft" information.

The tacit information from the frontline is mostly informally shared at regular meetings as general ideas for improvement. The Bank and Mobile Operator have also created an intranet solution so frontline employees can pass useful ideas from customer interactions on to the rest of the organization. But the interviewees said that the frontline employees do not use this very actively, mostly because of a lack of time, motivation and a cross-organization perspective. The Casino and Hotel had implemented a procedure of keeping shift diaries about customer service encounters at all branches, and important customer events, problems and solutions are noted down. These reports are a source of operational information about service encounters for the managers in the backoffice.

None of the organizations used automatic voice or text recognition solutions for analyzing daily customer interactions because the interviewees said that automatic recognition of the Estonian language does not function yet. Although, a sample of customer phone calls and e-mails were evaluated in all organizations, this is done to check service quality and not to capture the voice of the customer.

Another process that provides an insight into customer requirements for the front as well as backoffice is complaints management. Customer complaints were considered an important source of feedback in all organizations studied. Most of them had formal procedures and some even had special software solutions for handling and analyzing customer feedback that was received this way.

The organizations in the study also strove to understand and predict customer expectations and behaviour by analyzing the data that is saved in CRM or data warehouses. For this purpose advanced mathematical models are employed. But it is also possible to draw implications about customer experience requirements by simply analyzing the results of different actions aimed at customers; for example, by analyzing how customers react to promotional campaigns.

Managers can also understand customer requirements and the compatibility of experience evoking processes by actually spending time on the frontline and observing the service process. The disadvantage of this kind of initiative is that it disturbs the work of the frontline employees, and it does not provide a very systematic understanding of customer requirements.

During daily interactions with service employees, customers were inclined to give feedback about the negative aspects of the experience; there was less praise. However, the special processes for gathering customer feedback like NPS or satisfaction surveys also reveal the positive aspects of the customer experience. Therefore, special surveys give more balanced input for understanding which areas of the experience are appreciated or disliked by the customers.

For this purpose, organizations proactively implement various customer surveys to gather feedback about the perceived performance of experience evoking elements and customer satisfaction. Often, the help of external market research providers was used for planning and carrying out large-scale studies. It is interesting to note that three organizations regularly gather customer feedback based on the NPS method. Discussing the strengths and weaknesses of this tool is beyond the focus of this research; however, it should be mentioned that the resulting customer feedback depends very much on the survey context and how the customer is primed. For example, the Bank recognized that changing the text of the letter that accompanies the NPS question changed the answers of customers about 15%, while the Mobile Operator discovered that asking exactly the same NPS question themselves or through an external partner changed the results even more than that.

While satisfaction surveys and NPS studies mostly reveal customer opinions of past and present experiences, the organizations also occasionally study customers' opinions about potential experiences (that are not on the market yet). Customer's reactions to new elements and clues are studied in detail in focus groups<sup>1</sup> and test groups. For example, when choosing new beds (Hotel), designing a webpage (Travel Agency), developing core service characteristics (Bank) or a retail design concept and TV commercials (Mobile Operator). However, this kind of research is not done very frequently. This implies that most clues delivered by the organizations are not pre-tested on customers.

The impact of acquiring feedback from the customers about their perceptions was partially acknowledged by the interviewed managers. The organizations set limits on how often customer feedback is sought; for example, the Hotel "locked" the customer in the database for 6 months after sending him or her a questionnaire, the Bank for 4 months and the Mobile Operator for 2 years. During this time no additional feedback questionnaires were sent to that customer. Nevertheless, the impact of surveys on the customer's perception of

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<sup>1</sup> Focus groups can also be used for studying past and present experiences, but in studied cases they were predominantly used for studying potential experiences.

the experience was not explicitly acknowledged beyond solving the immediate problem.

*“Of course it increases customer expectations; she expects that the problem will be solved. We take the responsibility, if she discloses her contact information to us, then we have to proceed with it.”* (Customer Needs Analyst, Mobile Operator)

At least one of the studied organizations (Travel Agency) quite actively engaged its customers via social media (Facebook) to receive feedback from the community of “fans” about potential services. Other organizations had a more passive social media strategy, which means they used social media mainly as a channel for communicating about existing products and reactively answering customer questions.

It should be noted that the Hotel and the Travel Agency also regularly used *mystery shopping*. But this method does not provide much information about the customers’ requirements, but mainly provides information about the service performance according to internal criteria. Therefore, this process is addressed in chapter 4.5.6 in the section about measuring experience evoking processes.

**In conclusion**, to answer **research question 3.a.**, the analysis of the cases revealed that information and insights into customer experience requirements reaches the backoffice in organizations (that plans, organizes and measures customer experience evoking) through the following activities and channels:

- 1) feedback that managers receive about daily customer service through frontline employees and information systems,
- 2) insights that managers induce from analyzing customers’ behaviour,
- 3) insights that managers acquire by observing or being directly involved in evoking customer experience on the frontline,
- 4) feedback from special studies about customers’ past or present experiences,
- 5) insights from special studies about potential customer experiences.

### **4.5.3. Planning customer experience evoking**

This subchapter answers research question 3.b. by discussing the processes and activities that the organizations employ to plan customer experience evoking. The subchapter is structured again so that important aspects of each case are presented and discussed first. This is followed by a cross-case comparison, and a summarizing framework is proposed and discussed in the final part. The presentation logic for each case follows the structure of the summarizing framework (the reader may want to look ahead at Figure 21, page 211, to grasp the sequence), and the cases are ordered as always from the most “emotional” experience (Casino) to the most “instrumental” experience (Mobile Operator).

**Casino.** When the managers of the Casino were asked about planning the customer experience they referred to *brand values* and the brandbook. This is used to describe in detail the differentiating characteristics of the customer experience that need to establish the right associations in the mind of the customer. There are five keywords that are considered the essence of the brand. These were selected collaboratively by the management team, also involving the managers of the Casinos. These five brand values were proposed and selected as the most important aspects of the experience that customers are looking for and the organization can provide.

The values are actively communicated to customers, but also to the organization. The brand values are utilized actively in daily service encounters, they are integrated into the servicescape design, procedures, customer service standards and the actual behaviour of employees. *“We did not create values in order to just look at them, we behave according to them,”* confirmed the director of human resources. In the words of the marketing manager, the brand values are also actively used in marketing communications: *“We try to include the main keywords in every piece of communication that we produce – either as text or symbol.”* From the CEM perspective the balance of making and keeping brand promises was acknowledged; care was taken not to promise too much in promotion activity. In order to understand whether customer brand perceptions aligned with the targeted experience, a general market study was conducted annually.

Aside from the abovementioned core values, one additional keyword was mentioned that concerns service employees – passion to serve. *“Passion to serve is one of our internal priorities that is very well understood; the employees talk about this on the casino floor, at courses and in meetings,”* explained the marketing manager. This implies that there are also other values besides the brand values that influence and guide customer experience evoking.

The Casino does not segment its customers based on *needs*, which means that basically the same targeted experience is offered to all customers regardless of their different requirements. The same business model is used to serve the whole market, although the interviewees said that one approach is probably not right for all customers.

*“Our Las Vegas like concept of entertainment disturbs some customers. Some do not want the clatter, they just want a quiet corner. Some customers do not come to the casino when we have a concert. For that time they move to another casino.”* (Director of human resources)

Therefore, some self-selection occurs. The customer probably chooses the Casino that suits best (the experience is slightly different in each casino). This kind of “one experience fits all” approach has also backfired for the Casino as one of the Casinos that opened in a small Estonian town had to be closed down. The interviewees said that the expensive glamorous concept did not pay off there.

The Casino has also considered using separate brands for its casinos in order to offer different customer experiences (and service models) under different brands. But this idea was not approved by the top management because they believed that the benefits from this approach did not outweigh the costs needed for launching a new brand. The interviewees said that the most viable approach seemed to be to continue working under the main brand and augment it, for example, with star-ratings (e.g. 5-stars for the flagship casino).

The Casino segments its customers based on game *revenue*. The interviewees said that in the case of the Casino this is basically the same as segmenting customers based on profit because of the fixed win/lose ratio that applies to all customers in the long run. (However, this assertion is questionable because the amount of time and effort that customers require from Casino employees is different, also the preferred games differ). A loyalty program is used to keep track of customer revenue and segment them into four levels: diamond, gold, silver and bonus. The levels are based on personal turnover in the Casino and tracked on the bonus card.

One important goal for the organization is obviously to retain and increase the share of high-revenue customers. Therefore, the loyalty programme enriches the customer experience for valuable customers by offering additional options, such as discounts, free snacks, free transport, tickets to cultural events and exchanging bonus points for cash. The Casino also has a separate structural unit of customer account managers for personally serving the most important customers. The interviewees said that in addition to direct benefits, customers highly appreciate the *status* that goes with achieving a higher level bonus card. However, to keep such programmes sustainable, the interviewees said that the organization has to constantly invent little surprises for loyal customers.

A customized experience strategy is also developed for customers in different experience phases. This involves different activities for new, repeat and lost customers. Although there exists no formal customer journey or service blueprint, the different phases of customer experience are clearly scrutinized and addressed by appropriate activities.

The customer experience strategy is operationalized through procedures and business rules. In the Casino, service and other processes are quite thoroughly described within the ISO quality management framework. It also has quite an elaborate monitoring and measurement system for supervising processes. Yet the interviewees admitted that the procedures are not developed by explicitly keeping the targeted brand values in mind; most of the procedures are of course implicitly in accordance with the targeted values and customer experience.

The Casino has standardized many processes that concern serving customers, such as registering customers, checking wins and so on. On the other hand, the service employees are given autonomy in terms of *how* to talk to the customers. To guide interactions with customers, a service standard has been established.

*“If you want to create a unified reputation for the firm, then you just need to have a standard. Otherwise each person will behave differently, but you can manage this according to the situations.”* (Director of human resources)

The Casino’s customer service standard consists of 10 sections addressing different situations, such as how the service employee should behave when new customers enter the room, when the customer wins, when the customer loses, when the customer is in bad mood and so on. It explains what they should do in order to evoke the targeted customer experience in different situations. Yet there is no formal service blueprint in the Casino. The interviewees said that the standard is intentionally kept as short as possible (8 pages) because firstly, they do not want to overload the service employee’s memory, and secondly, they recognize that each customer is different and solving service situations also requires a lot of autonomy and creativity.

Each section of the customer service standard is summarized with a description of the targeted customer experience. Therefore, this document is clearly part of the Casino’s customer experience strategy or plan. Yet, it is worth noting that the service standards are developed by the human resources director and the quality director in association with the Casino branch managers, whereas marketing is not involved in this process. This implies that CEM is clearly a much broader function than marketing.

The interaction with customers mostly takes place inside the Casinos and face-to-face; therefore, the importance of electronic channels is low. The Casino does not even have a separate call-centre. Therefore, obviously there is no plan for channel specialization. However, the Casino has a flagship establishment, where the assortment of games and the quality of service is the highest. The important customers and cooperation partners are invited deliberately to this branch of the Casino. Promotional events are also often held in this flagship casino in order to provide customers with an exemplary experience.

**The Hotel’s** marketing manager stated that their customer experience strategy was to a large extent determined by the business plan: *“It all starts from the business plan – how to get people here, what to offer them, how to be competitive, positioning.”* Yet it was admitted that business strategies are too general from the CEM point of view. More particularly, the interviewees referred to the vision and core values, which were also described in the brand-book. The interviewees said that from the CEM perspective, values received less attention than the slogan: *Exciting Moments!* In the words of the marketing manager: *“This slogan refers to the memorable experiences through positive influences. This summarizes it all. It was a goal for all messages and campaigns.”* Obviously this slogan was quite general, allowing for different interpretations; however, the targeted customer experience was not formally described in more detail.

The organizational values were meant to guide both the customer experience evoking and the organization. Although the interviewees said that the values meant slightly different things to customers and to employees – the implementation was different, though not contradictory. The Hotel held extensive training courses, meetings and prepared thorough materials to communicate the values to all employees. This implies that it was considered important that all employees know and embrace the brand/organization values.

The interviewees from the Hotel pointed out the problem that changing the values too often made the employees disinterested and perhaps confused about the values.

*“When the top managers changed [new manager was appointed] the mission and vision were often restated. Of course we were friendly and accommodating towards the customers in our everyday work, but it is difficult to remember the wording of the values because they were changed so frequently... These things should not be changed that easily.”*  
(Corporate marketing manager)

For example, before the slogan “Exciting moments” there was a slogan “Expectations plus one”.

The Hotel did not use any needs-based customer segmentation. The customers were segmented on quite a general level: business customers, vacation (private) customers and groups. Nevertheless, the Hotel chain operated hotels with different levels of quality – for less demanding leisure tourists as well as pretentious business customers. Therefore, it could accommodate the needs of different customers. For female guests, one hotel also had a “women’s floor” that provided special benefits for female customers. This is clearly an extension of the customer experience for a specific customer segment, but this was still an exception rather than common practice. It is important to note that whereas servicescape and core service elements of single hotels were mostly not customized for micro-segments of customers, the marketing campaigns (promotions) were targeted to more specific segments.

The Hotel did not measure the profitability of single customers. This task was said to be too complex because the cost per customer depends on the occupancy rate of the hotels. Yet the Hotel segmented its customers based on revenue. It had implemented a loyalty programme, dividing its private customers into three levels, based on their purchase volumes. The loyalty programme offered special benefits to important customers, such as presents for birthdays, invitations to free breakfasts, discounts for theatre tickets and so on. A special position of *loyal customer account manager* was assigned at the Hotel chain to manage and develop the loyalty programme. It should be noted that the Hotel had also implemented total revenue management, which analyzed the revenue from different customers and bookings. Based on this, the pricing strategy was occasionally adjusted.

To plan and guide the evoking of customer experiences there were quite many formalized rules and procedures in the Hotel. The aim of which was to standardize the work according to the targeted customer experience. Although there were no service blueprints or flowcharts in the Hotel, the processes from check-in to checkout were described in detail in text documents. However, process descriptions did not prescribe servicescape elements or physical clues. *Employee manuals* and *service standards* prescribed the activities that are most visible to customers. These instructions were composed by the personnel department and top management, while the marketing function was (again) not involved. Interestingly, the interviewees said that the manual that described sales procedures for the sales division was too detailed and long, so it was not used in practice because there was no concentrated summary. This implies that there is a limit to how detailed and long a process prescription should be.

But the employees were also empowered to personalize the customer experience at their discretion within a certain cost limit. Therefore, the autonomy of the employees was clearly encouraged. One reason for this seemed to be that it is more efficient to customize the experience at the encounter, than prescribe a standard “exciting experience”. Because of direct interaction with customers, the frontline employee is in the best position to understand what is needed to evoke the “exciting moment” for the customer.

The hotel rooms are mostly booked over the phone and internet channels. Therefore, in addition to visiting the Hotel’s physical facility, most customers also interact with the Hotel through electronic channels. Yet it was not prescribed to customers or employees exactly which communication channels should be used. This implies that despite the use of various channels there were no explicit rules about channel specialization.

**Security Service Provider.** When answering the question about planning the customer experience, the managers first referred to the core values of the organization. Yet, the core values as well as the corporate visual identity (CVI) of the Security Service Provider are to large extent determined by its multinational mother company. The local organization can only decide how and where to implement them.

*“The values in English can be translated into Estonian in different ways. We have processed them and translated to suit us. It is important how we connect these things to our own employees, so that they convey the desired values in their everyday behaviour.”* (Director of marketing and development division)

The Estonian interpretation of the values as well as the slogan and vision was prepared in workgroups and finally discussed and accepted by an extended group of managers in the Estonian organization.

However, the interviewees said that the shared understanding of the targeted customer experience is not very precise in terms of what should the customer

think or feel, or how quickly the customer's problems need to be solved. The Security Service Provider's brand values are aimed internally rather than toward the customers. How these values improve specific aspects of customer experience, loyalty or revenue is not made explicit.

The interviewees said that the organization's core values are thoroughly communicated to the employees because they need to carry the values. As illustrated by the director of the marketing and development division: "*We cannot go to a customer and say, hey we are honest; she would just shrug her shoulders. It has to arise from our own actions.*" The values are explained and communicated to the employees via the intranet, internal newspaper and also via training. Still it seems that the values are not widely internalized among the employees, as illustrated by one of the interviewed managers: "*We make decisions based on what is necessary and how things are actually. I think that no one has the values in front of their eyes when they are making decisions. But they are quite natural and that way we inherently behave according to them.*"

The Security Provider has not segmented its private customers based on *needs*. However, the interviewees said that their current customers are from the high end of the market, willing to pay for a premium service. This reveals that the managers distinguish customer segments based on the desired *price/benefit level*. But the whole target group of private customers is offered basically the same premium experience. Offering a low-level service experience separately for price sensitive customers has been discussed within organization, but they decided against this because it could erode the customers of premium service. In this case the segmentation of private customers seems to be hindered by the relatively homogeneous and narrow portfolio of security services.

*"We would need to create some additional services to provide special value to high-end customers that would not be available to the low end of the market."* (Director of marketing and development division)

Private customer profitability is not measured on the basis of individual customers because of the complexities of allocating fixed costs. Yet, a different approach is taken for business customers. A more detailed needs-based segmentation is used; the profitability of large business customers is measured, and there is a VIP-loyalty programme for the most important business customers that includes special benefits.

Customer experience strategy at the Security Service Provider depends on the development of ICT and alarm devices because the service processes involve technology. "*We can employ the equipment and technological capabilities created by well-known providers, but there is not much we can do about it ourselves,*" explains the marketing manager. This implies that the targeted customer experience strategy is influenced by technological developments.

It was also revealed that the profit budget limits evoking a superior customer experience, as explained in the following quote.

*“For stock listed companies the short term is more important than the long term. Maybe a privately owned company can choose to aggressively evoke superior customer experiences and grow market value, while not making profit... But we have an agreed budget; therefore, reality is sometimes different than this kind of idealistic approach . Giving more to the customer, you receive less – it is a matter of the short and long-term perspective.”* (Marketing manager)

It was also implied that in addition to budget constraints, CEM strategy may also be influenced by conflicts of interest and politics inside the organization.

To develop new service solutions the Security Service Provider plans to utilize a matrix structure. Thereby managers who are “product owners” are part of the *core service* divisions as well as the *marketing and development* division. Indeed, from the CEM perspective this arrangement brings the managers who are responsible for delivering core services closer to the process of understanding customer experience requirements. This should improve the coordination of customer experience planning as well as delivery. The director of the marketing and development division confirms this: *“We want to deeply integrate the marketing, development and communication functions. I see that we can create a lot of synergy and efficiency if I can make these functions work together.”*

To formalize and plan the processes that evoke customer experience, the Security Service Provider has implemented an ISO quality management system, which is administered and audited by an internal control department. Therefore, most of the service processes are thoroughly described in the ISO procedures. There are quite strict rules for employees concerning core service functions. Beyond that, concerning the “softer” side of service, there are no strict standards. The interviewees said that there is an unwritten understanding in the organization about how to behave and how to be polite. Exemplary cases of behaving according to the “soft values” are also promoted in the organization. Yet, this kind of loose or non-standardized approach means the customer experience depends quite lot on the personality and working habits of frontline employees.

To overcome this, a document called the *manual for customer service employees* was compiled recently. It includes quite detailed guidelines on 40 pages. It prescribes appropriate behaviour for interacting with customers on the phone, face-to-face and in written communication.

Customer experience evoking is not explicitly differentiated according to experience phases. Therefore, the procedures for serving potential, new and repeat customers are basically the same. It is up to the discretion of the frontline employee how to provide an appropriate experience for the customers. *“Every interaction is individual and one has to take the approach that is necessary,”* said the service manager. Yet, from the CEM perspective, it would be advantageous to plan experience evoking according to the phase of the customer experience.

The interviewees said that flowcharts for mapping service processes have been used; however, the goal of these has been to manage the processes and organization more efficiently. Planning the customer experience using touchpoints has not been the goal of this process, neither are these flowcharts used to guide frontline employees. This means that the processes are not purposefully integrated from the customer's perspective. However, the interviewees admitted that the process for evoking private customer experience is quite standard. This gives reason to believe that mapping customer touchpoints and a service blueprint could lead in this case to more systematic CEM.

Channel specialization is not strictly defined by the Security Service Provider. It does not have traditional retail offices; instead, customer account managers and technicians visit the customers. There is, however, a *showroom* for customers at the central office. It is up to the customers and frontline employees to decide which is the most convenient and appropriate channel for interaction. The Security Service Provider aims to save the customer's time and effort and handle all possible transactions via phone or e-mail. Although the customer experience also involves some episodes where face-to-face interaction is inevitable, like when the technician installs the equipment or the patrol arrives to check the alarm signal.

**The Travel Agency** does not have an elaborated customer experience strategy. As explained in the following quote by the development director: *"We do not refer to it like that, but we plan how much we need to sell, we plan how we need to serve the customer."* However, several aspects were highlighted by the interviewed managers as important targets for the Travel Agency, such as: moving closer to private customers, trustworthiness, supporting the customer in case there are problems while travelling, becoming a consultant for the customer and so on. It can be said that together these goals shape the customer experience strategy that the organization is targeting.

The interviewees said that the customer experience strategy is basically tailored in meetings with department managers, where agreements are reached and goals are set. This is based on a shared vision, goals and intuition rather than fixed guidelines. Nevertheless, the Travel Agency also has articulated brand values. But the interviewees said that writing down the values is artificial, because all organizations arrive at basically the same values – such as friendly and honest. The development director remarked that it is more important how these values are reflected in everyday decisions and actions: *"Customers do not care what the values are, they are interested what the organization's reputation is like, or how they will be served."* Therefore, the Travel Agency's brand image is carefully managed towards the "targeted direction". As illustrated by the development director: *"We protect our brand and reputation dearly, we do not let bad factors close to it and we show our strengths in actions and words."* It was recognized that brand reputation is influenced by all actions and decisions that are visible to the customers.

On the other hand, brand management was not directly connected to daily interactions with customers. *“Frontline employees do not think, how do I communicate brand values if I act so or so. She is thinking more practically – here is a client who wants this and this, I will give it to her quickly,”* contended the development director. The established service standards did not include explicit instructions at the level of single clues either. From the CEM perspective, one could expect more attention to be paid to how the targeted brand values are manifested in the daily work of the service employees, with the purpose of evoking the targeted customer experience.

The customer base is generally segmented into private and business customers. The travel agency does not segment its private customers based on their *needs*, instead private customers are segmented based on their *value* (revenue potential) to the organization: platinum customers, gold customers, and others. For platinum and gold customers there is wide variety of special benefits, discount offers and bonus point prizes that should make their experience special and encourage loyalty. But the core service is very similar for all customer segments.

The sales margin for customers was said to be visible even at the single client level in the legacy systems of the Travel Agency. Yet the profitability of single private customers is not monitored; instead, the profitability of product lines is analyzed.

The Travel Agency sells travel “products” offered by its partners. Therefore, it cannot customize the core service of travelling; there is no freedom to change the “product”. However, the Travel Agency carefully selects its partners, to avoid selling bad experiences to its customers.

Therefore the frontline has quite limited autonomy concerning *what* services to offer customers, but quite a lot of autonomy in terms of *how* to serve. To align the service employees’ behaviour with the targeted customer experience, the Travel Agency has established “principles of excellent service” that guide customer service and should guarantee that the customer is satisfied with the way she was served. However, it was said that the principles are mostly for beginners, an individual approach is allowed for more experienced employees.

Flowcharts are used to depict various components of the service. For example, how to handle customer complaints. However, the purpose of making blueprints is not to plan superior customer experiences, but for efficiency, as explained by development director: *“Rationality, seeking efficiency and avoiding errors is the reason why we have mapped the processes, so it follows a standard and always works.”*

Most of the customer interaction takes places via the internet or phone; therefore, the physical sales offices are an “alternative” channel in this case. The marketing and communication manager said they have realized that electronic communication channels are poor for evoking emotions, and it is better to sell face-to-face, but they see no point in swimming against the current (by forcing customers to visit the offices) as the interaction is becoming electronic every-

where: “*If we do not offer this, someone else will.*” The convenience of electronic channels seems to be more important for customers than the face-to-face experience.

The channel strategy that is used by the Travel Agency is guided by the principle of minimizing the effort for the customer. Everything that can be dealt via phone or e-mail is done using those channels. As an exception, the answers to customers’ queries are particularly sent by e-mail, as they include details of travel. This implies that “experiential” motives do not play such a big role in channel specialization.

**The Bank** set a strategic goal of becoming a *service leader* a couple of years ago. But the aim was to achieve more than merely “another superficial campaign to improve the behaviour of the service employees”. Therefore, the whole organization was involved in workshops discussing how to achieve that goal. Eventually, an agreement was reached that the Bank needs to *offer a positive customer experience at each customer contact*. That broad goal is interpreted differently depending on the specific context, service and customer. This goal is broad enough to involve and engage backoffice processes and supporting services. Yet the Bank has not described in detail the characteristics of the targeted customer experience, but the interviewees said that a similar understanding about this is shared in all units.

To ensure organizational coherence, the Bank uses core values. The Bank is currently implementing change in its values, which provides a good opportunity to analyze this process. The new core values were carefully chosen at the corporate (MNC) level, based on extensive analysis. The expectations of customers and society were studied as well as the attitudes of the employees to form a vision for the future. The new values were purposefully defined based on the customer perspective. The core values of the Bank’s brand are the same for all organizations in all countries, but the organizations in each country can implement them according to the specifics of the local market. Therefore, every unit in the Estonian organization needs to give meaning to these values from their perspective – how can they contribute to evoking the core values in the customer experience. When the values are internalized at the operational level, then the brand promise will be announced to the customers. It was emphasized that the adoption of the values needs to be done genuinely, openly and considerably towards employees – not by “printing and hanging posters on office walls”.

In the future, customer perceptions of the brand will be studied and the results will be connected to the performance scorecards for top and middle managers. For the other employees, the brand values will also be reflected on performance scorecards, but in the competencies section. The competency to carry and deliver the values is evaluated by each employee’s direct manager.

The Bank is currently not able to ascertain the profitability of single private customers. The challenge is to allocate the costs of the internet bank, contact-

centre and branches to single customers, but this kind of solution was said to be a work in progress. However, activity-based cost allocation is used to determine and manage the profitability of core products/services and also general customer segments.

The head of the retail bank said that the Bank is moving towards a segment-based approach in its business model, which means that generally more attention is paid to customer segmenting, segments' needs and the business opportunities they provide. The Bank has implemented a mixed segmenting model. Customers are segmented based on their *value* to the Bank (from affluent to occasional), but at the same time, customer lifecycle (from childhood to retirement) is used to anticipate customer needs according to *age segments*. Based on this, what kinds of needs and emotions different customer segments generally have can be described the core services appropriate for them. This implies that the targeted customer experience is different in various customer situations and segments. However, no detailed experience descriptions exist for the different segments, rather their "average" needs and appropriate core services are described.

Core service processes and procedures are quite strictly regulated and standardized in the Bank. Blueprints have been developed by the "product" managers to organize the internal workflow. These flowcharts focus on internal activities rather than external clues or customer needs and impressions.

The Bank has also an elaborated brandbook, that serves as the basis for designing the physical environment in the branch offices, employee uniforms, the virtual environment of the internet bank, as well as the style and design of marketing communications. At the corporate level there is even a dedicated team that takes care of implementing the brandbook properly.

As a pilot project, the customer journey and touchpoints have been mapped for some of the Bank's core services. The interviewees said that the customer journey maps are especially useful for defining channel strategies because they help distinguish contact points that are most important for the customers, so the organization can focus on improving those encounters.

The Bank has implemented special "customer programmes" for different customer segments: children, young people, gold customers, private banking customers and seniors. The programme for each segment offers special benefits, discounts or preferential service to eligible customers. All segments receive a monthly newsletter compiled based on specific needs. Therefore, the Bank obviously plans a somewhat differentiated experience for its customers.

Specific perceptions and emotions are planned and evoked through marketing messages and communication. For this purpose, customers are approached as micro-segments and appropriate campaign messages are developed based on the group's average needs.

However, the interviewees said that using segmenting to plan customer experiences in direct service encounters is difficult because customers' needs depend very much on the individual, as illustrated by the service area manager:

*“We encourage our frontline to approach each customer as an individual, do not categorize the customer based on segments displayed in the CRM, do not assume what she wants, but listen to the customer.”* Employees are of course aware of the need to create positive emotions and experiences for the customers, but it is not planned in detail.

The Bank has established a *standard for guiding customer service*. Training and workbooks are used to support and guide frontline personnel in interacting with the customers. The Bank has also developed a tool that guides frontline employees in profiling customer’s needs, goals and financial situation systematically in order to offer appropriate products. Yet the “softer” side of interactions is deliberately not so completely regulated. It was believed that there are so many different customers that one cannot standardize the experience. It is up to the frontline to understand what the right service is for each customer:

*“We told the frontline that you need to think for yourself, you are the wisest person next to the customer. You need to understand what the customer needs and how you are going to offer that. We can give you social tools, skills, but we cannot prescribe the situation for you.”* (Head of branch network and contact center division)

This implies that frontline autonomy is encouraged in service interactions, which should also lead to authentic employee behaviour.

To some extent, the Bank has defined a channel specialization. Some products are not available in all channels. The interviewees said that the general trend is to lead customers to electronic channels like the phone and internet bank because it is cost efficient and also convenient for the customers. Channel specialization in the Bank is based on three considerations.

- Internal cost efficiency; for example, travel insurance is only offered via the internet bank – this decision was mainly based on cost considerations.
- Intent to protect customers; for example, some core services require counselling in branch offices, to ensure that the customer thoroughly understands the consequences of her decisions.
- Customer convenience; for example, applying for consumer credit is made more convenient for customers by making it possible to complete the necessary application and receive an answer directly at a consumer retail outlet.

The physical environment of the Bank’s branch offices is specially planned and designed by international consultants and regulated with precision. It aims to communicate that the Bank is a comfortable, open and pleasant place. Even the background music in the branches is specially selected. The branch offices offer slightly different customer experiences based on the special characteristics of the local customer base. However, it is interesting to note that the Bank is not using service blueprints to manage customer movement and interaction in branches.

**The Mobile Operator** has not explicitly defined the targeted customer experience. Instead the interviewees said there is a common image and cognition.

*“We do not have such a formal document, but we have an understanding that we want to serve this customer group and which tactics to use. It becomes explicit in various strategy reviews, internal agreements and resumes. But otherwise it is in the people’s heads.”* (Head of customer care and sales development department)

In this case the characteristics of the targeted customer experience are partly reflected in the vision and mission statements. The Mobile Operator has separately defined inner values and brand characteristics. In the interviews it became clear that the managers remember the inner values well; however, the targeted brand characteristics found much less acknowledgement. This implies that the organization is aligned mostly with internal values and not so much with the described brand experience.

The inner values were developed in a seminar by more than 30 key employees from the Estonian organization. This implies that the managers were actively involved and their vision was utilized in setting the target values. The values are meant to reflect the essence of the organization as well as manifesting “where” it wants to go. Value keywords are also formally explained in a couple of sentences, but the interviewees said that there is plenty of room left for different interpretations of the values inside the organization.

When talking more specifically about the targeted customer experience, the interviewees said that there are some other important keywords that guide the work of the organization, but which are not explicitly pointed out in the vision and values. Such terms as: *quality, personalization* and *innovation* also provide direction to the customer experience efforts of the organization. One important implication from this is that the customer experience strategy may not always be explicit, but exists as a common understanding manifested in some symbolic keywords.

The interviewed managers acknowledged that it is important to comply with the values inside the organization in order to create the targeted customer experience:

*“We have to be bound to these values, promises and practices internally. Otherwise we cannot manage it on the outside, if we do not believe in them. These things radiate from the inside to the outside.”* (Manager of interactive communications)

Following the same line of thought, the interviewees said that the core values are very well internalized in the Mobile Operator’s organization.

The Mobile Operator has segmented its contractual customers as follows: private, SME (small and medium enterprise) and large enterprises. There are strategies that describe the plan for segment development (market shares,

growth etc.), but the segment strategies are not overly specific about the targeted customer experience. More specific strategies were said to be “in people’s head”. There are separate managers for each customer segment. For private customers there are even two managers – a customer acquisition manager and a customer loyalty manager. The segment managers work in the marketing division; thus, their key role is to manage promotional activities and offerings that are targeted towards their segment.

In the private customer segment, the Mobile Operator has launched a discount brand in addition to its main brand. The interviewees believe that for most customers low price is not the most important experience requirement. But to protect its position among those customers that require a low price, it utilizes a discount brand. The targeted experience is different for the customers of the discount brand and the main brand, including slight differences in the core service, and major differences in the brand, marketing communication, electronic service channels and indeed the price. Clearly distinguishing the discount and premium brand experiences is necessary to avoid cannibalization of the premium brand, while at the same time retaining the most price sensitive customers. The Mobile Operator has also implemented distinct brand for the segment of youngsters. However, the differences in the targeted customer experience between this and the main brand are smaller because there is no threat of cannibalization.

To distinguish more specific customer groups among private customers, the lifecycle model is used – children, youngsters, single adults, families and seniors. These groups are considered and targeted in marketing campaigns with specific messages. However, separate core service solutions are not developed for these groups; services are only customized to make them attractive in different groups. The Mobile Operator has not mapped out the customer journey on the segment level nor on the service level.

Although the average needs of these customer segments are described together with the most appropriate products, this is not used as a rule in guiding customer interactions in service encounters because each customer may be different. Instead, a personal approach is encouraged – the service employee has to be clever enough to suggest the right core service configuration. However, the frontline manager said that their work is much easier due to segment-specific solutions that the backoffice has prepared for sale as integrated solutions.

The interviewees said that they would like to use a micro-segmented approach in evoking customer experiences based on the specific needs of smaller customer groups, but this does not necessarily lead to the best business results. Developing specific services and experiences for micro-segments is expensive and the market is often too small for such specialized solutions to pay off.

*“Small companies can do this – focus on specific customer segments much better than large ones, where you have to offer a service to the whole population, so that all customers feel good. Therefore, we try to implement solutions that allow personalization.”* (Head of customer care and sales development department)

Business benefits need to be calculated and forecasted for all (customer experience) development projects that are suggested and undertaken in the organization. If the investment does not return a reasonable amount of money, the project is not implemented. There was also another argument against the segmented approach – the needs and behaviour of customers may change by the time the appropriate processes for evoking the experience are implemented. This has two implications. Firstly, planning specific customer experiences according to needs-based segments is definitely a challenge in small markets like Estonia. Secondly, an important factor that influences CEM is the rate at which the customers’ needs and experience requirements change. It can be proposed that in developing markets and industries the rate of change in customer behaviour is relatively fast and unpredictable, thus customer experience strategies are relatively short-lived.

The profitability of single customers is not measured by the Mobile Operator; it is challenging to allocate the costs of infrastructure as well as marketing campaigns. Only seldom is the profitability of segments calculated to support decisions. Though the interviewees said that Mobile Operator is working on a solution that will allow them to determine more easily the profitability of customer groups. For now the ARPU (average revenue per user) is a proxy for determining the value of customers. For private customers with the highest ARPU, a personal account manager is provided, who personally coordinates all interactions between the customer and the Mobile Operator. This arrangement should assure that higher service level is offered to customers that create more value for the organization

Contrary to other case organizations, the Mobile Operator’s *loyalty program* is not based on ARPU. All private customers who have been active customers of the Mobile Operator for at least *one year* are eligible for the programme. Members of the loyalty programme are offered benefits, such as price discounts, tickets to cultural events and so on.

The Mobile Operator’s organization interestingly includes a unit that is located between the frontline and the technical backoffice – *the customer care and sales development department*. Its role is to shape the complex technical services into sales offerings that customers can understand and use. It is also responsible for developing service quality by supporting the frontline employees. Therefore, this unit has a lot of responsibility for guiding and planning the processes that evoke customer experiences (CEM).

Service bundling and pricing decisions are made cooperatively by several backoffice divisions involving “product” management, marketing and sales. When launching a new service or package the rational and emotional aspects of

the customer experience are reviewed. The appropriateness of the service for different segments is evaluated. “Product cards” are issued to explain the new core service.

The targeted customer experience is carefully considered in marketing activities, although covertly, as explained in the following quote.

*“We want a certain brand reputation to evolve among our customers. This is very important. However, we do not force this upon the customers, we do not send an SMS on the topic that we are especially good and cool. But we do this covertly and indirectly, and we have done a lot of this.”*  
(Manager of interactive communications)

The interviewees said that in everyday customer encounters the targeted customer experience is not acknowledged and planned in such detail. There are service and procedure descriptions to guide employee behaviour, but they are quite general. For example, there is a “high-flown” document named “A&O” that explains the organization’s values in simple language. There is also a *customer service standard* – a document that prescribes operationally the vision for employee behaviour in service encounters. It includes quite simple rules: do this and do not forget to do that. To support the frontline employees in eliciting customer-specific factors that influence the experience there is a formalized process of *profiling the customer*. Service employees should go through this in service encounters with customers.

Channel specialization is basically not defined by the Mobile Operator. Customers are allowed to choose the most convenient channel for interacting with the organization. The organization strives to offer the experience in the channel that is most preferred by the customers, while explaining the advantages of the different channels to the customers. However, it was mentioned that the trend is to guide customers to the self-service portal for simple operations, this is done by offering lower prices in the self-service portal. The Mobile Operator also has one *flagship* retail office. Although, all retail offices are planned based on a similar concept, it is believed that the experience is superior at the flagship office.

**A summary of the six cases** is presented in Table 26 according to the structure of the previous chapter. The purpose of this table is to point out the important activities for *planning the customer experience evoking*. Relevant issues that emerged from the cases are summarized in rows and the application in each single case is marked. The logic for ordering the activities and issues is explained in the synthesis that is presented after the table. The markings in the table are based on case descriptions presented above as well as on the interview transcripts.

**Table 26.** Activities involved in planning customer experience evoking in the organizations in the study

Relevant activities, processes, structures	Casino	Hotel	Security provider	Travel agency	Bank	Mobile operator
Common understanding of targeted customer experience	●	●	◐	◐	●	●
Vision of top managers and owners	●	●	●	●	●	●
Core values, vision or slogan reflect directly the targeted customer experience	●	●	◐	◐	●	◐
Differentiated core service experience for private customers with different needs	○	◐	○	○	◐	●
Profitability of customer segments is measured	◐	○	○	◐	◐	◐
Augmented experience offered to valuable private customers	●	●	○	●	●	◐
Core service and production processes are thoroughly described	●	●	●	●	●	●
Brandbook	●	●	○	○	●	●
Phases of customer experience are considered in experience planning	●	◐	○	◐	○	○
Customer journey is formally mapped	○	○	○	○	◐	○
Micro segmenting of customers for marketing and analysis purposes	○	○	○	○	●	◐
Structural unit for configuring the offerings for different customers	○	○	◐	◐	●	●
Service standards are prescribed to guide service employee behaviour	●	●	●	●	●	●
Channel specialization is defined	○	○	○	○	◐	○
Flagship establishment for exemplary customer experience	●	●	◐	◐	●	●

Legend: ● / ◐ / ○ / NI – applies/ partly applies/ does not apply in organization/ no info

Source: author’s analysis based on interview transcripts

Based on this analysis, a framework will now be proposed that describes the planning of customer experience evoking in the organizations (see Figure 21). As can be seen, the activities covered are divided into four levels, starting at most general level from a shared understanding of the customer experience strategy and finishing with specific planning of the elements (clues) that evoke the experience at the surface level. A synopsis of these characteristic processes and activities is presented in the remainder of this chapter.



**Figure 21.** Activities involved in planning customer experience evoking (compiled by the author)

None of the studied organizations had a clearly articulated “customer experience strategy” according to different customer experience dimensions. Although managers had a shared vision about the targeted customer experience in each organization, it was not explicit or formal.

To explain the planning of customer experience, the interviewed managers referred to *core values*, which were formally defined in each organization. However, the description of the core values was mostly not sufficiently specific about the targeted customer experience (except in the Casino). The Casino had defined values explicitly from the customers’ perspective, illustrating the impressions that it wants to evoke in customers. But the other organizations had at least partly included the principles that are important for the organization internally, but perhaps offer less clarity about the targeted customer experience. Nevertheless, the managers assured that the values are very important for planning customer experience evoking.

Yet the integration of values into operations was different in each organization. As explained by one interviewee – the values are not as important as the way they are implemented in everyday actions. Based on the analysis of the cases it can be said that core values influenced and guided all organization-controlled elements for evoking customer experience: servicescape design, customer service standards, recruitment and employee performance management, core service characteristics, pricing strategy, marketing communications, but also the company's internal culture and other factors less visible to the customers. Still, before discussing how the values are operationalized in the work processes, the target group and appropriate business model selection needs to be discussed.

It became evident that a customer experience strategy includes an important decision about the choice of *target group* and appropriate *business model*. Whether the targeted customers will be served with one brand and only a slightly customized customer experience, or whether it is beneficial to implement several brands for customers with different requirements and customize the delivered experiences significantly. The former option was mostly not utilized by the companies in the study (except the Mobile Operator).

Interestingly, most of the case organizations had implemented *bonus* or *loyalty programmes* to provide slightly better experiences to valuable customers. This addresses the *win-win* aspect of customer experience strategies – enhanced experiences are offered to customers that provide more value to the organization. In addition to experience evoking elements that were controlled by the focal organization, *external cooperation partners* were also used for this purpose. Therefore, valuable customers were offered higher core service levels, discounts, but also free tickets to concerts, free transport and various other gifts. These additional services raise the topic of *service bundling*. From the CEM perspective, it is important to choose additional services that do not merely please the customer, but that enforce the targeted customer experience of the organization.

Organizations did not have specific strategies for customers who are eroding the profits. Basically, the same core service was offered to all customers. This could be attributed to the inability to calculate the profitability of individual customers, but also to the desire to avoid negative word-of-mouth and publicity caused by some customers' negative experiences.

The next aspect concerns planning the processes, rules and regulations concerning the operational management of elements that evoke the customer experience. Perhaps most importantly this includes core service production. Yet it was challenging to directly evaluate the implementation of the planned customer experience strategy in managing everyday operations in the studied organizations. Firstly, the strategies and values were quite vague and open to different interpretations, and secondly, there were many specific contingencies that influence the implementation process, such as the cost of producing the necessary clues, target market size, price sensitivity of customers, politics within the organization, the legacy of management systems and so on.

To ensure that customers' needs are appropriately met, some organizations used such tools for planning the experience as mapping the customer journey, differentiated treatment based on experience phases and micro-segmentation. The aim of these activities is to ensure that experience evoking elements are planned according to customer requirements (as opposed to an organization-centric view).

Three organizations had established separate structural units for "managing" customer segments. Their daily job was not to manage interactions with customers, but to analyze and understand their segments and develop appropriate campaigns and offerings for the customers. Therefore, this unit has a lot of responsibility for planning the customer experience.

In all organizations the targeted customer experience was scrutinized in the most detail in the marketing division, when preparing promotional campaign messages for different customer groups. In frontline interactions, the targeted customer experience was not strictly defined or scrutinized; instead, a personal approach to every customer was encouraged. To guide service employees, all the organizations had implemented *customer service standards* that reflect the targeted customer service experience. But the standards were mostly more focused on describing universally pleasant and polite behaviour than being specific about clues that evoke a uniquely targeted customer experience.

It is worth noting that customer service standards in most organizations were compiled by the personnel management division, while the marketing function was not involved. This implies that the behaviour of service employees is prescribed based on the personnel department's understanding of the targeted customer experience.

Direct encounters with service personnel received a lot of attention in the studied organizations because of its ability to "make or break" the customer experience. Despite the fact that the core service was not directly produced by the service employee in the organizations, the impact of frontline employee behaviour is still considered very important for evoking customer experience as illustrated in the following quote.

*"As frightening as it is – a single bad service encounter can be irreversible... If we ask the customers what is important for them, then the service encounter is rarely mentioned. However, if she experiences a strong emotion there, then it is irreversibly the most important thing and she might leave."* (Head of customer care and sales development department, Mobile Operator)

Channel specialization was mostly not used by the organizations in the study. It was up to the customers to choose whether to contact the organization directly in their office, through e-mail, phone or via the webpage. Only in the Bank was the availability of some services in certain channels limited deliberately. It is interesting to note that all the studied organizations provided their customers a self-service option via their webpages; although, the functionality of the offered

solutions differed greatly because of the different nature of the customer experience. At one extreme, the Casino's webpage only provides the option for checking bonus points on the customer's loyalty card; the Hotel and Travel Agency also offered the option of purchasing services; the Security Service Provider and the Mobile Operator provided the option of checking the service history, and ordering some additional services; while the Bank has gone as far as to provide many of its core services via its online self-service environment.

**In conclusion**, to answer **research question 3.b.** it can be stated that at the strategic level the planning of customer experience evoking involves three important issues.

1. A shared agreement (formal or informal) about the targeted customer experience, summarized mostly in the brand or core values. Developed by top managers and owners, or cooperatively.
2. Specifying the right target group, and if there is enough business justification then developing different experience strategies for customers with divergent needs.
3. Developing and implementing operational strategies and plans for seven groups of elements that evoke the targeted customer experience so that customer and organizational needs are met.

#### **4.5.4. Organizing customer experience evoking**

This subchapter answers research question 3.c. by analyzing which activities and processes are implemented to organize customer experience evoking. The structure of the analysis is similar to the previous two chapters: firstly, the most important activities in each of the six cases are presented; secondly, the cases are compared and a synthesizing framework of the results is provided in the final part. Again it should be noted ahead, that the presentation logic of the cases is explained in Table 27, on page 229.

**The Casino's** managers admitted that recruitment plays an important role in customer experience evoking. The targeted customer experience is taken into account when recruiting service employees, as explained by the marketing director: "*The suitability of candidates is evaluated based on the values and emotions that we want to offer our customers.*" This was confirmed by the director of human resources, saying that for the Casino it is impossible to recruit people based on some abstract evaluations or tests:

*"I look closely at whether the candidate fits to our environment and whether she has the attitudes we need. If her eyes are shining then I do not care if she is a student or unemployed. We can develop an employee even if she lacks any previous experience."* (Director of human resources)

Interestingly, it was noted that service employees need to be slight “ego maniacs” in the Casino. An employee needs to be to the customer’s liking, no matter how the customer behaves. In difficult situations, she needs to be able to suppress her own emotions and interact pleasantly, and on occasions also glibly. But neither should she withdraw in difficult situations, instead she should always want to win and handle the situation well. Therefore, the person needs to be confident and love herself a lot.

The brand values and targeted customer experience is explained to new employees in their initial training. The values are also written on the walls of the casino’s backrooms. Yet it was admitted that people tend to forget and it would be wise to explain “who we are and what we offer” to the employees annually. Customer service employees are also trained thoroughly according to standard customer service processes fixed in the ISO framework.

The employees in Casinos have to be highly motivated because interactions with customers have to be very personalized. This requires skill, attention and effort. Therefore, the “passion to serve” is considered important to provide high service levels in the Casino.

*“Our people know that the quality of serving customers influences their wallets. Every frontline employee in the Casino lives by this value every day because it is connected to her compensation.”* (Marketing director)

Service employee performance is evaluated every month by their line manager (manager of the Casino branch) and part of their salary depends on this. There are 10 criteria to be evaluated, such as: keeping the casino tidy, teamwork, taking initiative, customer serving skills, keeping promises, participation in marketing campaigns and so on. Three criteria out of those 10 are evaluated by the surveillance unit (through video cameras). A peculiar process involves counting customer smiles in reaction to employee behaviour. There is a threshold of smiles for each employee. Every employee should count and report the number of customer smiles that she evokes; this can be checked by the surveillance unit.

Every month the best employee in each casino is recognized. It is up to the manager of each casino to set the rules for selection. Based on these results the employee of year is also nominated. All service employees are tested yearly in order to determine the service employee’s rank within a certain position, which also affects her salary level. An exam is used to check their knowledge about different procedures and practices in the organization. Employees applying for the highest rank also need to pass an oral test with the top managers. At the test the employee receives instant feedback, so the managers can share their vision of exemplary customer service with the employee.

There are relatively many personnel events organized at the Casino, in addition to summer days and Christmas parties, the personnel also take part in sports events and actively do charity work. Participating in *charity* work is con-

sidered especially beneficial for the employees because it helps them cope in difficult environments. As explained by the director of human resources:

*“It helps to bring out the human side in employees, to relax tensions and feel good about doing positive things... Developing compassion also makes the employees better at understanding customers.”*

A common understanding of the targeted customer experience was said to be well shared and accepted in the Casino. Therefore, cooperation between functions is quite good. There are weekly meetings of “casino operations”, where the heads of different functions discuss past events and possible plans. This allows them to implement cross-function projects swiftly.

The Casino has implemented a performance management system based on the *balanced scorecard* method at the division level. Each division has its own quantifiable goals and performance indicators. From the CEM perspective this system allows them to systematically plan and measure the performance of different clues that evoke the customer experience. It is important to note that beyond immediate clues that are visible to the customers, the balanced scorecard system also allows them to set targets to support processes (e.g. the maintenance frequency). This leads to an important general conclusion that the balanced scorecard is a useful method for aligning employees and processes to systematically deliver the targeted customer experience.

The balanced scorecard is currently only implemented at the divisional and casino level. For example, the targets for a Casino branch managers are connected to the revenue budget and profitability (about 50% of the score), the share of repeat customers (20%), the customer-hours (time that customers spend in the Casino) (20%) and avoiding excessive employee turnover (10%). If the targets are met, all the employees in the casino receive a small monetary bonus. However, the interviewees said that in the future the plan is to move to the level of specialists with the scorecard system in order to involve and motivate a larger group of employees to achieve the organization’s goals.

**The Hotel** managers considered it very important for service employees to have the “right attitude” to evoke the targeted customer experience. *“An employee is not just filling a place here, she has to add value to the place,”* explains the marketing manager. Therefore, it was confirmed that personnel recruitment and selection is crucial for CEM because it is difficult to change a person’s “attitude” later. The interviewees said that job interviews with group assignments have proven especially revealing for observing candidate behaviour in service situations. From the CEM perspective this technique can be considered definitely appropriate because of the implicit nature of the targeted customer experience. As there is no formally elaborated customer experience strategy in organizations, it would be difficult to express the requirements to a candidate in exact descriptions or questions. However, by observing candidate’s behaviour in fulfilling group assignment and comparing this to the implicit, perhaps even

partly subconscious, understanding of the “superior” customer experience, the appropriateness of a candidate can be estimated quickly by the manager.

Empathy and emotional intelligence was mentioned as an important characteristic of a good service employee.

*“There is a lack of service personnel, who can spot and understand this [negative emotion of a customer] themselves. Although it is taught, some people never notice it, and there are others you do not even need to teach this to.”* (Marketing manager)

In contrast to the common stereotypes of gender, the interviewed managers said that they cannot conclude that women are more empathetic than men. Instead, the interviewees said that Russian rather than Estonian employees are better at evoking and handling customer emotions.

The role of courses and seminars was considered important for communicating brand values and the targeted customer experience to the employees. Recent brand refurbishing had been followed by discussions with the employees and also with a special training programme to explain the new values.

A point was made about engaging employees. To that end, employees were frequently involved in making decisions and process developments. The interviewees said that if the employees felt that they have the right to participate in discussions then they take more responsibility for the outcome. This implies that employees are better motivated to evoke customer experiences if they have been involved in the decision-making about the targeted experience and have internalized the responsibility.

As part of the customer experience strategy, all service personnel in the hotel were *empowered* to solve instantly the customer’s complaint or negative experience. The range of applicable actions was not prescribed, it was up to the employees’ discretion within a certain cost limit. This implies that employees were given a lot of autonomy in recovering service failures.

The commitment of employees was considered very important in the Hotel; this was believed to lead to superior customer experiences as well as trust and cooperation inside the organization. The interviewees said that commitment inside the organization was phenomenally high; this was confirmed by internal satisfaction surveys. The sales division manager was of the opinion that this was achieved by recruiting the right people and the top managers supporting the right values and behaviour patterns inside the organization.

No bonus salary was paid to frontline employees based on the delivered service quality. *“We should deliver good and excellent service every day, otherwise we will soon be like a Greek organization that pays a bonus if you come to work on time,”* explained the corporate marketing manager. However, best service people were acknowledged as “service employee of the month/year”. Their pictures were put on the wall as a sign of public recognition. Also, sharing customer’s praise of employees was encouraged in the organization.

Cooperation between the Hotel's different functional units was rated as good; people in the backoffice had acknowledged that customers need to be served well. But problems arose mainly from budgeting:

*"I think it goes with big organizations, divisionalization, everybody has its own budget and it causes 'vibes'. Not in the sense of customer interaction – all people are nice here – but on the budget side."* (Marketing manager)

Secondly, the interviewees said that sometimes there was a problem of "over-selling", when salespeople were eager to close a deal with a customer and promised experience levels that required a great effort from the divisions involved.

**Security Service Provider.** The interviewees from the Security Service Provider believed that the employees shape their brand reputation to a large extent because the customers see the security guards every day in the shopping centres or in offices. The brand reputation is therefore built on the basis of their impressions of the security guards' appearance and behaviour. This implies that the targeted customer experience is kept in mind when recruiting people. As is illustrated in the following quote:

*"Why do we select 'big boys' for our security patrols? Smaller men can be strong as well. But we want them to evoke a feeling of security when they arrive on the scene. The goal is that he will look more trustworthy, based on public expectations."* (Head of recruitment division)

The personnel specialist's understanding of the targeted customer experience is therefore crucial for selecting people who are able to deliver the planned customer experience. The head of recruitment division considered it important that recruitment specialists are developed from within the organization, so that they know the values, culture and informal relations. Currently, the two recruitment specialists have a tenure of 14 and 15 years.

The interviewees said that the recruitment of security guards depends very much on specific customer needs. Whether the customer needs a sophisticated security solution and highly trained professionals or just "a man standing beside the pile of sand" (for business customers). Therefore, salary level often limits the ability to provide a superior experience for the customers. If a (business) customer with a simple security need is not willing to pay for higher service levels, the employees need to be recruited from a lower salary level. This is defined through business strategy decisions about what service to offer for what price.

All new employees are familiarized with brand values and the image that they should project to customers (among other things) during a three-week intense induction course. In recent years most of the employees have participated in customer service training, including the technicians.

*“Some years ago the technicians were not recognized in the organization as customer servants. This is changing now. Last year they also received customer service training. This is a big advance. They are also serving the customer and I believe their [technicians] influence is even bigger because they are in direct contact with the customer.”* (Service manager)

Yet the scope of customer service training was not considered satisfactory by some interviewees. It had been challenging to convince some managers about the necessity of developing the communicative skills of the frontline employees.

The interviewees’ opinion was that employee values and the organization’s targeted values are not yet well aligned. One reason for this is the change of core values some years ago. To support the adoption and internalization of the new core values, internal marketing tools have been used, such as displaying the core values on panels on the wall and on coffee cups. But the internal newspaper is also used for communicating and explaining the targeted brand values and customer experience. It appears that the involvement of employees was low when the new values were taken over – this may be one cause of the reserved attitude among employees.

Secondly, the interviewees explained that many employees who are hired in low paid positions do not care about the core values:

*“It does not matter to her if she dresses in the morning in the uniform of security provider X, Y or Z. The organization’s values are not as important to her as they are to me. It seems like following these values is an extra-obligation for them. They do their job and do not care about how they are bonded to us or our values.”* (Head of recruitment division)

It was mentioned that the career of a security guard is not too prestigious or rewarding for many people; therefore, it is difficult to expect high commitment from all employees. This could imply that for some of the frontline personnel (the security guards) quite basic needs dominate and they do not seek to satisfy higher level social needs or self-fulfilment. In another words, they do not seek meaning in their work, they just seek income. Involving them in fulfilling the company’s social mission through the targeted values and customer experience is a challenge.

Therefore, the interviewees said that very high commitment to the organization is not a target on its own for all the security guards. Instead, a commitment to serving the customers at least to a satisfactory level is expected from all employees. This is enforced mainly through the compensation system. Nevertheless, organizational cohesiveness is also promoted by organizing a sports club and various out-of-hours events for employees.

Middle managers are considered an important target group for CEM efforts. They have to understand the targeted values, the customer experience and organize the work in customer encounters accordingly. Hence, customer experience development activities and training focuses on the middle managers.

The interviewees confirmed that most of all employee behaviour depends on the motivation system. In this case, the motivation system is mainly based on budget figures – achieving the targeted revenue, costs or profits. Implementing the brand values through one’s behaviour or keeping customers satisfied is not measured or systematically rewarded. For example, the bonus salary for technicians depends on the number of completed orders. For customer account managers such indicators are measured as the size of her customer portfolio, additional sales, churn and the percentage of customers in debt. Security guards receive a bonus only when they have demonstrated exceptional courage in doing their job. This includes monetary compensation as well as public recognition in the organization.

The best employees are nominated in each region quarterly and annually. To that end, customer feedback is often used. There is also an annual reception for the best employees at the end of year, and medals are given to employees for distinguished service. The interviewees said that security workers inherently like badges. Similar medals are also used to acknowledge cooperation partners outside the organization.

Operational target setting and measurement in the Security Service Provider is also very much based on financial figures, with revenue and profit as important goals. “Soft” indicators such as customer satisfaction are not set as goals. The interviewees said that the alignment of different divisions according to customer experience can be improved in the Security Service Provider:

*“There still is some blanket-pulling, but it is improving. Customer focus is emerging more clearly. Eventually, everyone needs to understand that this is where the money comes.”* (Director of marketing and development division)

The organizational structure is built up in such a way that customers simultaneously use the services of different divisions. Serving the customer involves the customer account manager (sales and marketing division), technicians (security equipment division) and patrols (security division). Pricing is built up so that the customer has to pay separately for the services of each division, and that revenue fills the budgets of the different divisions. This inherently causes conflicts because the divisional goals are incompatible. For example:

- When a customer is very upset about having to pay for a “false-alarm” and threatens to leave as a result of that confusing experience. In this situation, the security division’s goal is still to issue the bill (for the patrol that checked the alarm), in order to meet budget needs, while the sales division does not want to lose the customer relationship. Then it is up to the sales division to persuade the security division that not issuing the bill this time will give greater returns in the long-term.
- When the technicians install and repair alarm devices at a customer’s place, the goal for the security equipment division is to gain maximum efficiency, which means that the technicians may be late arriving at the customer’s

place, and do not have the time to consult the customer properly. This of course spoils the customer experience and causes trouble for the sales division who is responsible for managing the customer relationship.

These dilemmas cannot be easily solved through financial mathematics because it is challenging to measure exactly the business impact of improved customer experience. As explained by the marketing manager:

*“Sometimes the customers are taken for granted. But at some point in time many small negative experiences may add up to the threshold where the customer leaves. But we cannot directly measure this on the income statement.”* (Marketing manager)

Relevant operational decisions depend on the division managers’ target system and their understanding of the targeted customer experience. It was also said by the interviewees that this shortcoming is realized and the organization is currently working on aligning the principles of the compensation systems for the different divisions. This highlights the importance of aligning the goals of different divisions according to the customer experience and indeed defining and sharing the targeted customer experience. Responsibility for these decisions and processes lies in turn with the top managers.

**Travel Agency.** It was confirmed that personnel management practices at the Travel Agency take into account the brand values and targeted customer experience, starting from recruiting and ending with admitting that sometimes employee behaviour has not corresponded to the values that the organization wants to display. For new employees, the initial training period lasts up to 6 months – during this period they have a mentor. For existing service employees there is also regular training on different travel “products”, booking systems and also good service behaviour. Based on the acquired skills, the travel consultants (service employees) are accredited to junior and senior levels.

A general meeting for managers is held monthly to share information about plans and targets, including customer experience. Then it is the role of the middle managers to communicate the targeted customer experience and appropriate activities to the frontline.

The management style at the Travel Agency was said to be relatively democratic. Employees are often involved in discussions before decisions are made. The sales director said that the employees are individuals and it is not possible to dictate orders to them:

*“We started as a small company that grew gradually, where everyone was involved in the decision-making process. We cannot tell those employees, who are still with us, that from tomorrow you have to sit so, look so and do this. They would not go along with this.”* (Sales director)

Also, the autonomy of the service employees is considered important:

*“A positive customer experience can only be delivered by happy service employees. But we cannot assume that the service employee is happy if we give her very strict guidelines. She needs to have the right to her own creative freedom and discretion.”* (Sales director)

Therefore, employees are granted quite a lot of freedom in deciding how to serve the customer, but as described in the previous chapter, the core service processes are quite strictly regulated in the Travel Agency.

The managers interviewed confirmed that it is important to manage service employees through softer values and a positive employee experience in order to have loyal employees that deliver a good service. Pleasant working environment, stability and recognition are considered important for committed employees. The interviewees said that employees should be committed to achieving results, but their commitment to the organization is not a goal in itself. *“Worshipping the organization is not practiced,”* said the development director. However, the brand values were said to be well internalized by the employees because they had been involved in the workgroups that had developed the values. Therefore, the values should reflect “who” the organization is, rather than “who” it wants to be.

However, customer requirements have changed a lot over the years that the Travel Agency has operated. Consequently, the organization’s expectations to the employees have changed as well:

*“We had times, when there was a queue of customers behind our door, all you needed to do was to complete the transaction and shout: next! Today one needs to smile, say welcome and thanks for coming to us. But some employees were recruited 15–20 years ago. Oftentimes people who have joined us recently carry the present-day values better than the previous ones.”* (Development director)

Thus, it was admitted that changing the organizational values and culture is very difficult. Even so, from the CEM perspective it is quite obvious that the values need to be changed when the business environment and targeted customer experience changes.

The Travel Agency has implemented a target setting and measuring system as an operational tool for managing employees. Individual goals are set for the employees for the long and short term (year and quarter). Similar goals are also set for the sales offices. The goals for the frontline primarily include planned *sales volumes* and *profitability*. Service quality influences only a very small part of the employee’s performance evaluation and salary. The sales director believes that an alternative compensation system, where bonuses depend on the line manager’s evaluation of the employee would be subjective and cause bad emotions in the collective. The sales director explained that her experience shows that an employee who offers good quality service to customers, sells

more to repeat customers anyway (and receives a higher bonus): “*We have not had such cases that somebody sells a lot by offering bad service.*”

The interviewees from the Travel Agency said that during the recent couple of years, backoffice has clearly acknowledged that serving customers well is imperative, and that it cannot dictate “how things should be”. Instead, the back-office cooperates and supports the frontline. This cooperation is also measured by an internal NPS survey, where the service employees rate satisfaction with backoffice divisions.

**Bank.** The targeted customer experience is taken into account in recruiting, as illustrated by the head of the branch network and contact centre division: “*If you want to have an organization where people think in a customer-centred fashion, you cannot hire people with a background of rigid thinking. It is difficult to change that.*” Interviewees said that just four-five years ago, the profiles of service employees were quite different to today. Moving towards a customer-centred organization has made it evident that many people do not fit this new role:

*“We have recruited sales sharks, when the economy was booming. But now we cannot use the push techniques anymore, we need people who have social and empathic skills, now we look for these qualities in candidates.”* (Service area manager)

For the second time it was noted that Russian service employees tend to be more empathic, more open in interactions and more customer centred. This implies that the cultural background of the employee may influence the capability to evoke a certain customer experience.

The service employees’ ability to understand customer needs and emotions is considered extremely important for evoking superior customer experiences in the Bank. Service employees are quite well trained in “social” skills and listening skills. In addition to training, the service employees are encouraged to share best-practice stories at morning branch meetings; there are open discussions about how and why the interactions with customers have been successful.

The interviewees said that the CEM initiatives focus on the branch managers. The branch managers are well trained and informed and it is their responsibility to ensure that the frontline delivers the targeted customer experience. From the CEM perspective, this highlights again the importance of middle managers in communicating the targeted customer experience to the frontline and organizing the daily work.

The behaviour of service employees is not prescribed in detail. They are given *autonomy* concerning how to evoke positive experiences within the framework of the Bank’s processes and services. As explained by the head of the branch network and contact centre division:

*“My role is to give the right toolboxes to the employees and guide them to the final destination on this long road. Where we want to go, how we*

*want to achieve this – we can support them on this road. But we cannot tell them specifically to ask a particular question.”*

The employees are given the authority to solve problems and make decisions independently up to a certain monetary cost. Also, certain interviewees said that taking the initiative in proposing solutions is encouraged within the organization.

It was considered important that the service employee would really believe into the product in order to deliver superior customer experience:

*“If you do not believe in the product you can never evoke superior customer experience. I am not talking about trained smiling. For example, if a fund manager does not have the opportunity to invest himself he lacks the emotional bond with the product.”* (Head of segment management department)

This addresses the issue of surface and deep acting – it is easier for the employee to engage in deep acting if she believes in the service. And vice versa it is difficult for an employee to behave authentically if she does not believe in the service.

The interviewees said that it is well-known in the Bank that a favourable disposition towards the organization among the employees facilitates achieving better results and implementing changes more swiftly. Therefore, middle managers are encouraged to learn and understand the key psychological drivers of their team. There is an annual survey that aims to understand employee satisfaction with the organization, the job and the leadership.

Yet it was acknowledged that, as in many other large organizations, there is a problem that frontline employees are not very committed, but somewhat alienated from the organization:

*“I believe it is a trend in society that people are more centred on family and friends. Colleagues and working groups have lost their importance over time... For example, 5–6 years ago the birthday celebrations often continued outside the office. Today if you open a bottle of wine at 5 p.m. the room is empty at 6 p.m. and everyone is gone.”* (Head of branch network and contact center division)

From this perspective, the top managers did not want to cause alienation by pushing a customer-centric strategy on the organization from the top down, “by producing banners and souvenirs”. Instead, people were involved in the discussion of what *service leadership* means for their division. This way organizational agreement and greater involvement was achieved. The discussion was not about whether the values are suitable, but how can employees implement them in their daily work to deliver positive customer experiences.

Due to the economic recession no bonus salaries are currently paid at the Bank. However, branch employee performance is evaluated quarterly based on individual scorecards. For example, the key performance indicators for service

employees at a branch are as follows: branch level goals (about 10%), individual sales results based on a business-specific sales points system (25%), individual sales quality (5%), customer portfolio specific goals (10%), customer satisfaction (20%) and personal competencies (30%). It is worth noting that in the case of the competencies, the employees' behaviour is evaluated in comparison to the core values of the organization. The quality of the work of contact centre employees is also evaluated by an evaluation committee selectively checking phone conversations and e-mails. In this way the employee's behaviour is directly compared to the managers' vision of the targeted customer experience.

The employee scorecards allow the comparison of employees with similar responsibilities; therefore, internal competition is slightly encouraged. The best service employees are *recognized annually*, based on a sales-points system. The top employees are invited to a gala dinner and the 25 "best-of-the-best" receive much recognition inside the organization. Operationally, customer praise that is received through the NPS tool is also passed on to service employees at team meetings as recognition.

The Bank has implemented an integrated target setting and measuring system. Goals fixed in the Bank's annual plans and strategies are translated into *key performance indicators* (KPIs). Each employee, branch office and department has a scorecard that is integrated into the Bank's KPI system. Therefore, the scorecards for frontline employees are based on the Bank's higher level goals, considering how they should be expressed on the frontline scorecard.

*"We have trimmed everything here by setting targets and measuring... Previously sales results were most important, we changed this last year and now customer feedback and personal competencies are also in the picture."* (Head of branch network and contact centre division)

Customer satisfaction and NPS scores are also reflected in Bank level KPIs. This implies that the balanced scorecard method can indeed be used for planning and organizing the operations for evoking customer experience.

The interviewees said that cooperation between front- and backoffice has improved recently, but with some departments there is still "long way to go". Although all divisions in the Bank understand the need to deliver positive customer experiences, the more difficult thing is how this is implemented, especially in departments that are far from the frontline. For this purpose, the NPS is integrated into the backoffice scorecards (and the plan is to calculate NPS separately for each backoffice division). To facilitate organizational alignment, the satisfaction of service employees with backoffice divisions is surveyed annually. This should indicate the main areas that need improvement.

Furthermore, the role of top managers was acknowledged in managing the integration of divisions and setting proper goals and KPIs. The head of the retail bank noted that it is indeed important to balance the goals of different departments, to make sure that they are not contradictory. This suggests that sometimes the clues that are produced tend to be contradictory, and it is mostly the

role of top management to synchronize the processes that produce clues according to the customer experience strategy. For example, to encourage customer-centric cooperation among divisions and share the responsibility for the success of the whole organization, the division heads in the Bank have the same umbrella KPIs that make about half of their individual scorecards.

**Mobile Operator.** When recruiting new employees it is considered important that the candidate is able to reflect the core values of the Mobile Operator through her own personal values. For example, there was a task for recruits where the core values were written on bits of paper and mixed in with other (irrelevant) values. From this set the fresh recruits had to select the values that reflected best their own nature. This facilitated the discussion about the congruence of values.

The managers interviewed confirmed that not all the requirements for candidates can be made explicit. As illustrated by the head of retail sales and service, *“Definitely, we have some requirements for employees on paper, but it is very hard to put all things on paper. It develops with years of practice.”* This at least partly refers to an implicit understanding of the targeted customer experience that is taken into account at recruitment.

Service employee’s initial training lasts for 3 weeks. During this time the employee should acquire a basic understanding of the service processes and targeted customer experience. There is frequent in-service training. Service employee knowledge of new products and marketing campaigns is also updated at informative meetings with product and segment managers.

Service employee behaviour in customer encounters is prescribed to quite a large extent; there are service standards and ready solutions. The reason for this was said to be the need for stable service quality because employees tend to get tired during the working day and in this case it is good to have ready solutions.

The interviewees shared the opinion that employee commitment to the organization is important. To that end, key personnel have been involved in developing and interpreting the core values of the organization.

Based on a competence model, the service employees are tested and ranked to three positions: junior sales consultant, sales consultant and senior sales consultant. The base salary of service employee depends on her rank, but the bonus salary is determined by a quarterly performance measurement. For this purpose sales-points (85%) and quality of service (15%) is measured. The latter is based on customer feedback from customer surveys that include questions about service employee behaviour, where the answers are traced back to single encounters and employees. In this way customer feedback is directly considered when evaluating service employee performance. For contact centre employees there is an additional option to check recorded phone calls in order to understand current strengths and areas in need of improvement. The bonus salary for a service employee depends solely on individual results, there are no team-level targets set for service employees. The interviewees said that sharing team-level

responsibility may lead to internal conflicts in small offices. Therefore, only the team leader has responsibility for and goals associated with team-level performance.

The importance of organizational culture was emphasized for making the organization customer-centric and aligning the activities according to the targeted customer experience in this case:

*“I can truly say that our organization breathes in the same rhythm. You can sense that it is the same blood circulating... These things are not written down as processes, but it is probably the organizational culture that has been here from the beginning... On the surface nothing is different from other organizations, we have similar recruitment process, personnel management.”* (Head of customer care and sales development department)

The interviewees said that the whole organization understands that sometimes quick changes and effort is needed to be the leader on the market and not to lose its brand reputation. Fierce competition in the industry is mentioned as one important driving factor for accepting changes and achieving organization-wide consent.

Hence, the interviewees explained that backoffice employees know well that the internal customer needs to be supported in exactly the same way as the external customer – it is no problem for the backoffice to re-prioritize its work in order to solve frontline problems first. Frontline satisfaction with different backoffice units is also surveyed annually. This facilitates the understanding of effectiveness of cooperation and the areas that need improvement. Frontline satisfaction is also reflected in the performance targets of some backoffice divisions. In addition, the feedback directly from customers is part of the quarterly targets for most of backoffice employees. This is possible because the Mobile Operator distinguishes customer feedback by specific elements that evoke customer experiences.

Stemming from the organization’s general goals, each division of the Mobile Operator has its own operational level targets. For example, the segment management unit’s goals involve: the number of customers, the sales of new services, but also customer churn and the satisfaction index. Yet it was admitted, that the share of “soft” indicators (customer satisfaction) is modest among other targets. In addition to division specific targets, there are also umbrella-targets such as the size of the customer base, revenue, profitability – these targets should balance the interests and efforts of different divisions.

The support of the top managers is important for CEM, explained the interviewees. Top managers need to show initiative in explaining to the organization that “customers are the reason why we are here”. Every year the Mobile Operator’s top managers initiate a cross-organization project to improve some aspects of customer operations and experience. For example, there was a project for reducing customer complaints that was thoroughly communicated and

integrated into the performance measurement system of basically all organizational departments.

It is worth noting that although the Mobile Operator today is an intimately customer-centric organization, it has not always been so. Historically, the Mobile Operator was focused on technology and delegated the management of customer relationships to independent retailers. The turnaround in strategy was initiated and facilitated by a CEO, who contributed greatly to turning the organization into a service- and customer-oriented business; changing the mindset of the employees; and implementing the change process. This example underlines the importance of the top manager's vision and commitment to creating a customer-centric organization that delivers superior customer experiences.

**A summary of the case analyses** is presented in Table 27. This allows us to point out important issues and processes for *organizing the evoking of customer experiences* – summarized in rows. As can be seen, it involves personnel management activities (recruitment, training, motivating, performance management) as well as the alignment of functional unit goals and attitudes according to the customer experience strategy. Although the discussion and examples of personnel management activities mainly concerned the frontline employees there is no reason to believe that the same principles would not apply also in the backoffice. Application in each case is marked with a circle. It needs to be emphasized that the markings in the table are based on the above presented case descriptions as well as on the interview transcripts (not all details were included in the case descriptions, but are retrievable from the case study database). The synthesis of these results is provided in the remainder of the chapter.

In general it is hard to overstate how important the recruitment of right people was considered for evoking superior customer experiences. The interviewees in all the organizations stressed that recruiting people with the right “attitude” is paramount, especially for the frontline. This implies that the personality of the candidate needs to match the understanding about the targeted customer experience. It is quite difficult to change employee personality later, while it is relatively easy to teach service processes to a person with the right attitude. Therefore, most of the organizations faced the challenge of changing the attitudes of employees who were recruited years ago, when the targeted customer experience was different from today. But it was admitted that it is difficult to change “sales sharks” into “empathetic consultants”.

A customer experience strategy often exists in an implicit form, as a shared understanding – this makes the task of selecting the right candidates more challenging. In most cases the core values are used for explicitly expressing the requirements to job candidates, but the core values rarely reflect the entire complexity of the targeted customer experience. Therefore, it appears that a very important task for the recruitment specialist or committee is to have clear vision about the targeted customer experience.

**Table 27.** Activities and processes involved in organizing customer experience evocation in the studied organizations

Relevant activities, processes and structures	Casino	Hotel	Security provider	Travel agency	Bank	Mobile operator
<b>Recruitment</b>						
Important criterion at recruiting is the match between job candidates personality and targeted customer experience	●	●	●	●	●	●
Manager of the prospective employee is at the job interview (knows targeted customer experience)	NI	●	○	NI	◐	◐
<b>Training and engagement</b>						
Training and informative meetings are extensively used for communicating the targeted customer experience (and core values) to employees	◐	◐	●	●	●	●
The whole organization was involved in defining and/or interpreting the organization's values	●	○	◐	●	●	◐
Middle managers are considered important for coordinating customer experience evoking	●	◐	●	●	●	◐
Genuine behaviour or “deep acting” of frontline employees is encouraged through empowerment and increasing their belief in core services	◐	●	◐	◐	●	◐
<b>Performance evaluation and rewarding</b>						
Frontline employee performance is systematically evaluated based on customer feedback about experience (external view)	◐	○	◐	○	●	●
Testing is used to rank frontline employees based on competencies (internal view)	●	○	○	●	●	●
The best frontline employees are recognized in the organization or internal competitions are held	●	●	●	●	●	●
<b>Integrating the customer experience strategy with performance management and the alignment of functional units</b>						
Divisional goals or KPIs reflect the processes that evoke customer experience as well as customers' perception of the experience	◐	○	◐	○	●	●
Targets and budgets of divisions are balanced according to customer experience strategy to avoid misunderstandings and conflicts	●	○	○	NI	●	●
Imperativeness of evoking superior customer experience is clearly acknowledged also in backoffice units (customer-centric culture)	●	●	◐	●	◐	●

Legend: ●/ ◐/ ○/ NI – applies/ partly applies/ does not apply in the organization/ no info

Source: author's analysis based on interview transcripts

Interestingly, it was noted by several interviewees that since the targeted customer experience today involves quite personal and participative interaction, then relatively more Russian employees tend to have the suitable personal characteristics, such as empathy and openness for such interactions. This is illustrated in a quote by the sales division manager of the Hotel: “*Estonians often have the attitude that ‘I do not want to serve’, it is considered kind of humiliating or they just lack the courage.*” This raises the issue of the appropriateness and advantages of the cultural background of the employee for evoking the customer experience with certain targeted characteristics.

The salary level for frontline positions is relatively low compared to back-office specialists and managers. In some cases, the job does not offer much in the way of career opportunities either. This limits the choice of people that apply for service employee positions. Consequently, this poses a dilemma for organizations – what is the right trade-off between the service level provided by frontline employees (depending on the salary level) and the acceptable cost level (depending on the business model).

From the CEM perspective, the role of middle managers was noted as very important for passing on the top manager’s vision about the targeted customer experience and organizing the work of the frontline accordingly. Therefore, middle managers are the main focus group for many CEM activities.

The adoption of the organizations’ core values was encouraged by involving the whole organization or at least key personnel in defining, interpreting and operationalizing the core values. It is believed that this increases employee commitment and enthusiasm in delivering the targeted customer experience. Secondly, genuine behaviour of employees is encouraged by empowering them to solve customer service requests based on their own discretion. (However it could also be argued that the main reason for the autonomy of frontline employees lies in customer experience strategies that aim to achieve very personal interaction with customers.)

The organizations in the study used various performance evaluation and compensation systems for frontline employees. In some organizations bonus salaries were not paid at all, while others use individual, team and organization performance based bonuses. However, all the organizations practice the nomination of the best employees as a way to recognize good service work.

In the studied organizations, frontline employee performance was evaluated using three main principles:

- In some cases employee behaviour and competence was evaluated by the immediate manager, based on prescribed criteria;
- In organizations with advanced customer feedback systems, employee performance evaluation is partly based on customer satisfaction or NPS score (these reflect the delivered customer experience) that is traced back to single encounters with an employee;
- If the sales activities of employees are traceable, a sales-points system was used or then just sales revenue and profit (margin) targets were set.

The alignment of functional units to evoking the targeted customer experience is achieved using a *balanced scorecard* tool in several of the organizations (Casino, Bank, Mobile Operator). Thereby, the goals and KPIs of different divisions are balanced and the number of conflicts is minimal. In contrast, incompatible targets and budgets for divisions were mentioned as the main obstacles to cooperation between functional units.

In addition, it became evident that customer experience oriented cooperation between functional units is also strongly related to the “softer” factors, such as organization culture. For example, in the Hotel the cooperation between functional units was evaluated as very good, despite budget conflicts existing. Whereas in the Bank, cooperation is believed to need improvement despite the well balanced target system.

The role of top managers was considered decisive in both, balancing the goals and encouraging the customer-centric culture. Also, it is up to top managers or owners to balance the short and long-term goals for each organization – based on the general business strategy. Often this means a trade-off between evoking a superior customer experience or making a profit in the current period.

**In conclusion**, to answer **research question 3.c.** the case study affirmed that organizing customer experience evoking involves the following activities.

1. Recruiting employees based on their ability to deliver the targeted customer experience.
2. Communicating targeted customer experience to employees via training and meetings. The importance of the role of middle managers was emphasized.
3. Engaging employees by involving them in decision-making and empowering them.
4. Employee performance evaluation and rewarding procedures that take into account the targeted customer experience.
5. Budgeting and performance management of functional divisions aligned according to the targeted customer experience. Also, it is important that backoffice units embrace the customer-centric culture.

#### **4.5.5. Coordinating the customer experience evoking**

This subchapter aims to answer research question 3.d. by analyzing what kinds of activities and processes are used to coordinate customer experience evoking. As discussed previously, experience evoking elements are grouped into seven categories in this study, including elements associated with: *servicescape*, *service employees*, *core service*, *price*, *electronic channels*, *promotion* and *other customers*. A detailed analysis of single clues is beyond the scope of this study. Therefore, the following synthesis discusses the *management* of these elements on a cross-case level. More detailed evidence and analysis of the seven groups of elements for each case organization is provided in Appendix 14.

It is evident that the coordination of customer experience evoking involves the whole organization. It was clearly acknowledged by the interviewees that frontline alone is not responsible for delivering superior customer experience. In contrast to coordinating the service activities in the frontline, CEM also involves the backoffice units that manage such elements as pricing, core service configuration and promotion. This is illustrated in the following quote.

*“If one speaks about service, then often only frontline is addressed – whether they smile and are well dressed. But seldom does one think that service depends on the whole organization. Customer experience is a broader topic and also involves the work of other divisions. I have clearly been keeping watch on this and not allowing customer experience to be defined on the basis of the frontline alone.”* (Head of retail banking)

### *Servicescape*

In the studied organizations, servicescape was planned for quite a long period ahead and involved considerable one-off investments. Interior designers were consulted when planning the facilities, and often the top managers or owners were involved in the decision-making. The corporate visual identity (CVI) and brandbook were used to build the servicescape according to the targeted customer experience. In some cases the servicescape was customized slightly according to the needs of the local customer base (for example banners are in the Russian language in offices that are often visited by Russian customers). But overall, the servicescape clues were not changed much once the branch is built and furnished. Operationally, branch managers were responsible for making sure that the clues in the servicescape correspond to the planned customer experience. Some organizations had also set up processes for regularly auditing the servicescape to ensure that the targeted customer experience is delivered.

### *Service employees*

The second group includes elements associated with service employee behaviour and appearance. Employee behaviour was quite strictly prescribed in the areas that concern core service processes. Therefore, in all of the studied organizations service employees had little flexibility in adapting the core service offering. However, they were given more autonomy in deciding *how* to deliver the processes in accordance with the targeted customer experience. Although there were established customer service standards, this document was considered a broad guideline in all organizations, rather than specific rule.

*“There are some norms that you have to follow in order to create positive feelings, but then every customer is unique – there is no point in going into such detail. You approach each customer differently, but you have to see the customer in order to assess what is the right approach.”* (Director of human resources, Casino)

This implies that adapting interpersonal behaviour was encouraged in the organizations, whereas there was not much room for adapting the core service.

The autonomy of employees was in most cases (except in the Security Service Provider) increased by a broad portfolio of core service configurations, which allowed the service employee to flexibly offer different options to customers. Thereby giving customers the opportunity to *participate in selecting the experience*.

The ambition to become the customers' "personal consultant" was evident in the customer experience strategy of all the organizations. It seems to be an overwhelming goal. The interviewees said that personal interaction leads to a better understanding of customer needs, which in turn improves the customer's experience and leads to increased sales revenue:

*"For years we have been working like a bakery shop. The customer asks for bread, we give it to her and take the money. We want our employees to act more like travel consultants... We want to achieve the level where we elicit as many customer needs as possible and are accordingly able to offer her additional services. From our perspective this is additional sales, but from the customer's perspective we sense and predict her needs because she really needs these services."* (Sales director, Travel Agency)

However, the customizations in the service encounters were mostly limited to the elements of service interaction (employees). Other elements that evoke the experience – servicescape, core service and price – were quite strictly determined by the organizations. The backoffice processes were separated from the service encounter, and thus, there was no real co-production of value in service encounters. In another words no significant customizations were possible in the core service processes based on the personal interaction in the service encounter.

At the operational level, the work of service employees is coordinated by branch managers. It is their responsibility to make sure that the service employees behave according to the targeted customer experience. For this purpose, managers hold regular meetings, inspect the service area and solve running problems.

To explain marketing campaigns and service conditions to frontline, several organizations have implemented weekly "marketing newsletters". This provides service employees with information and instructions about marketing campaigns and new core services. From the CEM perspective such newsletters are definitely quite explicit tools for communicating the targeted customer experience inside the organization.

In order to support and advise the service employees in operational encounters, several organizations had implemented *service helpdesks*. Which means that selected employees from backoffice were given responsibility to provide instant expert knowledge about "products" and service processes to the frontline employees.

### *Core service*

The third group of experience evoking elements involves core service characteristics. In the studied cases, core service was developed and managed in the backoffice. From among all the experience evoking elements this was the most centrally managed and highly standardized. Thus, core service processes and elements were quite strictly prescribed in the studied organizations, especially the processes that involve money claims. Processes were mostly described in text format. Service blueprints or flowcharts were used only to describe more elaborate processes that involve several divisions. But it is important to note that the blueprints in the studied organizations described the processes from the internal point of view – they were compiled with the purpose of increasing process efficiency. The blueprints were not compiled to coordinate the evoking of customer experience at the operational level, thus they lacked the customer perspective or detailed descriptions of clues. To explain why the blueprints are not compiled in such detail, several interviewees said that they do not want to force the service encounters into standard formats.

The adaptability of the core service was dependent on the industry. For example, Casino does not produce slot machines, but can choose the appropriate machines and stakes for evoking the targeted customer experience. The Travel Agency does not operate airlines or resorts, but can choose appropriate partners. The Security Service Provider is not producing alarm devices, but can choose the appropriate providers. The Mobile Operator does not produce cellular phones or base stations, but can choose the appropriate technology. Whereas the Hotel and the Bank have perhaps more options in developing the core service, because their core service was less dependent on certain technology or partnerships.

In some organizations, affiliation with an MNC set limits on the autonomy for adapting and developing core services. In accordance with the results of the study by Širavliova and Angelis (2006), affiliates of MNCs mostly did not adapt the brand or core service to the Estonian market, but in other respects the local organizations had quite a lot of autonomy. There was also one exception in this case – one affiliate of an MNC used a local brand and developed core values for the Estonian organization.

Core service configurations (value proposals) and corresponding processes were operationally developed by “product” managers in core service divisions, or in cooperation with different divisions. Sometimes for this purpose feedback from customers as well as test groups was used. Yet it was admitted by the interviewees that most of the time core services were developed based on the developer’s own understanding of the targeted customer experience. In other words, customer involvement was low<sup>1</sup> in developing the value creating processes. Instead, several interviewees said that innovation and anticipation of

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<sup>1</sup> For large business customers tailored core services were often developed, but as this is very much project-based approach, it is not analyzed in this study.

customer needs is important in new service development. They believed that the new service should be ready before the customers feel the need for it.

The interviewees said that a major hindrance in the core service development process is the small size of the Estonian market – oftentimes there are not enough customers to make a major development or customization project pay off. If the customer segment that would consume the new experience is not large enough, there is no point in developing the new core service. In the interviewees' words it would be an experience for the “developer and his two friends”.

### *Price*

Fourth, elements associated with price are directly involved in evoking customer experience. The pricing mechanisms were quite different in the studied organizations because of the different nature of the services. Operationally, pricing decisions were mostly made by the managers of the core service in cooperation with finances or other divisions. The Hotel also had a separate revenue management function responsible for analyzing customer behaviour, the capacity of the organization and the market competition in order to optimize the pricing policy operatively. In the Casino, a similar function was fulfilled by the “slotmix” meeting of managers, where the stakes of the machines were discussed and plans made for changes. However, none of the studied organizations was a price leader; therefore, pricing was not the main area of concern, other elements received more attention in these cases.

### *Electronic channels*

Fifth, the organizations used electronic channels, such as phone, e-mail and webpage, to interact with customers. The importance of elements that are related to electronic channels increases as the usage of electronic media gains pace. The interviewees said that it is not appropriate to consider these channels “alternative”, because customers use these channels more actively than the physical office. Five organizations had separate structural units for handling the customer's calls and e-mails – contact centres. All organizations had elaborated webpages, which had moved beyond the traditional information-giving function. The websites provided self-service options and forms. However, none of the organizations had implemented an instant messaging option on the webpage yet because the cost of running this is believed to be quite high. It is worth noting that the management of the webpage was cross-functional in three of the studied organizations (Bank, Mobile Operator and Travel Agency), assuming the cooperation of marketing, sales, core service and IT departments. In the other three organizations, the webpage was the sole responsibility of the marketing department.

The organizations in the study also have a presence in social media. All organizations have large “fan” communities in Facebook, some organizations

also keep active blogs and use Twitter to communicate with customers. The Mobile Operator is the only one that has also set up a forum for customers on its webpage. Yet, none of the studied organizations have linked or integrated the social media interactions to CRM solutions, though this could provide a better understanding of customer contacts with the organization. On the downside, the interviewees said that social media allows interacting only with a specific group of customers because not all people use social media. It can be expected that with the increasing adoption of social media in society, the organizations will pay more attention to this area.

### *Promotion*

Sixth, elements associated with promotion have to be coordinated to evoke the targeted customer experiences. Promotional activities and campaigns are mostly initiated by the marketing and customer segment management divisions in the studied organizations. These activities are meant to evoke indirect experiences in larger customer groups. For this purpose the understanding of customer needs is utilized to adapt and focus the targeted message or experience. The style of the promotion is mostly guided by the brandbook. Various channels are used for promotional campaigns: mass media, direct post, e-mail, social media and also phone and face-to-face interactions. If the frontline is involved in the promotional activities (e.g. sales campaigns) then it is the marketing division's responsibility to inform the frontline about the planned promotional activities, explain the targeted customer experience and train the employees if necessary.

The interviewees said that the role of marketing communication and PR is increasing because the number of direct contacts that customers have with the organizations is declining. Therefore, most customer interaction takes place via electronic channels, which means that customers are more receptive to promotional activities and indirect sources of experience.

In executing marketing campaigns, the studied organizations frequently used external advertisement agencies. The organizations briefed the agencies about the goal of the campaign, its target group and main arguments. The role of the agency was to propose appropriate creative and visual elements in order to evoke the targeted customer experience. This implies that the customer experience evoked by the marketing campaigns also depends on the cooperation with one or several ad-agencies because the clues in the campaign materials are actually designed by the ad-agencies.

Although brand is traditionally associated with marketing and promotion, it is evident that from the CEM perspective, brand reputation is the responsibility of the whole organization. Brand identity is an important part of the customer experience strategy and is ultimately delivered by everyone in the organization. Consequently, it is appropriate to treat the brand separately from promotion, and position branding as a strategic level issue. Whereas promotion mostly involves operational level activities for evoking customer experiences.

### *Other customers*

The seventh group of clues is related to the impact of other customers on the customer experience. This aspect is perhaps the most challenging to manage because other customers are not directly controllable by the organization. However, some arrangements were made in the studied organizations to ensure that the direct presence of other customers would evoke a positive experience. For example, the Hotel reception aims to accommodate loud customers separately from other customers and group-customers close to each other, on the same floor. The Casino moved the slot machines closer to each other because customers liked to see that other customers are gambling beside them. The Bank assures the privacy of customers by using opaque glass walls to separate customers. But overall the influence of other customers on *direct* customer experience (in the office or branch) was not considered very significant in the studied organizations.

The impact of other customers was considered more important in the case of *indirect* experiences evoked through word-of-mouth, mass media and social media. Therefore, the studied organizations were wary of actions that could lead customers to complain publicly. This could easily spoil the experience for many other customers. For evoking positive indirect experiences, PR (public relations) activities were used to influence the opinion of the public to favour the organization. Organizations also cooperate closely with journalists to make sure that the press will not harm, but would enhance the organization's reputation.

### *Coordinating interactions with customers via CRM*

To ensure consistent interaction at all the touchpoints that the customer has with the organization and continue encounters in the context of previous encounters, the organization needs to identify customers and save information about customer interactions. In the organizations in the study, the service employees remember a small number of the repeat customers by face and name. In this case, there is usually quite a personal bond between the service employee and the customer, and the employee remembers the customer's previous preferences. But in order to support the memory of the employees and share the information about customer interactions within the organization, CRM solutions were implemented in the case organizations (except the Travel Agency). CRM facilitates saving and retrieving the history of customer's transactions and interactions. Therefore, CRM is an important tool that allows the organization to keep track of its direct customer contacts. CRM facilitates providing better experiences in individual service encounters because customer's preferences and previous behaviour can be swiftly recalled. But CRM can also enable the analysis of customer behaviour at the customer group level.

In the organizations in the study the amount of information saved in the CRM was different. As can be seen from Table 28, all users of CRM track transaction history, which means that basic information about customer

purchases is saved. In addition to this, the Bank and Mobile Operator systematically save the customer interaction history. This includes elaborated information about the customer’s needs, requests and behaviour that is revealed during service encounters. The Security Service Provider admitted that saving the interaction history is not very systematic in their organization, whereas the Casino and Hotel only save customer preferences briefly and do not attempt to save the full interaction history.

**Table 28.** Characteristics of CRM solutions in the studied organizations

Characteristics of CRM	Casino	Hotel	Security provider	Travel agency	Bank	Mobile operator
CRM also for customers who do not have loyalty card	○	○	●	○	●	●
Personal account manager for important customers	●	◐	●	●	●	●
CRM for tracking customer transaction history (purchases, prices etc.)	●	●	●	◐	●	●
Option to save customer preferences in CRM	◐	◐	●	○	●	●
Tracking interaction history (face-to-face, phone, e-mail) in CRM	○	◐	◐	○	●	●
CRM integrated to feedback gathering processes	○	○	○	○	○	◐
CRM integrated to workflow management	○	◐	●	○	●	●
Analysis of customer behaviour based on information stored in CRM	○	○	○	○	◐	●
Marketing or sales automation based on CRM	○	○	○	○	◐	○

Legend: ●/◐/○ – applied/ partly/ not applied in organization

Source: author’s analysis based on interview transcripts and Appendix 15

The Security Service Provider also uses the CRM solution for actual transaction and order management, whereas the Mobile Operator has integrated its CRM to a separate service desk solution for managing workflows inside the organization. The Bank and Mobile Operator also use customer data for analyzing patterns in customer behaviour. For example, customer propensity to leave is estimated. Advanced CRM solutions can also be used for planning and managing customer contacts; for example, compiling target group lists and sending direct-mail to the micro segments. Yet none of the studied organizations used solutions with this functionality, although the Bank is planning to implement this.

From the CEM perspective, it is important to note that customer feedback was mostly not linked to the CRM solution in the studied organizations. Although several organizations had separate solutions for saving and analyzing customer feedback, this information was not connected to a customer profile in the CRM solution. Neither were customers' answers to the NPS survey linked to CRM in any of the studied organizations. The Mobile Operator had only integrated the complaint management process with the CRM. The advantage of storing customer feedback in a CRM solution is that the organization's database would have more information about customers – namely the customer's evaluation of the most recent experiences. The main obstacle to this seemed to be the inability to integrate these processes technologically. Also, the interviewees said that integrating CRM and customer survey information raises privacy issues. The author of this thesis, however, doubts if customers know or care whether their answers to surveys are linked to their profiles in the CRM or not because answering the questionnaire by e-mail does not guarantee or assure anonymity anyway.

**In conclusion**, and in answer to **research question 3.d.** it can be said that coordinating customer experience evoking involves activities that can be categorized around the seven groups of elements.

- *Servicescape* elements are mostly designed for the long term (often with the involvement of professional designers and top managers), and require minimal operational coordination from branch managers.
- Elements associated with *service employees* were partly prescribed by processes and service standards, partly managed by middle managers and to a large degree also depend on the discretion of individual employees.
- *Core services* were managed in the backoffice and mostly formally prescribed by process descriptions and blueprints.
- *Price* elements are mostly stipulated cooperatively by managers of core service functions, sales and finances.
- Interaction in *electronic channels* was mostly managed in separate departments – contact centres (phone and e-mail). Webpages were managed either by the marketing department or cross-functionally.
- *Promotional* activities are managed by marketing departments; often external advertisement agencies are involved too.
- Elements associated with *other customers* are managed by branch managers in branches, and through various PR activities in the mass media.

To facilitate consistent customer interaction at various touchpoints, CRM solutions were used. Depending on the functionality of the CRM the individual customer transaction and interaction history was saved and used in coordinating experience evoking.

#### 4.5.6. Measuring customer experience evoking

Research question 3.e. is answered in this chapter by analyzing which metrics are used to measure customer experience evoking. As a limitation it should be noted that the task of this study is not to analyze the operational control processes in detail. (Customer experience evoking was operationally controlled by middle managers in the organizations in the study.) Instead, this subchapter analyzes the formal performance metrics that were used to measure different aspects of evoking the customer experience.

It is important to note that the customer experience metrics were connected to planning and performance measurement systems in the studied organizations. Therefore, the metrics were mostly implemented in a top-down manner, whereby the general goals of the organizations were divided into targets and budgets for the different units. Several organizations had implemented the balanced scorecard system for performance management. Therefore, the measurement of customer experience evoking was more systematic in these organizations (Casino and Bank).

The metrics that were brought up by the interviewees during the interviews can be easily grouped into four categories described in the theoretical framework. This confirms the validity of the tentative framework. The selection and implementation of metrics was specific to the organization; the differences and similarities are presented in Table 29 on next page and summarized in Figure 22 on page 245. The remainder of this subchapter discusses the four categories of metrics from the CEM perspective at the cross-case level. For each organization, the detailed metrics are presented in Appendix 16. However, it is outside the scope of this study to describe all the metrics used in the case organizations. Therefore, only the most important aspects from the CEM perspective are analyzed in this subchapter in order to gain an insight into how the formal measuring systems support the measuring of customer experience evoking.

##### *Measuring processes that evoke customer experience*

The first group of metrics addresses the internal processes and elements that produce the clues for evoking customer experience. Basically, addressing the performance of the seven categories of organization-controlled elements that evoke customer experience (discussed in the previous subchapter). In some of the studied organizations this was facilitated by an ISO quality management system. The ISO system ensured that the most important processes and process outcomes were formally described. But perhaps even more importantly, this ensured that the fulfilment of the prescribed processes was controlled by the quality manager or internal control unit.

To check the *servicescape*, for example, the Casino has implemented a procedure of self-audits based on a predefined list of questions. This was mostly the responsibility of the Casino branch managers and the quality manager.

**Table 29.** Metrics for customer experience evoking in the studied organizations

Aspects that are formally measured	Casino	Hotel	Security provider	Travel agency	Bank	Mobile operator
Performance of elements associated with:						
– servicescape (audit or mystery shopping)	●	●	○	●	○	○
– service employees in face-to-face encounters (surveillance, mystery shopping)	●	●	◐	●	○	○
– core service (availability, response time, reliability, return rates, failures etc.)	●	◐	●	◐	●	●
– electronic channels (evaluating recorded calls and e-mails)	○	●	○	●	●	●
– promotions (handing out promo material)	●	NI	NI	NI	NI	NI
– other customers (media monitoring)	●	○	●	◐	●	NI
Performance of support processes, by such metrics as: employee performance evaluation, employee satisfaction, competence of middle managers, internal cooperation etc.	●	◐	◐	●	●	●
Customer satisfaction at the relationship level (structured feedback)	○	○	●	○	●	●
Customer satisfaction at the episode level (structured feedback)	○	●	○	○	◐	●
NPS at the relationship level (unstructured)	○	○	○	●	○	●
NPS at the episode level (unstructured feedback)	○	○	○	○	●	●
Structured analysis of customer complaints	◐	◐	◐	◐	●	●
Number of repeat customers (or churn rate)	●	●	●	●	●	●
Number of new customers	●	●	NI	●	●	●
Usage characteristics saved/ analyzed at the customer level about:						
– core services (frequency, activity, share of wallet, additional services etc.)	◐	◐	●	NI	●	●
– paid price levels, payments	●	●	●	NI	●	●
– channels (offices and electr. channels)	◐	◐	◐	NI	●	●
– participating in promotional campaigns	◐	◐	NI	NI	●	●
Revenue at the level of: customers, segments, branches, organization	●	●	●	●	●	●
Profit (at the organization level)	●	●	●	●	●	●

Legend: ●/ ◐/ ○/ NI – measured/ partly measured/ not measured/ no info

Source: author’s analysis based on interview transcripts

To evaluate the performance of the *service employees*, indirect methods were mostly used. Several interviewees said that a manager cannot evaluate service employees directly during the service encounter:

*“She starts to pay attention to you, she feels that she is being evaluated, she is suddenly self conscious. We do not want to disturb them while they are serving the customer. There is no point in creating such tension.”*  
(Director of human resources, Casino)

A particular process for measuring service employee behaviour and appearance was implemented at the Casino. Cameras and a surveillance unit were used to check the service quality in all casinos. The surveillance unit had instructions based on service standards prescribing what they have to monitor. For example, their task is to notice when the service employee is dressed improperly, chews gum, behaves inattentively, deals cards the wrong way and so on. The surveillance unit observes the employees in turn and sends weekly reports about service employee behaviour to the managers of Casinos. If necessary, the Casino managers can also order a more detailed overview of a certain service employee’s behaviour. The interviewees said that surveillance via cameras does not disturb the employees’ work at all, they are so used to this.

The mystery shopping method was used in the Hotel and Travel Agency to measure the performance of the *service employees*, *servicescape*, *core service* and *electronic channels*. The experience characteristics that were to be investigated were predefined by the managers based on service standards, and the evaluation was performed regularly by an outside partner. But it is worth noting that other two of studied organizations had abandoned mystery shopping recently because it was considered too rigid and limited because of the pre-specified service parameters:

*“You give a standard, you ask them to evaluate on a 5-point scale whether the service employee smiled. But actually, the service employee needs to understand if the customer is in the mood today for a 5-point smile, maybe instead you should simply be sympathetic. There is a conflict if you want the service employee to think with the customer. From this perspective, NPS is an ideal method – it makes the service employee think in the context of the customer – ‘How can I provide an excellent service to her?’”* (Head of branch network and contact center division, Bank)

In organizations that did not use mystery shopping (Bank, Mobile Operator), recorded phone calls and e-mails were checked selectively in order to evaluate the customer experience evoked via *electronic channels*. As described before, these results are also used to evaluate and compensate employees.

The functioning of *core service processes* in the studied organizations was measured by such metrics as breakdown time, maintenance intervals, but also

complaint handling time. For example, the Security Service Provider measures the time it takes for patrols to arrive on the alarm scene.

Traditional and social media monitoring was used by several of the studied organizations. This can also be understood as a way to measure the process of evoking indirect customer experience through *other customers* or the press. Although this process is oftentimes not directly controllable by the organizations, it nevertheless influences the customer experience. Yet it became evident from the interviews that there were no elaborated systems for formally analyzing or storing the *sentiment* of published information from the customer experience perspective.

In addition to performance metrics for elements that directly evoke customer experience it is also possible to distinguish metrics for supporting processes. For example, service employee testing facilitates measuring the capability of employees to evoke the targeted customer experience, employee satisfaction studies indicate employee commitment to producing superior customer experience and internal NPS facilitates estimating the backoffice support to the frontline. Hence, these metrics provide information about the performance of processes that enable the evoking of customer experience.

### *Measuring customer experience*

At the formal level, this category involves metrics that probe the experience from the customers' perspective. To that end, the studied organizations have implemented such metrics as customer satisfaction, loyalty and NPS. These metrics were used both at the episode level and the relationship level. In addition to general satisfaction surveys (relationship level), there were also more detailed satisfaction surveys mostly aimed at separately evaluating the *perceived performance* of different elements that evoke customer experience, like service employee behaviour, electronic channels and interaction, core service, price and others. While an NPS question does not prescribe any categories to the surveyed customers.

Customer perceptions can also be analyzed and measured based on information from customer feedback and complaint forms (Casino and Hotel). However, in the case organizations this feedback is mostly used to make operational improvements and not for analyzing customer perceptions. Several managers said that positive or emotional appraisals from customers are not counted or systematized, because "there is nothing to improve based on that". Indeed this attitude may limit the ability to monitor positive customer experiences.

Some organizations (Security Service Provider and Mobile Operator) had also established formal processes for investigating and summarizing the reasons why customers stopped buying the service. This should provide strategic insights into customer perceptions and the critical factors that motivate and demotivate customers.

### *Measuring customer behaviour as a reaction to the experience*

The customers' actual reaction to the experience was measured on a general level through metrics of repeat customers, new customers and market share. To measure more precisely the "stickiness" of the experience, the Casino also measured the number of new customers that have visited the Casino a fourth time. This indicates how good the organization has been in converting a new customer into a repeat customer. Measuring "additional sales to customers" is also in this category because this quite clearly reflects repeat customers' willingness to purchase another service from the organization, taking into account past experiences. Some organizations were also able to track the share of customer wallet; that is, the organization's share of customers' total spending in the category. This indicator was mostly applied to larger business customers.

More specifically, customer preference towards different *core services* is measured through usage statistics. For example, the Bank measures customer activity in using core services (e.g. debit cards). The Casino monitors the time that customers spend at the Casinos and the size of their stakes. These measures provide additional information about how interested customers are in the experience. In addition, some organizations saved and analyzed customer preference towards different *channels of interaction*. Similarly, participation in *promotional campaigns* was measured. For example, such metrics were used as: the usage of discount coupons and consumer lotteries, sales of promoted services, and "likes" in Facebook.

Perhaps most thoroughly, customer behaviour was analyzed by the Mobile Operator and the Bank. Large databases about customer transactions, interactions and usage behaviour allowed them to generate various analyses for understanding the customers' reaction to the delivered experience.

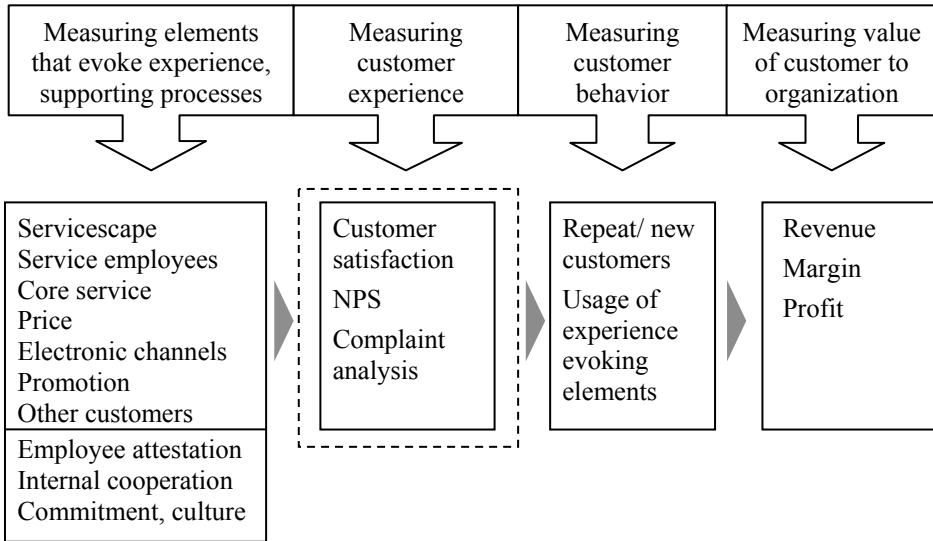
### *Measuring the value of customers to the organization*

The financial value of the customers to the organization was measured using revenue and profit indicators. Revenue was clearly visible at the single customer and segment level in the studied organizations, but it was also measured according to branches and core services. Yet, the cost accounting systems in the studied organizations were not able to allocate all costs adequately to the private customer level. Therefore, the revenue per customer indicator was mostly used as a measure of the customer's financial value to the organization, assuming that higher revenue also leads to higher profit.

Just one organization (Travel Agency) was able to calculate the sales margin per customer in real time because the cost of travel services sold was clearly visible. Even so, the margin was not analyzed or monitored at the single private customer level; it was only used to analyze relationships with business customers. Some other organizations (Hotel, Security Service Provider, Bank) also regularly calculated profit figures for customer segments.

A particular system of sales-points was implemented at the Bank and Mobile Operator in order to obtain a balanced view of measuring the sales. This system partly reflects the behaviour of customers, whereas the main goal is still to measure sales revenue and profit.

It is important to note that none of the studied organizations calculate customer lifetime value (CLV) at the single customer or segment level. This means that it is difficult to substantiate the CEM activities through long-term indicators (such as an increase in CLV), and therefore, one can suspect that the short-term view often prevails in making decisions concerning customer experience evoking. Similarly, the non-financial value of customers was not formally measured in the studied cases.



**Figure 22.** Framework for measuring customer experience evoking (compiled by the author based on the analysis of interview transcripts)

**In conclusion**, and to answer **research question 3.e**, the case study confirmed the appropriateness of the earlier proposed theoretical framework for categorizing metrics for measuring customer experience evoking. The metrics can be classified into the following four groups (Figure 22).

1. Metrics for the performance of elements and internal processes that evoke the customer experience.
2. Metrics for the customer experience (satisfaction, NPS, complaints).
3. Metrics for registering customer behaviour as a reaction to the experience (repeat purchase and usage statistics for core services, channels, promotion etc.).
4. Metrics for calculating the value of the customers for the organization. Mostly the financial value was measured through revenue, margin and profit metrics.

## 4.6. Discussion of the framework for customer experience evoking and management

The previous subchapters have validated and deepened the tentatively developed theoretical framework for explaining customer experience evoking and management by analyzing six case organizations. Next, the framework will be refined by discussing the insights gained from the analysis of the case studies. Arguably, all of the studied cases evoked customer experiences successfully, though the variety of CEM approaches and processes applied seems to be in line with the immaturity of the concept. The results of the case analysis are discussed below according to the three groups of research questions (Tables 30, 32 and 33), and in the final section the integrated framework is presented.

**Table 30.** Conclusions to research questions about customer experience dimensions, dynamics and other important characteristics

Research question	Results of the study	Theoretical implications
<i>1.a. What are the relevant dimensions of the customer experience?</i>		
	Low acknowledgement of experience dimensions in organizations. In practice mainly instrumental and emotional aspects were used. Yet all tentative dimensions were admitted relevant.	Customer experience is described by the following dimensions: emotional, instrumental, imaginative, social, sensory, bodily and cognitive.
<i>1.b. How can the dynamics of customer experience be described and utilized in CEM?</i>		
	Customer journey or experience phases were not explicitly described in the organizations, although activities that evoke experiences are accordingly specialized. The dynamics of the experience varies for “discrete” services and “continuous” services.	Four-phase model of experience dynamics is relevant only in the case of discrete services. There seems to be a research gap for describing the dynamics of continuous experience.
<i>1.c. What are the other relevant characteristics of customer experience?</i>		
	Organizations offered routine, flow and, in rare situations, also extraordinary customer experiences. Participation and immersion characteristics were case specific and varied from low to high. Yet the effect of these traits on CEM seems to be insignificant.	Other traits for characterizing the customer experience are: extraordinariness, participation and immersion.

Source: compiled by the author

The organizations studied mostly understood customer experience as a two-dimensional construct, consisting of “practical” (instrumental) gains and an

emotional side. Although interview data solidly confirms that the other five dimensions of the theoretical framework were actually considered important as well (see Table 31), those dimensions were not always recognized and categorized explicitly by the managers (outside of this study), but various activities were implemented in the studied organizations, with the goal of delivering value in all seven dimensions. Yet, the organizations lacked a conceptual framework for integrating such efforts under the customer experience concept, and the acknowledgement of different customer experience dimensions was low. Hence, a more detailed and structured model of customer experience would facilitate the organizations' work. Immediate practical suggestions for managers from this study include also starting to recognize the imaginative, social and sensory dimensions of customer experience because of the high importance of these dimensions for their customers.

**Table 31.** Prevailing dimensions of private customer experience according to the cases

<b>Case</b>	<b>Prevailing dimension of customer experience</b>
Casino	imaginative, emotional, sensory
Hotel	emotional, action, social, sensory
Travel agency	imaginative, emotional, instrumental, social
Security service	emotional, imaginative
Bank	instrumental, emotional
Mobile operator	instrumental, sensory

Source: author's analysis based on data from interviews

This result basically contests the generalizability of several previous studies that have described customer experience as consisting of three, four or five dimensions (accordingly: Naylor *et al.* 2008; Brakus, Schmitt and Zarantonello 2009; Schmitt 1999a). Industry specifics have mostly not been taken into account in previous studies. In addition to the dimensions identified in these studies, this study highlighted additional dimensions that were relevant for understanding customer experience as will be discussed below. Quite an obvious implication from this is that industry specifics should be taken into account when analyzing customer experience dimensions.

Customer experience strategies in the case organizations were mostly implicit and not detailed. It must be noted, however, that the *marketing function* had scrutinized the targeted customer experience in quite a lot of detail for promotional campaigns. But in contrast, the characteristics of the targeted customer experience received much less attention in guiding such functions as core service development, frontline interactions and even strategic management. The author suggests that defining the customer experience more specifically enables organizations to be more systematic and focused in coordinating and

organizing the elements that evoke customer experience. It should be easier and more efficient to produce clues for a evoking a customer experience that is explicitly stated and clear, than implicitly “shared”. This should also ensure that there are no contradictory clues, and the synergy of purposeful clues is utilized.

*The instrumental dimension* of customer experience was addressed as “rational” or “practical” value by the managers and experts interviewed. This mainly involved those aspects that were associated with monetary gains, time saving or provided the means (instruments) to achieve some other goals. This was well in line with existing literature. Instrumental value was mostly delivered by core service elements.

*The emotional dimension* was addressed quite vaguely only as positive or negative emotion. Organizations did not distinguish or plan specific emotions for the customer experience, not even at a basic emotion level (except in some promotional campaigns). Evoking specific emotions in customers was considered to be the responsibility of frontline employees, and was not planned ahead. Yet it is quite evident that other elements besides promotion and service employees evoke emotions as well (e.g. servicescape, core service, price), and thus, these should benefit from a strategic plan. Indeed, further studies should investigate how specific emotions can be utilized in a systematic manner to evoke customer experience.

*The imaginative dimension* of customer experience was considered quite important for customers of several organizations; to a large extent this seems to be related to the emotional dimension. From the CEM perspective, customer imagination, however, fulfilled various purposes, like supporting fantasies about the core service (Hotel, Travel Agency), but also wishful thinking (Casino), and fear (Security Service Provider). The theoretical assertion that imaginative thinking is connected to sensory clues was confirmed by the interviewees – photographs and other visual aids were considered crucial for evoking imaginative thinking. While the imaginative dimension of customer experience is evoked through direct servicescape clues in the service encounters at the Casino, the importance of indirect clues in promotional materials and mass media is more important in the case of the Travel Agency and the Security Service Provider. Because of the high importance of the imaginative dimension in several of the cases, the author suggests that it is reasonable to clearly distinguish the imaginative dimension of customer experience from the cognitive dimension in further studies.

*The sensory dimension* was mainly associated with aesthetic pleasure. But sensory perception seems to also be quite strongly associated with other dimensions of experience; it was believed that sensory experience supports emotions and imaginative thinking. Often sensory clues were seen as a way to support brand reputation (heuristic or credence attributes). In the case of the Mobile Operator the sense of hearing was also strongly related to the core service (phone calls). The interviewees admitted that the deliberate use of sensory clues

requires knowledge about the influence of various stimuli on human psychology, which is oftentimes beyond the organization's current capabilities.

*The social dimension* of customer experience was dependent on different groups of people: fellow customers and service employees in the physical office, as well as people outside the organization, like friends, acquaintances, internet commentators, journalists and so on. Such issues as privacy, affiliation, social acceptance, social status and reputation emerged during the interviews. This is consistent with views reflected in the studies by Ponsonby-McCabe and Boyle (2006) and Sundbo (2009). It was believed by the managers in all cases that "public opinion" and recommendations from peers have a moderately important influence on customer experience.

*The action dimension* of customer experience was significant only in cases that required longer actual presence from the customers, such as the Hotel and the Casino. Yet in these cases, comfort for the customer's physical bodies was taken very seriously. The label of this dimension was, however, confusing to the interviewees because it does not reflect the activities that involve relaxation (resting in a hotel bed, sitting in a casino chair). Based on this insight, the author suggests that a better name for this dimension might be "bodily" action and well-being.

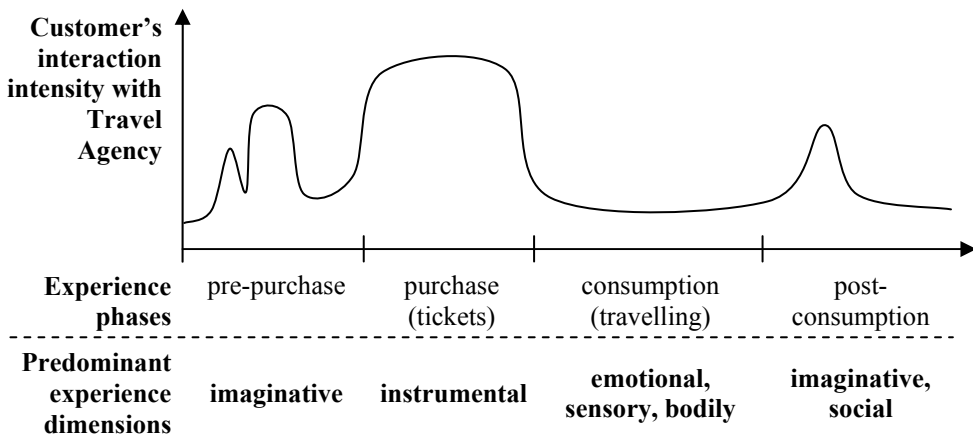
*The cognitive dimension* of customer experience was considered somewhat less important in the case organizations. It was considered mainly important for first-time customers who would explore the unique servicescape (Casino, Hotel), learn to use the core service (Mobile Operator, Bank), learn about other related topics, such as securing the home (Security Service Provider) or learn the peculiarities of travel destinations (Travel Agency). This was well in line with existing literature. It seems that this dimension quickly loses importance for repeat customers during a longer relationship because customers learn the most important aspects during their first experiences and do not learn much later (at least in the case of the experiences studied in this thesis).

The cases where the emotional and imaginative dimension prevailed also assumed more *participation* and *immersion* from the customers, leading to *flow* experiences (Casino, Travel Agency). In rare situations *extraordinary* experiences also occurred (e.g. winning a big prize in the Casino or travelling to exciting destinations with the help of the Travel Agency). However, the experiences where an instrumental dimension prevailed were mostly quite *routine* and required the customer's intense participation only in some specific episodes of the experience. Therefore, this study suggests categorizing customer experiences into extraordinary, flow and routine, as explained in the theoretical part. These experience categories are based on the need for customer participation, effort, skill, the novelty of the experience, and the ability to offer transforming benefits.

*The customer journey* was explicitly described by just one case organization; even then it was done only as a pilot project. However, the usefulness of this tool was confirmed for analyzing and planning experience evoking. Other

organizations also acknowledged customer *experience dynamics* by implementing activities and processes for all phases of the customer experience. But this was based on intuition and implicit knowledge rather than a thorough description of the customers’ needs, actions and consecutive touchpoints. Therefore, the construct of experience phases was affirmed by the interviewees, despite the fact that they had not conceptualized or used it in this way in their daily operations.

Customer experience dynamics was especially interesting in the case of the Travel Agency, which is only an intermediary for travel services. This means that the customer interacts with the agency only in the pre-purchase and purchase phase, and not in the consumption phase (see Figure 23). Therefore, one could argue that the Travel Agency is predominantly providing an instrumental experience – making sure that the customer can buy all the necessary services from one place. Yet the Travel Agency seems to have a different strategy – to avoid the commoditization of the service it aims to be involved in the core travel experience as well. It takes some limited responsibility for the travel service providers and supports its customers with a help-line also when they are travelling. This strategy indeed allows them to augment the agency service and make the service more emotional by being involved in the consumption phase. An important implication from the theoretical perspective is that the concept of the experience phases is imperative for understanding the customer experience and the experience strategy.



**Figure 23.** Customer interaction with the Travel Agency in various experience phases (compiled by the author)

All case organizations utilized relationship marketing strategies, and thus, an important aim for all organizations was to retain repeat customers. However, three of the case organizations offered a *continuous experience*, which means that the consumption phase of the experience lasts uninterruptedly for as long as

the customer remains loyal. In the other three organizations on the contrary, the consumption phase was clearly limited in time (discrete). This is likely to have practical implications for CEM. For example, in the case of continuous experiences, the experience profile (“curve”) cannot increase – or it would soon reach a maximum level from where there is nowhere to go. At the same time, the providers of a continuous service have much more contact with the customers, thus they should have a better understanding of customer-specific factors and should be able to use other universal psychological principles more easily. On the other hand, in *discrete experiences* the gestalt characteristics associated with memorizing the experience are perhaps more easily applicable; thus, it is possible to optimize the experience based on the peculiarities of human memory.

The salience of different experience dimensions through various phases of customer experience (or customer journey) was not thoroughly investigated in this study. Although this is a very important area for further research because it allows us to focus the right type of experience evoking efforts to the right touchpoints, reckoning with experience dynamics. For example, preliminary results show that in the studied cases the cognitive dimension of customer experience inevitably loses importance during repeat encounters. But further, detailed research about the salience and the effect of various customer experience dimensions during experience phases would be of great practical and theoretical value.

Secondly, it must also be noted that only a few previous studies have focused on investigating the characteristics of the multidimensional customer experience and the elements that evoke those experiences (e.g. Keng *et al.* 2007). An interesting contradiction with the results of this study could be highlighted – where Keng associates personal interaction in retailing mainly with external (efficiency) motives, this study indicates that service employee behaviour in encounters can also play a significant role in evoking internal emotional reactions in customers. Therefore, another important area for further research is the influence of organization-controlled factors on different dimensions of the customer experience.

To summarize the contribution to current literature from the first set of research questions, the following aspects can be pointed out.

- Improved seven-dimensional conception of customer experience. Providing thorough theoretical analysis of the emotional dimension, and highlighting the highly practical importance of the imaginary dimension.
- Opened an agenda for studying the influence of organization-controlled factors on multiple dimensions of customer experience.
- Explained distinction between discrete and continuous customer experience dynamics.
- Complemented the customer experience typology by suggesting a distinction between routine, flow and extraordinary experiences.

The second set of empirical research questions investigated how customer experience is evoked in organizations. Based on the case study results, the answers to these questions are summarized in Table 32 and discussed below.

**Table 32.** Conclusions from research questions about evoking customer experience

<b>Research question</b>	<b>Results of the study</b>	<b>Theoretical implications</b>
<i>2.a. Which elements and clues do organizations utilize for evoking customer experiences?</i>	Relevance of tentative framework about seven groups of organization-controlled factors for evoking customer experience was confirmed. Yet the customers' subjective perception of clues was not thoroughly scrutinized in organizations.	For evoking customer experience organizations utilize elements associated with: service employees, core service, electronic channels, servicescape, promotion, price and other customers. Because of the subjective framing, the effects of single elements on customer behaviour are not as univocal as suggested in many studies (undermining the concept of product quality).
<i>2.b. Do organizations account for universal psychological principles in evoking customer experiences?</i>	Universal psychological principles were used in planning the experience. But this was mostly not a focus area for organizations; thus, a more systematic approach could be used to improve customer experiences.	Organizations utilize psychological principles for improving customer experience, related to: memorizing the experience, real-time processing and universal human needs. Implementing an increasing experience profile (gestalt characteristics) is problematic in the case of repeat customers.
<i>2.c. Do organizations take into account customer individuality in evoking the experience, and elicit customer-specific factors?</i>	Customer-specific factors were elicited in service interactions and with special studies. Yet only a small part of this information is formally stored in databases.	The role of customers' subjective filter in creating experiences is recognized by organizations. Information about past experiences is saved formally at the individual customer level. But insight into customer personality or situational goals is rarely saved or shared in the organization.

Source: compiled by the author

The results showed that organizations acknowledge the role of single clues for evoking customer experience; the partly subjective and difficult to predict nature of the clues was also recognized. Yet customer perception and reaction to

single clues was rarely purposefully studied in the case organizations. There were several reasons for this:

- managers believed that the effect of clues is quite obvious,
- it was difficult to measure the effect of single clues,
- the effect of clues was considered to depend on individual customers (hence subjective answers would not provide much actionable insight),
- not enough resources (or reasoning) for measuring the effect of clues.

The effect of single clues on customer perception was seldom pre-tested for the elements of promotions. Clues associated with other organization-controlled elements were even more seldom pre-tested; instead the customer reaction was understood only through customer feedback.

The evidence confirms that the organization-controlled elements for evoking customer experience can be described by the seven categories that were proposed in the theoretical framework. But this study did not reveal significant differences between the experience evoking activities of “emotional” and “instrumental” experience providers. Basically, in all cases, *service employees*, *core service* and *electronic channels* received the most attention inside the organizations. The data suggests that *promotion* is considered somewhat more important in organizations that provide predominantly instrumental experiences, perhaps because they strive to avoid the commoditization of the experience and enforce the emotional experience dimension with advertisements. Secondly, it appeared that the organizations that provide predominantly emotional experiences pay more attention to the physical clues in the *servicescape* as well as to the influence of *other customers*. These elements are important for evoking sensory, emotional and social experience.

The problem with the *quality* concept for evaluating customer experience evoking emerged in this study. This has also been highlighted by Sundbo (2009). Measuring quality by standard criteria contradicts the subjective nature of customer experience. Therefore, several case organizations had abandoned the mystery shopping method for checking the quality of experience evoking elements because it was regarded to be too rigid. Not every customer needs a “5-point smile” to have a superior experience; depending on the customer this may even damage the customer’s experience. Instead, the focus in organizations seems to turn towards:

- frontline employees’ ability to *elicit customer-specific factors* in the interaction and *customize* the experience accordingly,
- gathering *customer feedback* to identify where *improvements* are needed for evoking superior customer experiences.

It is difficult to evaluate the extent to which organizations reckoned with universal psychological principles in evoking customer experiences. Some well-known aspects of consumer psychology were surely explicitly used in setting up operations and service standards, but at the same time, it was admitted that

advanced consumer psychology is not the main concern or strong side in the case organizations. Universal psychological principles are implicitly used in processes based on the managers' intuition and knowledge base. One exception among the cases was the Casino, where psychology received relatively more attention because the need to stage entertaining and engaging customer experiences was clearly acknowledged. The "psychology" skill was highly appreciated and trained in frontline employees because they interact directly with the customers. But from the CEM perspective, it is evident that backoffice has perhaps an even more important role in evoking customer experiences; hence, they should also understand the universal psychological principles well. After all, many important experience evoking elements, such as: the core service, price, servicescape, webpage, service standards for the frontline employees and other important clues are developed and implemented by the organization's backoffice.

*The increasing experience profile* was not explicitly utilized in any of the organizations. The study raised the question of whether this approach is at all appropriate in the case of repeat customer experiences because the increasing trend increases the expectations for the next experience encounter and leads to disappointment eventually. The studied organizations had not explicitly considered the *core human needs* of the customers in planning and organizing experience evoking processes, although implicitly some aspects of this probably have been taken into account. On the other hand, several other universal psychological principles that were discussed in the theoretical framework were explicitly utilized in the studied organizations; for example, making the *perceived time duration* shorter; complying with the customers' need to *feel in control* and the need for *variety*. In summary, it can be said that there was not very much explicit evidence about the systematic use of universal psychological principles in the case organizations, but there is good reason to believe that some of this knowledge was intuitively and implicitly utilized in the processes that evoke customer experience.

Understanding *customer-specific factors* that influence the experience was a challenge for organizations. This information was used basically on two levels: in frontline interactions and in the backoffice for planning experience evoking. The frontline mostly elicited customer-specific factors in direct encounters with customers. To serve repeat customers, frontline employees also used information that was remembered from past interactions with the same customer or saved in the CRM solution. Backoffice gained strategic insights into the factors that influence the subjective perceptions of customers through the various feedback processes that were described in Chapter 4.5.2. Organizations formally stored information in databases mostly about customers' *previous experiences*; information about *personal* and *situational characteristics* was not so thoroughly stored or analyzed.

It is worth noting that with the increasing share of electronic interactions, the depth of information about customer-specific factors will inevitably decrease,

but the volume of information that is formally stored will increase. For instance, electronic channels are relatively poor for passing along the customer's body language, immediate emotional reactions and other details that would reveal customer-specific factors. But on the positive side it is relatively easy to formally store and analyze interactions in electronic channels; for that reason, the amount of information that is formally stored about customers increases.

Therefore, two areas for further research are to be pointed out. Firstly, how universal psychological principles could be used more systematically by the organizations for evoking superior customer experiences deserves more attention as does why these are not applied. Secondly, an area which needs further study addresses activities that allow the organization to take into account the individual customers' background (customer-specific factors) for evoking superior customer experiences for individual customers on a mass basis. How can organizations manage such an "explosion of subjectivity" (also raised by Addis and Holbrook 2001). Modern information systems provide tools for saving information about customers, but the corresponding processes, rules and their "productivity" from the customer experience perspective needs to be scrutinized. This study has explained the relevance of these topics and provided some preliminary insights, but systematic research is needed to further expand the understanding of this aspect of CEM.

The contribution to current literature from the second set of research questions could be summarized as follows:

- Proposing and validating a framework that explains the "mechanisms" of customer experience evoking based on the integration of several relevant theories.
- Preliminary suggestion that organizations that offer predominantly emotional experiences pay more attention to servicescape elements, and organizations that offer predominantly instrumental experiences pay more attention to promotion elements.
- Providing an analysis of the literature about psychological principles for universally improving customer experience. Assertion from empirical study that in the case of repeat and continuous customer experiences, the gestalt characteristics of experience may not apply.
- Highlighting the importance of customer-specific factors in evoking customer experience (which is often neglected in studies that aggregate the opinions and experiences of customers with different backgrounds and needs).
- Empirically confirming the problem of using standard quality criteria for CEM purposes – in some instances this works counter to the phenomenological nature of customer experience.

The third set of empirical research questions investigated the components of CEM and the activities, processes and structures that are crucial for it. The results are summarized in Table 33 and discussed below. It appears that none of the case organizations had prescribed or defined an explicit framework for

implementing CEM. Nevertheless, all the interviewees said that they execute CEM in their daily operations. Most importantly, the analysis of activities that were mentioned as characteristic to CEM confirmed the five-component framework that was tentatively developed in the theoretical part of this study.

But in addition to the five components that were pointed out in the tentative theoretical framework, the empirical study also revealed one activity that does not match the tentative framework well; it addresses the improvement of experience evoking processes based on customer feedback. This basically means making adaptations to existing processes on various management levels with the purpose of improving customer experience and outcomes for the organization. The need for such improvements and changes can be explained by the internal “imperfections” in the CEM processes, such as the inability to understand customer experience requirements, imperfect experience planning, organizing or coordination activities. But it can also be caused by *changes* in external factors, such as: customer requirements or the business environment.

**Table 33.** Conclusions from research questions about managing the evoking of customer experience (CEM)

Research question	Identified CEM processes and further theoretical implications	
3.a. <i>How do organizations understand customer experience requirements? What activities are undertaken to that end?</i>	1) Gathering insight from daily customer interactions through frontline and information systems, 2) analysis of customer behaviour, 3) observation of service encounters by managers, 4) insight from special customer studies.	- Highlighting the importance of communicating the right insight about customers from frontline to the rest of the organization. - From the CEM perspective it is crucial that feedback processes capture multiple dimensions of customer experience.
3.b. <i>How do organizations plan customer experience evoking? What activities are involved?</i>	1) Shared agreement about targeted customer experience that is developed with the participation of the top management and formally reflected in the brand or core values; 2) specifying customer experience at the target group and business model level; 3) developing operational strategies, processes and structures for evoking targeted experiences via organization-controlled elements.	- Customer experience strategy is mostly implicit and shared among the members of the organization. - Interpretation and implementation of brand values is what determines the customer experience strategy (rather than the values themselves) - Opening agenda for studying how different customer segments can be served by one experience strategy (mass-customization).

**Table 33** (continued). Conclusions to research questions about CEM

Research question	Identified CEM processes and further theoretical implications	
<i>3.c. What organizing activities are necessary for evoking customer experience?</i>	<ol style="list-style-type: none"> <li>1) Recruitment that takes into account the targeted customer experience;</li> <li>2) communication of the targeted customer experience to employees in training and meetings;</li> <li>3) engaging employees through involvement in decision-making and empowerment;</li> <li>4) performance evaluation and rewarding that takes account of the targeted customer experience;</li> <li>5) aligning functional units through budgets, performance management and a culture that facilitates the evoking of the targeted customer experience.</li> </ol>	<ul style="list-style-type: none"> <li>- Important criteria when recruiting personnel is the match between targeted customer experience and candidate personality and attitudes.</li> <li>- High emotional and social intelligence is required from frontline employees.</li> <li>- Engaging employees to discuss and implement customer experience strategy leads to more committed and authentic behaviour.</li> <li>- High compatibility of balanced scorecard method for aligning activities according to customer experience strategy.</li> </ul>
<i>3.d. How is customer experience evoking coordinated? What activities are used?</i>	<p>Managing operationally the elements associated with: servicescape, service employees, core service, price, electronic channels, promotion and other customers. Consistent contacts with customers are facilitated by software solutions (CRM) in most cases.</p>	<ul style="list-style-type: none"> <li>- Organizations do not have elaborated tools/processes for synchronizing the clues in the service encounters.</li> <li>- Further studies required for understanding the effects of the integrated management of clues in service encounters.</li> <li>- Co-production of experience is not offered to customers.</li> </ul>
<i>3.e. How is customer experience evoking measured in organizations, what metrics are implemented?</i>	<p>Metrics for measuring:</p> <ol style="list-style-type: none"> <li>1) internal processes that evoke customer experience,</li> <li>2) customer perception about experience,</li> <li>3) customer behaviour as a reaction to the experience,</li> <li>4) value of customers to the organization.</li> </ol>	<ul style="list-style-type: none"> <li>- Internal metrics for elements that evoke customer experience encompass 7 categories that were described in question 3.d.</li> <li>- Multidimensional customer experience is an important mediator that facilitates predicting the effect of various clues on customer behaviour.</li> <li>- Lack of data on customer lifetime value hampers CEM because it imposes a short-term perspective.</li> </ul>

Source: compiled by the author

Detecting the need for improvements and carrying out improvements requires the skills of business management as well as *organizational change management*. This aspect of CEM is a potentially important finding and indeed calls for further research. Although one could argue that “making improvements” is just another aspect of the customer experience planning process, it seems reasonable to address it separately until there is more empirical evidence about this CEM process.

It is evident that CEM includes a broader range of issues than marketing management. According to the example of the case organizations it can be said that the marketing divisions focus only on managing the elements associated with *promotion* and *other customers* in the media; therefore, Webster’s (2002) broad definition of marketing as a guiding function for the organization is basically invalid. *Servicescape*, *service employees*, and *electronic interaction* elements in most of the case organizations were managed by the sales divisions (see Appendix 17 and 18 for summary of organizations’ structure). Whereas *core service* and *price* were managed by the backoffice divisions. This result clearly highlights the cross-functional nature of CEM.

#### *Understanding customer experience requirements*

This component of CEM includes such activities and processes as: eliciting customer needs in daily service encounters, storing and disseminating this information in the organization, analyzing customer behaviour based on the stored information and implementing special customer studies. Based on the comparison of the tentative framework and the empirical data some important issues will be discussed next.

Firstly, from the CEM perspective, the frontline is a rich source of information about customer experience requirements. Most of the service employees understand customer experience requirements quite well, but passing on the relevant information to the rest of the organization requires skill, motivation and support processes. To pass this information, various activities are used that have their advantages and disadvantages: 1) CRM solutions facilitate formally saving the “factual” information about individual customers, but lose the richness of information; 2) reports, regular meetings and intranet solutions facilitate transmitting more diverse insights, but are mostly not connected to specific customers; 3) tracking customer complaints facilitates saving and analyzing information on individual customers, but not very systematically (not all customers complain). Based on the evidence, it seems that improving this area – gathering and disseminating information about customers by the frontline – is a necessary next step for improving CEM in organizations.

Special studies are also undertaken to understand customer experience requirements. Information from this source is more systematic, but can be misleading unless the multiple dimensions of customer experience are reflected in the marketing research. It appears that two popular customer studies are: satisfaction surveys and NPS. Satisfaction surveys provide detailed information

about the perceived performance of organization-controlled elements, while the disadvantage is that the questionnaire often does not capture the multiple dimensions of the experience from the customer's perspective. This is obviously a considerable problem for CEM. On the other hand, the NPS survey does not force predefined frames on customers, and therefore, could reflect the multiple dimensions, but this method is suspected of being open to various biases and other problems.

It became evident that none of the organizations had used ethnography, living lab or other similar methods for delving deeply into the customers' reality. Managers mostly relied upon service employees and customers' own reports to understand the customers' experience requirements. Therefore, unarticulated meanings were often not elicited. Basically, two reasons explain this; firstly, the managers believed that frontline personnel know customers closely enough to give accurate information about their needs. Secondly, the managers believed that thorough studies do not pay off because the market in Estonia is so small and the costs of this type of study are too high, so the organizations cannot get their money back.

It is worth noting that the organizations had not linked the customer feedback from satisfaction studies or NPS to their CRM solutions. Although the organizations had special software solutions for saving and analyzing customer feedback from the satisfaction survey and NPS, this functioned separately from the CRM and was mostly meant only for making summary reports and solving customers' problems operationally. The platforms for sharing information about customers were not too integrated in the studied cases.

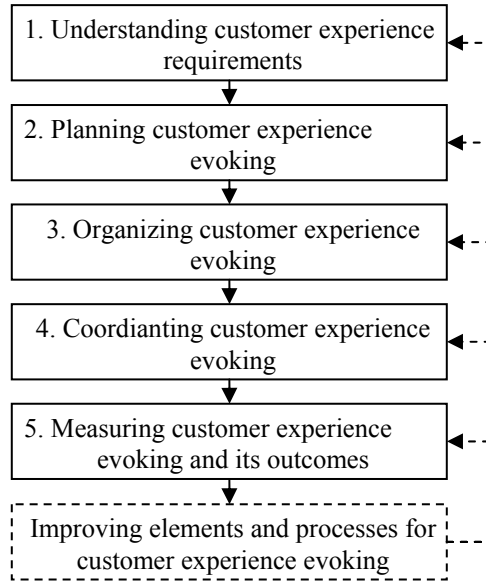
Therefore, besides gathering accurate information, it is also a challenge to take the insights from special studies through the whole organization, so each part of the organization would understand their contribution and performance in relation to evoking superior customer experiences.

Customer feedback in the studied organizations was mostly registered and formally analyzed according to rational/functional categories. Top and middle managers are more concerned with optimizing and improving the instrumental characteristics of internal processes, and less attention is paid to mechanisms for how and why customer *emotions* are evoked. This highlights the need to pay attention to the type of information that is gathered for understanding customer experience – all relevant experience dimensions should be included.

Based on this discussion, an important question arises: what are the most effective and efficient processes that allow the organization to understand customer experience requirements? This discussion needs to consider such aspects as the value of the insight for making improvements, the need and ability to evoke superior experiences for individual customers based on the information (customizations), the existing capabilities of the organizations and the costs related to collecting and analyzing the information. This case study has highlighted several processes and contingencies that help answer this question, but also indicated areas for further research.

### Planning customer experience evoking

The second component of the CEM framework (see Figure 24) includes various activities from defining and specifying customer experience strategy to operationalizing it in processes, service configurations, service standards and elements that evoke customer experience.



Legend:

- Included in tentative theoretical framework
- Not included in tentative framework

**Figure 24.** Major components of CEM (compiled by the author)

The empirical evidence revealed that the customer experience strategy was not specifically or explicitly defined in the organizations. Instead, quite a *broad understanding of the targeted customer experience* was shared in the organization. This of course allows for flexibility, but the disadvantage is that it can cause misunderstandings, confusion or even negligence in aligning the efforts of functional divisions and employees. The broad definition of the customer experience strategy could be caused by the organizations' ambition to serve as many customers as possible, including segments with different needs. This limits how specific one can be about customer experience, because some segments would be excluded. Therefore, it can be concluded that the ambition to have as many customers as possible and serve various customer segments leads to quite general (all-round) customer experience strategies that may cause tensions inside the organization and also dissatisfaction in some customer segments.

It appears that formally, the customer experience strategy was guided by the *brand* or *core values*<sup>1</sup> of the organization. Therefore, the brand or core values are used as a tool for ensuring coherence in operational level activities that should evoke superior customer experiences. This leads to perhaps one of the most important implications of this study – *from the CEM perspective, brand is definitely not an operational issue connected to marketing and promotions only, but brand is a projection of the customer experience strategy that aligns and facilitates the work of all organizational units.* The tentative CEM framework needs to be adjusted accordingly, because empirical evidence shows that branding should be considered as part of the strategic planning activities, rather than the operational organizing activities. The importance of brand for CEM has also been emphasized by other scholars (e.g. Crosby and Johnson 2007; Ryder 2007), but a novel contribution of this study is to position brand as part of the customer experience strategy within the broader CEM framework.

In some cases brand/core values were elaborated as a reconciliation between the organization's strengths and customer needs. But in some cases, the values were basically externally prescribed by an MNC. Implying that from the CEM perspective, how the values are implemented in the organization is actually more important than abstract keywords.

Evidence shows that *business rationale* is also an important aspect of customer experience planning. Before developing or altering services, solutions or processes that evoke customer experiences, payoff calculations are made. This study did not analyze the decision-making process at the business model level deeply; however, it became evident that the customer experience strategy is affected by such strategic factors as: choice of target group, positioning among competitors, cost and revenue structure and so on.

At the strategic level, the case organizations mostly did not differentiate its customers explicitly based on *customer needs* (perhaps with the exception of the Mobile Operator and Bank). It appeared that in a small market like Estonia, it does not make much business sense to develop separate solutions (or business models) for different segments. Therefore, the core service processes were often standardized, but the downstream activities such as promotion, sales and service interaction were customized to the needs of micro-segments and individual customers. Basically, instead of a segment-based approach, “personalization” strategies were used. But it has to be noted that with highly standardized core services, personalization can only go that far.

Based on this discussion, a question that needs further scrutiny is how can organizations effectively serve customer segments with various needs through one customer experience strategy – if there is not enough business justification for several different strategies and business models? Can the aggregated one-size-fits-all type of solution be effective from the CEM perspective? What are

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<sup>1</sup> Interviewed managers did not make a distinction between brand and core values; the organizations had one set of values.

the downsides? How could this be supported by flexible processes and clues? This study has provided some preliminary insight into these types of processes for planning customer experience.

To maximize the business results (or *relationship performance*, as defined by Storbacka and Nenonen 2009), all organizations offered augmented experiences for their most valuable customers. This included more personal interaction, various bonuses and partner-offerings to keep customers loyal, whereas the core service was pretty much the same for all customers. At the theoretical level, this implies that the organizations were quite keen on offering more value to those customers that created more value for the organization.

Understanding the customer journey was mostly implicit in the organizations; none of the organizations used formal touchmaps for planning the dynamics of the customer experience. Neither had the organizations explicitly defined channel strategies for interacting with customers. Customers were allowed to choose the channel they liked best, whenever possible. From the CEM perspective this is indeed quite a passive approach from the organization and can also be quite costly.

On the operational level, the customer experience strategy was embodied in processes, regulations and structures for managing the elements that evoke customer experience. Organizations used service blueprints to describe complex processes and optimize them. Yet service descriptions and blueprints as a rule reflected the internal activities of the organization and the customer perspective was not made explicit. Therefore, one could argue that there is room for improvement in planning customer experience evoking from the customer's perspective.

### *Organizing customer experience evoking*

This component of the CEM framework includes activities that are connected to recruiting, training, engaging and rewarding the personnel, as well as activities for aligning the performance of functional units according to the customer experience strategy.

The empirical study showed that from the CEM perspective, the first and perhaps most important HRM practice is *recruitment*. The interviewed managers confirmed that changing the attitudes and behaviour of employees is difficult. Teaching the necessary technical skills to frontline employees is considered much easier than teaching interaction skills and the "right attitude". This result coincides with the study by Jaakson (2009), who also marked recruitment as a part of the system that facilitates management by values. Therefore, it is important to hire employees whose characteristics match the customer experience strategy. This is especially important in the frontline because of the direct contact with the customer.

Case evidence suggests that in all the studied cases the frontline employees' *emotional or social intelligence* was considered crucial for evoking superior customer experience. This should ensure that the employee can understand

customer-specific factors that influence the experience on individual customer level accurately, and accordingly adapt her own behaviour and the core service if possible. Yet the impact of an emotionally and socially more intelligent employee on the customer experience is an area that requires further research. From the practical side it would help organizations to decide whether it is reasonable to hire employees from a higher salary level and spend money on training personnel. In this context it is useful to note the study by Kallas (2010), who suggests that the emotional intelligence of employees is related to organizational culture, and could therefore be developed by supporting the right values and practices.

There was quite lot of flexibility for employees in applying the *service standards*. Although the templates and even the exact phrases were suggested in some standards, the frontline employees were not ordered to behave exactly according to prescribed scripts. *Empowerment* of the service employees was used actively. Therefore *deep acting* on the part of the employees was encouraged. Similarly to Hennig-Thurau *et al.* (2006), it was found that this leads to better responses from customers and greater customer loyalty.

Also, a point was made about *engaging* employees in various decision-making and development processes. This was seen as a way to gain employee commitment. From the CEM perspective, of course, one of the most crucial areas where to involve employees is the operationalizing of the customer experience strategy and the core values. Results of this study imply that being involved in this process facilitates the internalization of customer-centric thinking among the employees.

This study revealed three issues that are important for the *cross-functional alignment* of organizational units according to the targeted customer experience: 1) compatible performance management systems (budgets and KPI-s), 2) customer experience oriented culture, 3) sufficient feedback to backoffice units from frontline and customers. An interesting finding was that the *balanced scorecard* method facilitated smooth cooperation for delivering the targeted customer experience in several of the cases. It integrated performance targets across the organization for customer perceptions of the experience, elements that evoke the customer experience, processes that deliver these elements and the financial results. Therefore, a fruitful area for further research would be the compatibility of CEM and the balanced scorecard performance management method; this study suggests that both fields would benefit from such an integrated approach.

A *customer experience manager* was not established as a separate position in any of the studied cases. But the *manager of service development*, who was responsible for improving the sales and customer service operations, was close to this role. This position, however, was implemented only in some organizations; in the other cases CEM projects were carried out cooperatively by the marketing, sales, personnel and core service managers. Therefore, the authority for CEM efforts was quite scattered, there was no separate unit clearly

responsible for orchestrating customer experience evoking. This could be attributed to the size or background of the organizations, but also to the lack of structured understanding about CEM.

#### *Coordinating customer experience evoking*

The fourth component of the CEM framework is about the operational level coordination and management of processes and elements that evoke the customer experience. In this study, the organization-controlled elements were grouped into seven categories as described earlier. From these elements, *core service*, *webpage*, *servicescape* and *price* were quite standardized; whereas *promotion campaigns* were adapted to smaller customer groups, and elements associated with *service employees*, and *phone and e-mail* interactions were mostly customized to individual customers. This implies that less standardized elements require more operational coordination to deliver the targeted customer experience.

However, from the CEM perspective it is important to coordinate and synchronize all these clues to deliver a consistent customer experience. This seems to be a challenge for the organizations because customer experience evoking involves elements that are not only managed by frontline units, but also the backoffice. Formal process descriptions and service blueprints facilitated this integration to some extent. Yet these descriptions were mostly prepared from the organization's internal perspective, aiming for operational efficiency. Therefore, one could conclude that from the CEM perspective, there was little formal integration between the various elements that evoke the customer experience. One reason for this is apparently the lack of a clearly agreed customer experience strategy and the desire to guarantee flexibility in serving customers with different needs. Hence, one area that deserves attention in further studies is how the integration of clues at the operational level could be facilitated (which tools or processes could be used). This would make it possible to avoid producing contradictory clues and ensure that the customer perceives all the clues as part of an integrated whole.

Individual customer involvement in producing the experience was modest in the studied cases since the core service processes were quite highly standardized and operationally buffered from the frontline. Not much personalization of the core service was done during the service encounter, although the selection of services was impressive in several cases. The customers' "voice" was sought mainly after the encounter via feedback processes. Based on feedback alterations and improvements were made to the processes, but remarkably this was not done at the individual customer level (feedback was often not even tied to the customer's record in CRM). Therefore, from the individual customer's perspective not many opportunities were offered to co-produce the experience, and thereby enhance the real or subjective value of the experience. This implies that utilizing customer input is a potential source of value that was not actively tapped into.

### *Measuring customer experience evoking*

The fifth component of the CEM framework embodies formal metrics that are used to measure the different aspects of the customer experience evoking process. The case study results revealed that organizations measure performance on the four levels that were tentatively proposed; therefore, the validity of the framework was confirmed. In some cases, the metrics were well integrated into a holistic performance management system (balanced scorecard), yet in other cases the metrics were used only for measuring the performance of separate processes and units.

In addition to measuring the performance of *elements and processes associated with customer experience evoking*, the case organizations are increasingly paying attention to measuring the *perceptions of the customer experience*. The CEM framework that was developed in this study facilitates measuring both of these aspects more systematically – by firstly detailing different experience evoking elements and secondly experience dimensions.

Further, the metrics that reflect the *customer's actual behaviour (as a reaction to the experience)* and the *customer's value to the organization* facilitate evaluating how successful the organization's CEM efforts have been. The value that the organization retrieves from its customers was measured in all cases based on financial results from past transactions with customers. Yet the profitability of single customers was not analyzed. Also, none of the studied organizations measured customer lifetime value (CLV). This implies that it is not possible to substantiate the long-term effect of CEM efforts based on the metrics that were currently employed. Therefore, in several cases, quite a short-term view of building customer relationships dominated. Although, some organizations had already recognized this problem, and were actively looking for solutions.

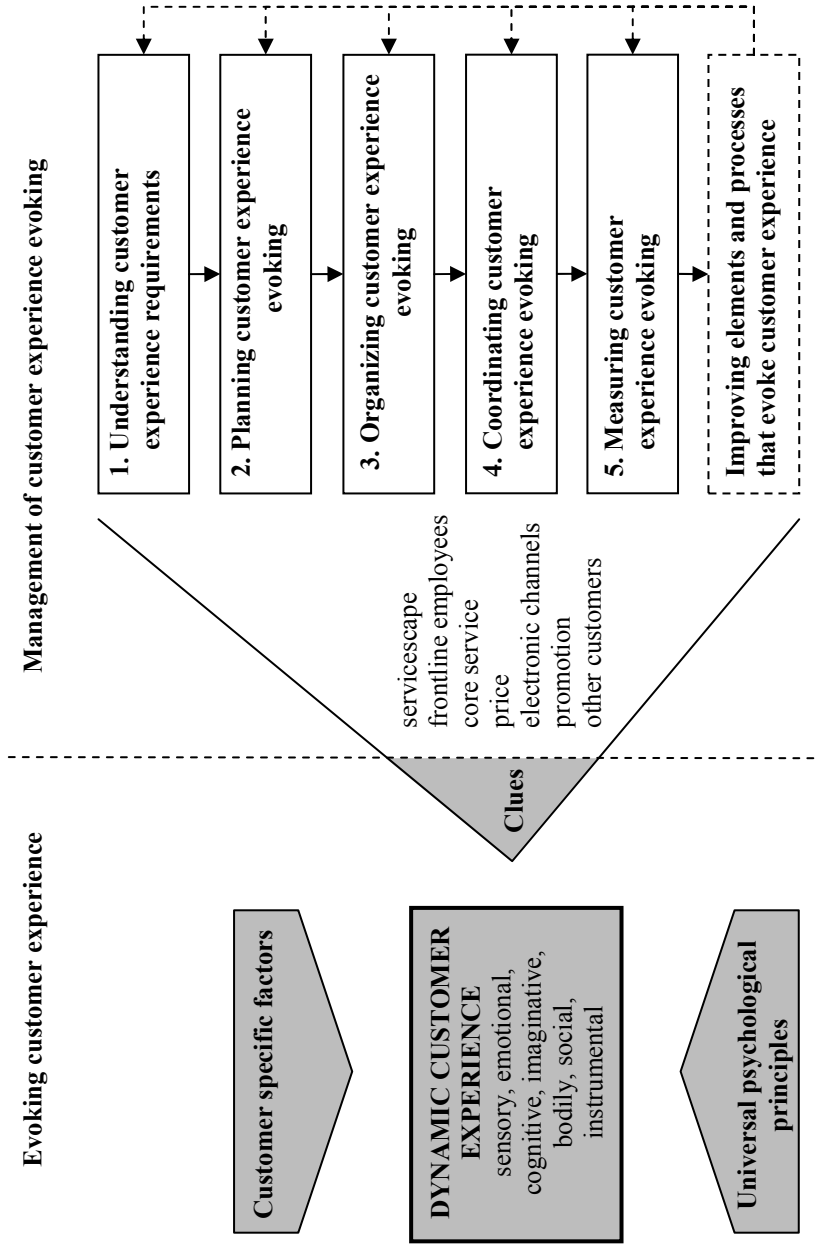
An important area for further research is the relationships between the four groups of indicators/metrics discussed above. For example, how are customer's perceptions of the experience influenced by different experience evoking elements? How does the customer's behaviour change as a result of changes in the perceived experience? What kind of impact does customer behaviour have on the organization's financial results? From the managerial perspective, clarifying these effects will help to analyze the return on investments in experience evoking elements and processes. From the theoretical perspective, a novel aspect is the multidimensional concept of customer experience as a mediator between the organization's actions and the customer's behaviour. It is suggested in this study that this kind of conceptualization facilitates understanding more accurately how and why loyal or disloyal behaviour is evoked in customers.

To summarize the contribution to current literature from the third set of research questions, the following aspects can be pointed out.

- Proposing a six-component framework for customer experience management that is compiled based on a synthesis of previous studies and validated via a case study of Estonian organizations.
- Detailing the sub-processes of the CEM framework, which provides in-depth insight into and understanding of the phenomenon in its natural context.
- Highlighting the importance of capturing and analyzing information about the multiple dimensions of customer experience for a complete understanding of customer experience requirements.
- Recognizing the implicit, shared and flexible nature of the customer experience strategy in organizations.
- Positioning the development and implementation of brand values as an issue with strategic importance (not only as a marketing issue).
- Explaining the strong relationship between customer experience strategy and personnel management practices.
- Highlighting the complementarity of CEM and the balanced scorecard performance management method.

Finally, the refined CEM framework is drawn together in Figure 25. It illustrates the aggregation of the answers to three groups of research questions. This kind of integrated and cross-disciplinary framework should help to avoid the threat that important knowledge about CEM is neglected in further studies or in practice. Inherently to a case study, the data is far from conclusive and further quantitative studies are needed among a larger number of organizations to confirm the validity of the framework. *But the aim of this exploratory study was fulfilled by proposing a coherent framework and indicating the relevant variables and categories for the further analysis of the CEM phenomenon. These insights were deepened and the framework was thoroughly validated in the case of six Estonian service organizations.*

The thorough theoretical foundation of the tentative framework and purposeful case selection procedure should ensure that the results can be (theoretically) generalized to other organizations that deliver similar customer experiences. The case study intentionally included at one extreme organizations that offer predominantly emotional customer experiences, and at the other extreme organizations that offer predominantly instrumental customer experiences. Yet the study revealed that the differences in the CEM processes in the studied organizations can rather be attributed to other factors besides the predominant dimension of the experience. For example, CEM processes were influenced by the organization's size, ownership type, customer-centricity of top management, level of IT sophistication, intensity of competition, commoditization of the core service, and also by the dynamics of the customer relationship (discrete or continuous). Even so, the preliminary evidence suggests that the proposed CEM framework applies quite universally in various organizations that deliver different customer experiences, only the level of CEM formalization, effort and dedicated resources vary.



**Figure 25.** Framework for customer experience evoking and management (compiled by the author)

In larger, organizations with sophisticated IT systems and a customer-centric management style, the formal support for CEM was higher; therefore, the management of customer experience evoking was more elaborated. In smaller organizations, the management of customer experience evoking was somewhat less formal, based on the intuition and discretion of individual managers.

Another tentative suggestion from this study is that organizations whose service is more commoditized (Mobile Operator, Bank) seem to put more effort into developing CEM processes. This is seen as a way to achieve success in an intensely competitive market, where the core services of all competitors are quite similar. As the commoditization is more prevalent in the case of instrumental experiences, this leads to the result that CEM is enforced in organizations that deliver instrumental experiences. But as said earlier this result is not contingent on the nature of the customer experience, but on the business context of the organization.

## CONCLUSION

It is recognized that evoking superior customer experiences is the goal for many organizations. This is seen as a way to increase customer loyalty, competitive advantage as well as financial gains for the organization. Yet the current knowledge about customer experience management is thin and scattered, partly because of the novelty of the topic, and partly because it is influenced by literature from different research fields.

To improve the general understanding of CEM, this study aimed to develop an integrated framework for understanding customer experience evoking and management. This should help to ensure that important aspects of the relevant knowledge are not neglected in scientific studies or practical applications. Based on the literature analysis it was suggested that CEM needs to be approached on three levels.

- *First*, in order to understand the object of CEM, an accurate conception of the customer experience is necessary.
- *Second*, to understand the tactical tools of CEM, it is necessary to comprehend how the clues and psychological principles that evoke the customer experience function.
- And *third*, the core of CEM emerges from understanding management processes and structures that systematically facilitate customer experience evoking in organizations.

The empirical analysis of six Estonian organizations confirmed the relevance of this framework at a more detailed level, and demonstrated the power of this framework to describe and systemize CEM activities in organizations. The framework also facilitated pointing out/diagnosing the problematic areas that hinder the integrated management of customer experience evoking.

The dissertation includes four chapters. The first three chapters are theoretical, drawing together the main theoretical approaches and literature that is used to formulate the framework and research questions. The fourth chapter presents a study for exploring and analyzing the components and contingencies of a tentative CEM framework in the case of six Estonian service organizations. Based on an empirical study, the tentative theoretical framework is refined. The remainder of this section briefly summarizes the concepts that lead to the formulation of the CEM framework, the research method and the results of the empirical study. Finally, the managerial implications and suggestions for future research in the area of customer experience evoking and management are presented.

## The theoretical approaches leading to the formulation of the CEM framework

To form the theoretical basis for the framework, literature from various disciplines was used, including literature from marketing, psychology, behavioural economics, service and organizational management. Below, the most important aspects of this framework are outlined. Firstly, the development and definition of the customer experience concept was investigated because it would be inappropriate to discuss CEM without a thorough understanding of the customer experience phenomenon. Nevertheless the current literature has not provided a universal, widely recognized conceptualization of customer experience – debate on this topic continues based on research advances. However, it is clear that the literature on *experiential marketing* recognizes that the source of value for the customer does not reside in the product or service, but in the holistic experience. Based on the phenomenological nature of customer experience, everything that takes place in subjective mind of the customer is to be considered – in addition to rational trade-offs, the emotional, social, imaginative and other aspects are also relevant. The synthesis of various approaches made it possible to define customer experience in this study as: *the customer's subjective and multidimensional organismic response to every and all direct and indirect interactions with the organization and its value offering, accumulated during the entire consumption cycle.*

This was followed by a discussion of existing models that make it possible to characterize customer experiences according to *types* and *dimensions*. Based on the literature analysis, customer experience was described using six distinctive dimensions in the tentative theoretical framework. To reflect the *dynamics* of customer experience, the concepts of the customer journey and touchmap were discussed. It appeared that customer journey has often been divided into four phases – from pre-purchase to post-consumption. Also, it is important to note that the customer journey is different for first-time and repeat customers. This kind of multidimensional and dynamic understanding of customer experience provides a framework around which the organization can design the targeted customer experience.

Secondly, the study aimed to explain the mechanisms that directly evoke and influence the customer experience. Current literature is even more scant and scattered on this matter; therefore, various theories are combined in this section. The theories of clues and affordances are discussed in order to explain the transformation of objective elements of the value offering (such as service and price) into subjective customer experiences. *Clues* can conditionally be considered basic building blocks that the organization uses in order to evoke a targeted customer experience. Based on the literature review, the *elements* that organizations use as clues were systematized into seven groups: elements of servicescape, elements associated with service employees, core service, price, alternative channels, promotion and other customers. These elements should be

utilized in an integrated manner – clues that fit the targeted experience need to be enforced and miscommunicating clues should be eliminated.

It is only possible for the organization to plan elements that customers can interact with, but the elements are appraised based on customer-specific factors. The literature review suggests that these factors are associated with: customer personality, background, previous experiences with similar services and situational factors (goals, emotions). Although the organization cannot control these customer-specific factors, it is important to elicit them because they influence the outcome of customer experience evoking.

Another relevant body of research addresses the psychological principles that universally improve the experience for all customers. It is suggested that by specifically engineering and structuring the experience evoking elements it is possible to increase the value of basically all experiences. This thesis grouped the principles that have gained attention in CEM literature into three broad categories that concern: 1) memorizing and recall of the experience, 2) psychological processing during the experience, and 3) satisfying human needs. For example, such concepts as *optimal experience profile*, effects of *attribution*, *rationalization* and *cognitive biases* are discussed. A point is made that in addition to consumption needs, customers also aim to satisfy their *core needs as humans* in each customer experience, involving the need for security, justice, control, self-esteem and so on.

This discussion of clues, organization-controlled elements, customer-specific factors and universal psychological principles leads to a framework that facilitates understanding the mechanisms that influence customer experience creation. Therefore, important aspects are pointed out that need to be taken into account for evoking specific customer experiences.

The third chapter of the theoretical part focused specifically on processes that are required for the management of customer experience evoking inside the organizations. However, the conceptualization of CEM in current literature is clearly lacking the necessary clarity. A few existing definitions were analyzed with the purpose to specify the scope of the CEM domain. Based on this, CEM was defined as *a strategic activity for evoking customer experiences that convey value both to customers and the organization in a win-win manner through the deliberate development and delivery of clues in interactions with customers across all consumption phases*.

This is followed by the analysis of characteristic components of CEM that are mentioned in the current literature. These approaches are organized into a tentative framework of five components that encompass processes that the organization needs to successfully manage customer experience evoking.

Firstly, an important function of CEM is to provide the organization with an accurate *understanding of customer experience requirements*, so that superior experiences can be planned and delivered. To this end, various market research and feedback processes are analyzed that facilitate learning the customer's subjective perceptions of the experience. Based on the previously discussed

multidimensional conceptualization of customer experience, it is important to capture the effect of organization-controlled elements on multiple dimensions of customer experience, together with customer-specific factors that influence the creation of customer experiences.

The second component of CEM addresses the *planning of customer experience evoking*. This subchapter discussed the topics of the customer experience strategy, unifying experience motif, segmenting, blueprinting the touchpoints and channel specialization. Theoretically, these activities facilitate ensuring that targets are set for multiple dimensions of the experience, encompassing the whole customer journey, and that there is a coherent plan for evoking the experience via various processes and integrated sets of clues.

The third component addresses *organizing the customer experience evoking*. Based on the literature it was suggested that most importantly this should encompass three types of activities: branding that provides a symbolic foundation for linking experience evoking activities, and that acts as a promise to the customers; human resource management practices that lead to capable and committed employees who behave authentically according to the customer experience strategy; and aligning the work of the organization's functional units according to the customer experience strategy.

Fourth, the *coordination of customer experience evoking* takes place on the tactical level. Emphasis is placed on the integrated management of clues in service interfaces, but also across various channels. For this purpose, service management literature is referred to. From the CEM perspective, it is important to be prepared for the customization of clues in service interfaces because, due to the subjective nature of customer experiences, this is obviously required for evoking a superior experience for all customers. In practice, this is often facilitated by CRM solutions.

The fifth component of CEM addresses the *measurement of customer experience evoking*. Feedback is gathered about the performance of experience evoking activities and clues, customer perceptions, behaviour and the subsequent results for the organization. The literature also highlights the need to measure the results based on customer lifetime value, because of the long-term impact of CEM activities.

The tentative theoretical framework was next used as a basis for research questions that allow us to investigate the customer experience and CEM in the case organizations.

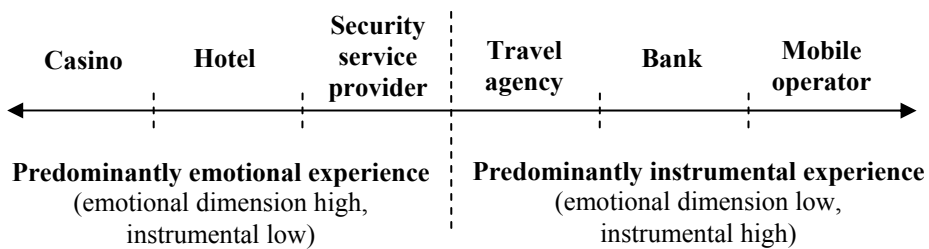
## **The research methodology and data**

Because the current body of knowledge on the CEM topic is scarce and not well structured, a qualitative research approach was taken that allows us to understand the causal relationships and structure of the phenomenon in particular settings. From the epistemological perspective, this study adopted the stance of *critical realism*, according to which reality consists of underlying structures and

tendencies that can be studied through participant (imperfect) apprehension and experiences.

The *instrumental case research* method was chosen to provide the researcher with a holistic view of the organizations in their natural context, and make it possible to explore the relationships between variables, confirm or reject parts of the tentative CEM framework and discover any new aspects that are relevant. In addition, the use of the multiple case design increased the strength and robustness of the results. The quality of the study was increased by following various procedures suggested in the literature for assuring the reliability and validity of the case study, such as the use of prior theory, literal and theoretical replication logic in the case design, multiple data sources, thorough case descriptions, careful explanation building, participant feedback and compiling a case study database and diary.

Six cases were selected for this study, and according to theoretical replication logic, three of those were expected to offer *predominantly emotional* customer experiences (Casino, Hotel and Travel Agency), and the other three were expected to offer *predominantly instrumental* customer experiences (Mobile Operator, Bank and Security Service Provider). The purpose of this arrangement was to increase the generalizability of the findings by including different organizations in the analysis. Although the study revealed that in two cases the preliminary expectations were incorrect, the case selection nevertheless proved extremely fruitful because cases basically aligned on a continuum from emotional to instrumental, thereby it was possible to display and analyze characteristics from both extremes and in-between (Figure 26). Despite the fact that the study found no significant differences in general CEM processes that could be clearly attributed to the prevailing dimension of the experience, this only proved the robustness of the framework that applied uniformly in all the studied organizations.



**Figure 26.** Positioning case organizations according to emotional and instrumental dimensions of customer experience (compiled by the author)

All the selected organizations had successfully been providing customer experiences in the Estonian market for more than 10 years. Three organizations had about 500 employees, while the smallest had 200 and largest 1800 and 3000 employees.

The main sources of data were interviews with managers from the organizations who were most informed about CEM issues. Webpages and annual reports were also investigated, but public sources revealed little information about the internal processes and CEM. So, in each organization 3–5 interviews were conducted with key managers involved in CEM. A semi-structured interview guide was prepared to answer the research questions (reflecting the three levels of the tentative framework). In total, 26 interviews were executed in the period July–October 2010. Each interview lasted 1.5–3.5 hours, they were recorded and transcribed in total on 506 pages. This information was complemented with internal documents that were made available to the author during the interviews – serving as additional, and perhaps more objective evidence.

The data was mostly of qualitative in nature; only answers to three interview questions involved quantitative ratings to facilitate comparisons across cases and interviewees. Data about CEM was first analyzed within the cases to identify specific patterns in each case; secondly, a cross-case analysis was used for comparisons and finding similarities across cases; and thirdly, the evidence was synthesized into general level issues.

This data made it possible to give in-depth and well-grounded answers to the research questions. Thereby, the tentative CEM framework was closely scrutinized based on the evidence from the six organizations, the analysis clearly revealed the valid parts of the tentative framework and its weaknesses. The rich evidence also made it possible to explain various contingencies that have not been reflected in previous studies, and indicated avenues for further research.

## **Empirical findings and generalization of results**

The research questions that were suggested in subchapter 3.2. were divided into three groups according to the tentative CEM framework. The first three questions were targeted at identifying important characteristics of customer experiences. The next three questions were set up to understand the elements and factors used for evoking customer experience. And finally, the last five questions concentrate on the management processes that are characteristic to CEM. But before presenting the conclusive answers to the research questions in the following paragraphs, the factors that influence CEM in the Estonian context are also briefly summarized.

It can be said that although the history of modern marketing is relatively short in Estonia, Western practices have been rapidly adopted by organizations as well as customers. From the organizational perspective, however, some

problems remain in implementing the customer-oriented business culture and practices. These include a lack of servicing oriented work culture, a lack of belief in or understanding about the organization's mission, problems with managerial competence, the isolation of marketing and customer service functions, as well as insufficient comprehension of CEM. Yet the case evidence suggests that organizations are rapidly improving their processes in most of these areas.

#### **Q1.a. What are the relevant dimensions of customer experience?**

The analysis revealed that customer experience should be described using seven dimensions: sensory, emotional, cognitive, imaginative, bodily, social and instrumental. Although the importance/salience of single dimensions is dependent on the particular industry and organization, each of the seven dimensions was relevant at least in some cases. This implies that in theory, all these dimensions are required for understanding customer experience. Therefore, this study has complemented the concept of customer value by indicating that in addition to instrumental and emotional gains, there are other aspects that should be investigated when studying customer experience and behaviour. It is suggested that in practice understanding these seven dimensions makes it possible to increase the value of the experience for customers.

#### **Q1.b. How can the dynamics of customer experience be described and utilized in CEM?**

The answer to this question highlighted an important difference between discrete and continuous experiences. In the case of discrete experiences, the organization implicitly or explicitly utilizes the four-phase model (pre-purchase, purchase, consumption and post-consumption) for understanding the customer journey and managing the touchpoints accordingly. But in the case of a continuous service, like in a bank or mobile operator, the consumption phase may last indefinitely (from the customer's childhood to their retirement), and therefore, involves constant interaction with the customer. This leads to the conclusion that organizations that provide a continuous service has more opportunities for evoking customer experiences, but it also faces a challenge to deliver a constantly high service. And on the other hand, organizations that provide discrete experiences can better utilize the gestalt characteristics because of the episodic nature of the experience.

#### **Q1.c. What are other important characteristics of customer experience?**

The proposed distinction between routine, flow and extraordinary customer experiences proved relevant – all types were present. Also, participation and immersion characteristics varied from low to high. It appears that a routine experience requires less participation and immersion from the customers than a flow experience. Understanding these aspects of experience helps to set realistic

goals for experience evoking activities, and position the experience among other experiences in the customer's life.

**Q2.a. Which clues and elements do organizations utilize to evoke customer experiences?**

The study confirmed that for evoking customer experience, organizations utilize elements belonging to the seven categories that were pointed out in the tentative framework. While elements associated with *service employees*, *core service* and *electronic channels* received the most attention inside the organizations, the elements of *servicescape*, *promotion*, *other customers* and *price* were less scrutinized. Pre-testing of clues was used only on very rare occasions. Customer perception of clues was mostly ascertained through feedback after the encounter. This implies that CEM processes were often greatly influenced by the managers' conception about the effect of the clues. Based on preliminary data from the case study, it could be suggested that the organizations that offer predominantly emotional customer experiences put relatively more effort into servicescape design, and organizations with predominantly instrumental experiences put relatively more effort into promotional activities. However, these assertions need validation by studying a larger group of organizations.

**Q2.b. Do organizations account for the universal psychological principles when evoking superior customer experiences?**

The study revealed that popular aspects of consumer psychology were utilized in planning and implementing activities that evoke customer experience. Yet several principles that were pointed out in the theoretical framework were not implemented in the organizations, at least not at the conscious or explicit level. It appears that psychological principles are often utilized based on the "natural intelligence" and tacit knowledge of the decision-makers, implying that a more systematic approach to utilizing universal psychological principles could be used to improve customer experiences. It was worth noting that "psychological" skill was considered necessary for frontline employees that interacted directly with the customers. But from the customer experience perspective, the comprehension of universal psychological principles is perhaps even more important in the backoffice, which plans, organizes and measures the experience evoking processes.

**Q2.c. Do organizations take into account customer individuality in evoking the experience, and elicit customer-specific factors?**

Subjective interpretations of experiences are surely acknowledged in organizations. But it is a challenge to consider the plethora of customer-specific factors in managing experience evoking processes. Customer-specific factors were elicited in service encounters by frontline employees or with the help of special studies. Yet only a small part of this information was formally stored.

For example, CRM solutions helped to store some of this information. As a result, it turned out to be relatively easy to customize the behaviour of the service employees according to information about the customer's requirements, but it is more difficult to adapt such elements as: core service, servicescape, webpage or promotion.

**Q3.a. How do organizations understand customer experience requirements? What activities are undertaken to that end?**

Organizations received information and insights into customer requirements from service encounters through the frontline employees, from the analysis of customer behaviour, from observing encounters and from special studies. For CEM purposes, it is crucial that these processes capture the multiple dimensions of customer experience. In this sense, it is odd that none of the case organizations (that are mostly leaders on the Estonian market) used ethnography or other in-depth methods for understanding the unarticulated aspects of the customers' reality. Also, it became evident that interactions in service encounters could be a more valuable source of insights than they are today, if there were appropriate processes for gathering and analyzing the "voice of the customer" in the service encounters.

**Q3.b. How do organizations plan customer experience evoking? What activities are involved?**

It appeared that the customer experience strategy exists as a shared understanding and agreement in the organization, rather than as an explicit written document. To some extent it is reflected in the formal brand or core values and the business plan, which guide the experience strategy. Yet it became evident that the targeted customer experience is mostly defined in the process of implementing the values for achieving business goals. All the organizations had strategies for offering augmented experiences to their most valuable customers. But the targeted experience was not that explicitly differentiated for customers with different needs, which means that quite a standard core service was offered to all customers. It is worth noting that on the whole formal service process descriptions and regulations did not reflect much consideration of the customer journey or the multiple dimensions of customer experience. This implies that in addition to the internal focus, organizations should also focus on the customer perspective when planning experience evoking elements and processes.

**Q3.c. What kind of organizational activities are necessary for customer experience evoking?**

This component of CEM addresses the activities associated with personnel management and cross-functional alignment. The study confirmed that it is crucial to consider the targeted customer experience when recruiting personnel, training and rewarding. To achieve authentic and committed behaviour in

service encounters, it was also pointed out that employees need to be empowered and engaged in decision-making. This goes especially for frontline employees, but as explained earlier, the role of backoffice employees is not smaller in evoking superior customer experiences. To streamline the work of different functional units according to the customer experience strategy, organizations used balanced performance management and budgeting systems and also reinforced customer-oriented culture.

**Q3.d. How is customer experience evoking coordinated? What activities are used?**

To deliver consistent customer experiences, the elements that evoke customer experience should be coordinated in all service interfaces. The elements associated with the core service, price and servicescape were mostly managed centrally and were relatively standardized, promotions were adapted to smaller customer groups and interaction with service employees in branches and via electronic channels was customized for individual customers. It was mostly the responsibility of middle managers to make sure that the clues in the service encounter are coherent and not contradictory. Yet the organizations did not use elaborate tools (such as an experience blueprint) for integrating clues from the customer perspective.

**Q3.e. How is customer experience evoking measured in organizations, what metrics are implemented?**

The study identified that metrics intrinsic to CEM address four aspects: internal experience evoking elements (according to seven groups), customer perception of the experience, customer behaviour and the value that the organization captures from the customers. In contrast to traditional service performance and satisfaction measurements, CEM highlights the importance of measuring the multiple dimensions of the customer experience. Problems with the quality concept were confirmed in the empirical study. The pursuit of standard quality in customer interactions has often proven futile; instead, organizations concentrated on the personalization of interactions. This is supported by the phenomenology paradigm, which implies that the quality of the experience is determined subjectively by each customer. Further, from the CEM perspective, the customers' value for the organization should be measured in light of the entire relationship because the impact of many CEM activities emerges only in the long term, after continuous loyal behaviour from customers. However, today the organizations studied were not able to measure customer lifetime value, and thus, short-term performance metrics dominated.

Based on the thorough linkage of the proposed CEM framework to current literature, it is reasonable to suggest that the findings can be theoretically generalized for other similar organizations. In addition, the robustness of the

findings was increased due to the selection of diverse organizations for the case study. As the conclusions are simultaneously based on the activities of so different organizations (casino, hotel, travel agency, security provider, bank and mobile operator), there is plenty of reason to propose that the CEM framework is also valid for a variety of other organizations.

However, it should be noted that all the selected organizations are “services” providers in the traditional sense; more specifically, they provide a service that is not produced by a service employee, the core service was produced in the backoffice. But relying on the service-dominant logic of marketing, the author is of the opinion that the results can also be generalized for other organizations that are not traditionally considered “services” providers. From the CEM perspective, the difference between services and products lies only in the types of clues and experience dynamics, but the outcome is the same – customer experience. Therefore, further research is suggested that would investigate the validity of the CEM framework in the case of traditional “product” producers.

## **Managerial implications**

On the general level, this study suggests that managers involved in business should thoroughly consider customer experience in far more situations than they probably do now. The argument here is that it is possible to evoke customer experience more systematically based on emerging knowledge about the multiple dimensions and dynamics of the experience. This in turn makes it possible to be more efficient and effective in evoking the targeted customer experiences. But the management of customer experience evoking requires processes and capabilities that are quite different from traditional “product” production mostly because of the subjective and complex nature of customer experiences. On a more detailed level, this study has five main contributions for practitioners.

First, it is suggested that the concept of customer experience (going beyond products and services) allows organizations to describe and define more holistically the value that they offer to customers according to seven intrinsic dimensions during the entire consumption cycle. The integrated framework of customer experience dimensions and dynamics may help practitioners to position and define their organization’s value offering more precisely, but it also allows them to better understand customer experience requirements. Yet the evidence from 26 interviews in this study showed that managers today mostly do not analyze customer experience systematically according to different dimensions.

Second, the study suggests that organizations may benefit from systematic knowledge about the principles and elements that evoke customer experience. Analyzing the impact of clues on different dimensions of customer experience allows them to “engineer” the customer experience according to the targeted strategy and be more specific in planning the activities that evoke customer

experience. Yet in practice today many such decisions are based only on the manager's intuition.

Third, it is suggested that there are universal psychological principles that make it possible to increase the value of basically any customer experience; such principles were categorized into three groups in this study. The results of the empirical study showed that although organizations are already utilizing some of these principles, there is plenty of room for implementing such knowledge, and therefore, increasing the value of experiences for customers.

Fourth, this study highlighted the importance of gathering and making use of customer-specific information that also influences the outcome of customer experience evoking. Organizations can provide better experiences for individual customers by eliciting and storing such factors as: the customers' socio-demographic background, previous experiences and preferences, personality traits and also situational goals. It has to be emphasized that the value and meaning of experience evoking elements to individual customers is to a large extent determined by these subjective factors.

Fifth, a framework that outlines and analyzes the processes that are intrinsic to CEM is proposed in this study. This contribution can help organizations to analyze and position their current CEM efforts as well as plan actions for the future. Furthermore, the most interesting and illustrative aspects of customer experience evoking in six leading organizations (in Estonia) were presented in the study, which facilitates benchmarking and learning. And lastly, based on this framework some general suggestions to practitioners are put forth:

- CEM efforts should address the following six major processes: a) understanding customer experience requirements, b) planning customer experience evoking, c) organizing, d) coordinating, e) measuring and f) improving customer experience evoking.
- Processes for understanding customer experience requirements should take into account the multiple dimensions and dynamics of experience.
- To deliver consistent customer experiences, the customer experience strategy should be made explicit in the organizations. Beyond a mere statement of brand values, how these targets are to be implemented in daily operations should also be made explicit.
- Personnel management should be closely aligned with the customer experience strategy. To achieve the necessary authenticity and commitment the employees should also be empowered and involved in decision-making processes.
- The cooperation of the organization's functional units is crucial for CEM. This can be achieved through aligned performance management and a customer-oriented culture that is reinforced by the top management.
- Measuring CEM should take an *integrated view* of metrics for: experience evoking elements, their effect on the customers' multidimensional experience, the resulting customer behaviour and the value for the organization.

## **Limitations and suggestions for further research**

This final section discusses the limitations of the study, and avenues that are open for future research into customer experience evoking and management. The limitations concern the research strategy and case selection, and further research suggestions envisage extending the framework and focusing on the relationships of its single details.

This study was exploratory in nature, and thus, has inherent limitations that should be recognized. The resulting framework of customer experience evoking and management is only preliminary, due to the scarcity of research on this topic, and also because of the small number of studied cases. Yet the small number of investigated organizations was justified by the need to obtain rich evidence to complement existing CEM theory with new, in-depth insights. But additional studies need to be undertaken to validate these findings in a wider sample of organizations and perhaps to further improve the framework.

The proposed framework facilitates the understanding and analysis of customer experience evoking and management, but it does not offer a specific solution. This means that the concepts are facilitative, but they cannot be used without adaptations in all kinds of organizations. The framework does not help measure customer experience or CEM as such, but helps to understand these issues through the systematization and simplification of the problem area.

This study concentrated on organizations of a certain size; hence, conclusions that would be generally applicable for considerably smaller or larger organizations cannot be easily drawn. Although, it is reasonable to suggest that the business logic of CEM is similar in smaller and larger organizations because the elements and mechanisms for evoking customer experience are the same, only such aspects as the level of CEM formalization and dedicated resources are different.

As said before, this study investigated services organizations, in the traditional sense; therefore, the obvious suggestion for further research is to extend the framework also to organizations that offer more tangible products. From the customer experience perspective, the difference between products and services is vanishing (as explained by the service-dominant logic of marketing); therefore, one could expect that the CEM framework is also valid in different types of industries. But this assertion needs to be confirmed.

The explicit focus of this study was on private customers. It has to be acknowledged that in the case of business customers, the experience evoking mechanisms may be somewhat different because of the participation of multiple individuals. Also, in business markets one can expect some differences in CEM processes because of the smaller number of customers, higher value of each single customer and more personalized interaction. Yet there are only a few single studies about CEM in business markets – which indicates a gap in the current research. In future, such studies could utilize the framework proposed in this study as a starting point.

Moreover, this study involved CEM operations only in the organization's home market, but customer experiences are also evoked in foreign markets. Therefore, expanding this framework also to the international activities of the organizations seems to be a necessary next step in the globalizing business world. In foreign markets, customer-specific factors are unknown to expatriate managers; therefore, the effect of experience evoking clues is more challenging to predict, the intuition of expatriates or remote managers may be wrong about foreign customer requirements. This implies that more attention needs to be paid to "understanding" and "improving" components of the CEM framework in international markets.

Another option is to concentrate further studies on improving the understanding of customer experience evoking in greater detail; for example, by studying the effect of various organization-controlled elements and psychological principles on the multiple dimensions of customer experience. This would constitute important knowledge, but the results are likely to be specific to industry, country and consumer culture because of the subjective nature of customer experience.

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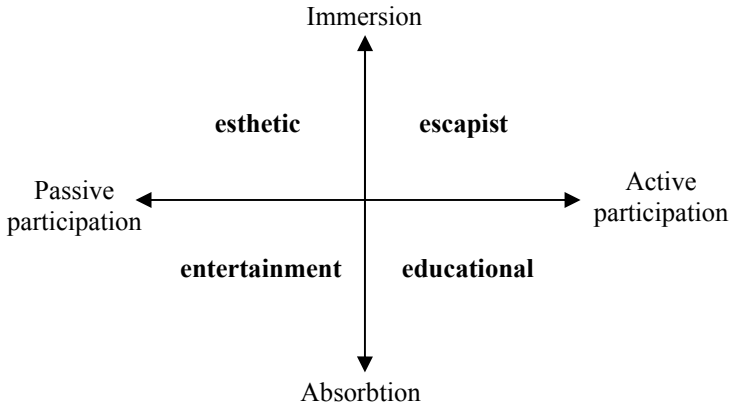
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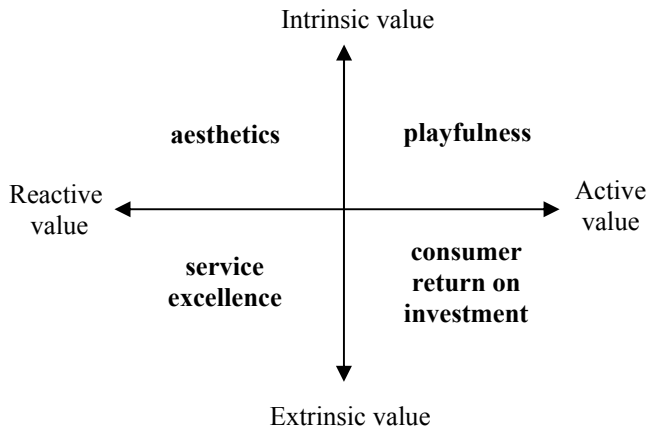
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# APPENDICES

## Appendix I. Types of customer experiences

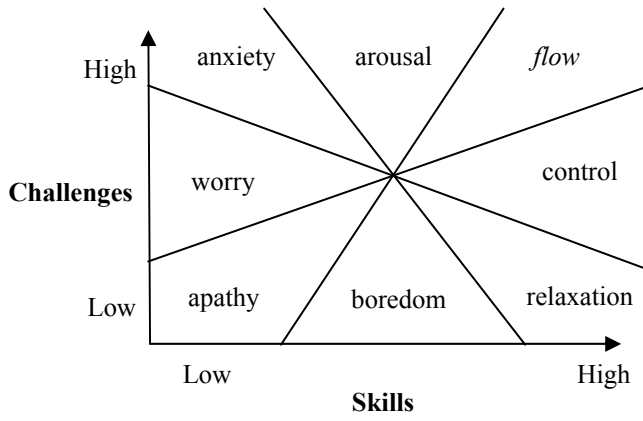


Source: Pine and Gilmore (1998)



Source: adapted from Mathwick, Malhotra and Rigdon (2001)

## Appendix 2. Experience typology based on skill and challenge



Source: Csikszentmihalyi (1997)

### Appendix 3. List of basic feeling states

Basic positive feelings (adapted from Laros and Steenkamp, 2005):

- *contentment* is low arousal and passive feeling, characterized by words like peaceful and fulfilled;
- *happiness* involves more activity and is characterized by words like optimistic, hopeful, happy, pleased, relieved;
- *love* is the only interpersonal positive emotion, described by words like romantic, passionate, loving, warm-hearted;
- *pride* is based on the feeling of some kind of superiority;
- *surprise* is sometimes considered a neutral feeling, because the valence is often not clear.

Basic negative feelings:

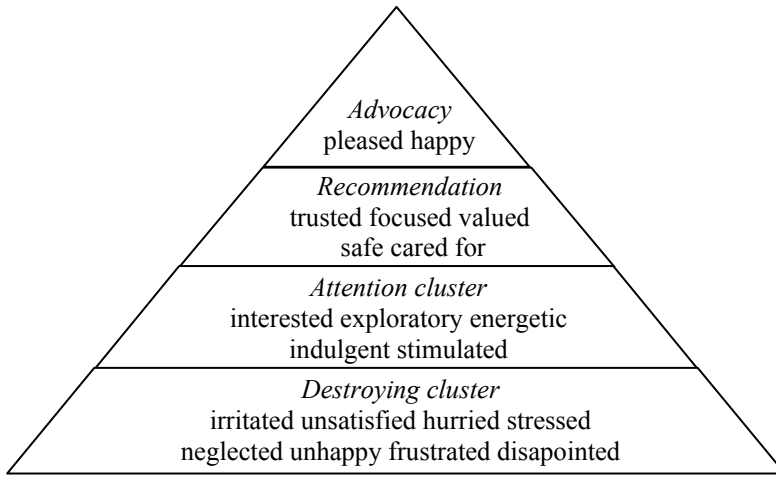
- *anger* is characterized by words such as frustrated, irritated, envy, jealous;
- *fear* is characterized by words such as scared, worried, nervous, tense;
- *sadness* is characterized by words such as depressed, miserable, helpless, guilty, nostalgia;
- *shame* is the only negative feeling caused by the person, characterized by words of embarrassed and ashamed;
- *disgust* is rarely expressed in marketing studies.

## Appendix 4. Appraisal theory of emotions

		Positive emotions motive consistent		Negative emotions motive inconsistent		
		<i>appetitive</i>	<i>aversive</i>	<i>appetitive</i>	<i>aversive</i>	
<b>Agency</b>	<b>Circumstance caused:</b>					
	<i>unexpected</i>	surprise				
	<i>uncertain</i>	hope		fear		<i>weak</i>
	<i>certain</i>	joy	relief	sadness	disgust	
	<i>uncertain</i>	hope		frustration		<i>strong</i>
	<i>certain</i>	joy	relief			
	<b>Other-caused:</b>					
	<i>uncertain</i>	liking		dislike		<i>weak</i>
	<i>certain</i>			anger		<i>strong</i>
	<i>uncertain</i>	pride		shame, guilt		<i>weak</i>
	<i>certain</i>			regret		<i>strong</i>
	<i>uncertain</i>					
<i>certain</i>						

Source: Roseman (1991)

## Appendix 5. Customer loyalty pyramid based on customer emotions



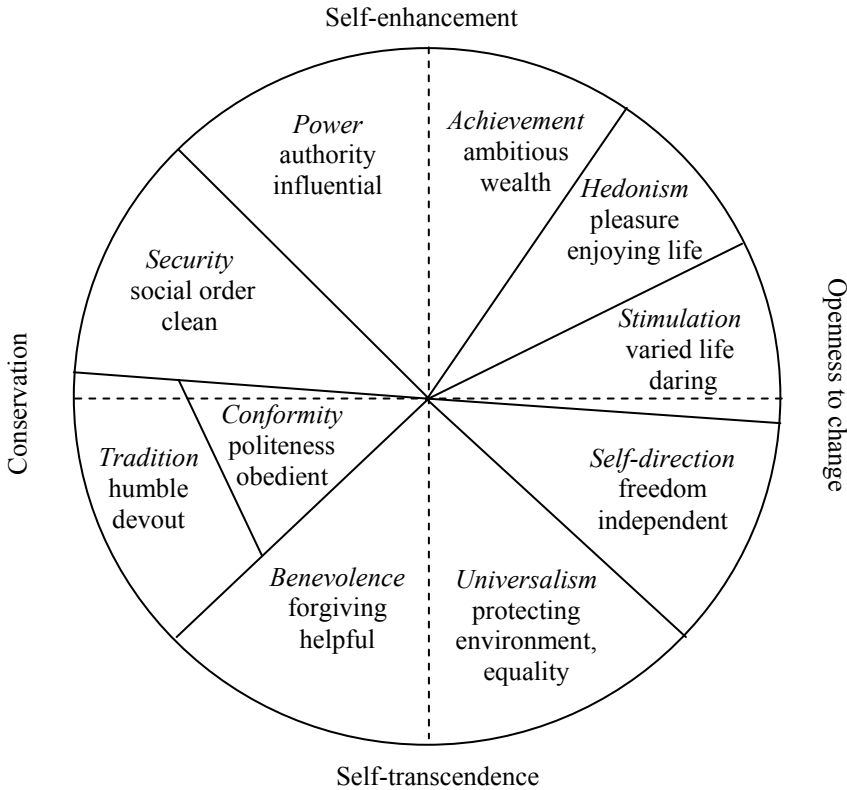
Source: Shaw (2007)

## Appendix 6. Environment variables investigated in customer behavior research

External variables	General interior variables	Layout and design variables	Point-of-purchase and decoration variables	Human variables
exterior signs	flooring and carpeting	space design and allocation	point-of-purchase displays	employee characteristics
entrances	color schemes	placement of merchandise	signs and cards	employee uniforms
exterior display windows	lighting	grouping of merchandise	wall decorations	crowding
height of building	music	work station placement	degrees and certificates	customer characteristics
size of building	scents	placement of equipment	pictures	privacy
color of building	tobacco smoke	placement of cash registers	artwork	
surrounding stores	width of aisles	waiting areas	product displays	
lawns and gardens	wall composition	department locations	usage instructions	
address and location	paint and wall paper	traffic flow	price displays	
architectural style	ceiling composition	racks and cases	teletext	
surrounding area	merchandise	waiting queues		
parking availability	temperature	furniture		
congestion and traffic	cleanliness	dead areas		
exterior walls				

Source: Turley and Milliman (2000)

## Appendix 7. Circular model of human values



Value type	Definition
Power	Social status and prestige, control or dominance over people and resources
Achievement	Personal success through demonstrating competence according to social standards
Hedonism	Pleasure and sensuous gratification for oneself
Stimulation	Excitement, novelty, and challenge in life
Self-direction	Independent thought and action-choosing, creating, exploring
Universalism	Understanding, appreciation, tolerance, and protection for the welfare of all
Benevolence	Preservation and enhancement of welfare of people with whom one is in frequent personal contact
Tradition	Respect, commitment, and acceptance of the customs and ideas that traditional culture or religion provide the self
Conformity	Restraint of actions, inclinations, and impulses likely to upset or harm others and violate social expectations or norms
Security	Safety, harmony, and stability of society, relationships, and self

Source: Schwartz (1992)

## Appendix 8. Interview guide for the case study

### Customer experience management processes

1. How is customer experience management understood in your organization, what associates with it?
2. How systematically does your organization apply customer experience management? How would you estimate the level of thoroughness of your organization's CEM efforts on a 7-point scale? (1 – means that the implementation of CEM has just only started and 7 – means that CEM is maximally systematic and working.)
3. How would you describe the most important processes that are implemented in your organization to manage the evoking of customer experience?
4. How are the customer experience requirements **researched and understood** in your organization?
  - Do you study how the customers have perceived the clues that the organization is sending out to customers (past and present experiences)?
  - Do you study customers' potential needs in order to offer better experiences in future?
  - Do you consider multiple dimensions of customer experience when gathering feedback from customers (e.g. emotions, thoughts, sense perceptions, bodily action and instrumental/ practical value)?
  - Do you consider different phases of customer experience when gathering feedback from customers (e.g. pre-purchase, purchase, consumption and post-consumption phases)?
  - Which techniques are used for studying customers' needs and feedback? Do you apply: automated interaction analysis, complaint analysis, satisfaction surveys, experience audit, mystery shopping, phenomenological interviews or other techniques?
  - Do you acknowledge that asking and listening to customer requirements is part of customer's experience?
  - Is there an information sharing platform for collecting, analyzing and sharing customer data or even predicting customer requirements (e.g. CRM)?
5. How is the customer experience evoking **planned** in your organization?
  - Is there an elaborated customer experience strategy and positioning?
  - Does the description of the targeted customer experience, include multiple experience dimensions?
  - Does the description of targeted customer experience, include multiple experience phases?
  - Is there an articulated unifying experience "theme"?
  - Is the customer base segmented based on profitability?
  - Is the customer base segmented based on needs and expectations towards the experience?
  - Is it defined in your organization which customer activities are to take place in different channels?
  - Are your service processes and operations clearly described?

- Are all the clues emitted by organization's actions and services implemented based on experience strategy?
6. What kind of **organizing activities or processes** are used for managing the customer experience in your organization?
- Is the brand identity defined based on planned experience strategy?
  - Is the brand used actively for communicating the promise to deliver targeted experience?
  - Is the brand management integrated with immediate experience delivery (service interaction)?
  - Do you deliberately use brandscape for enforcing the customer experience (like flagship store or webpage)?
  - Do you measure the reputation of brand among customers?
  - Is it defined in your organization, which should be employee behavior for influencing the targeted customer experience?
  - How congruent are the values inside organization and values that are communicated to customers outside?
  - Do the human resource management practices consider the planned customer experience? In: leadership behavior, organizational culture, empowerment, training, recruitment, and incentive systems?
  - Is high employee commitment an important goal in your organization?
  - How high is the commitment at the moment?
  - Is the behavior of the employees prescribed in detail or are they encouraged and trusted to choose appropriate behavior based on the internalized values?
  - Is the importance of evoking the targeted customer experience acknowledged in all functional divisions?
  - To what extent are the work processes and outcomes of functional divisions aligned to planned customer experience?
7. How is the customer experience evoking **tactically coordinated** in your organization?
- Is customer service recognized as crucial for influencing customer experience?
  - How are the clues that organization provides coordinated at every touchpoint in order to evoke the targeted customer experience?
  - How smooth is the cooperation of service frontline and backstage? How is the cooperation enforced?
  - Are the customers recognized as cocreators of value, instead of passive receivers of value? Is the customer involvement to value creating activities encouraged?
  - To what extent is your core value offering customizable according to customers' subjective requirements?
8. How is the evoking of customer experience and its results **measured**, what metrics are implemented?
- Is the evoking of customer experience *measured internally* in different touchpoints (measuring the clues in interaction points)?
  - Are customers' *perceptions, thoughts and feelings* about the customer experience measured by your organization?
  - Are the *behavioral outcomes* (repeat purchase, share of wallet etc.) of the customer experience measured?

- Is the *financial contribution* from customers' behavior measured, in short and long term? (profit, customer lifetime value etc.)

### **Evoking the customer experience**

9. How would you describe the most important elements or procedures that your organization uses to offer the value and experience to customers?
10. Please indicate on 7-point scale, how important are following elements (that evoke customer experience) considered inside your organization? 1 – means that element is not considered important and 7 – means the element is considered important inside organization.
  - *servicescape* (surrounding physical context, design elements)
  - *service employee related* elements (behavior, appearance etc.)
  - *core service* attributes
  - *price* associated elements
  - *other customers'* related elements
  - *brand and promotion* related elements
  - *alternative channels* related elements (webpage, phone-communication, e-mails)
11. How are the abovementioned elements managed and coordinated in your organization? To which processes are they connected?
12. How would the customer value/utility/pleasure curve look like throughout a typical experience? Where are the peaks and thoroughgs; is the trend increasing?
13. Is the customer experience associated or contrasted to some other experiences in customers' lives?
14. Is the importance of initial moments of the experience recognized for setting the tone for interaction?
15. Are there any special activities implemented for ambiguous service situations to avoid customer confusion and rationalization?
16. Does the organization explicitly account for universal human needs of customers (need for control, fairness, self-esteem, stability and variety)?
17. Does the organization have clear understanding about target customers':
  - *personal characteristics* (demographics and personality);
  - *previous experiences* (with similar services);
  - *consumption situation* (relevant plans, goals, life events)?
18. Does your organization customize its offering based on this knowledge about customers?

### **Characteristics of customer experience (customer's perspective)**

19. How would you describe the experience that the customers want to receive from your organization, what are the important components?
20. Which of the following seven dimensions of customer experience are most important for your customers in interactions with your organization? Please estimate the importance of each dimension on 7-point scale (1 – indicates not important at all, and 7 – indicates very important).

- *Sense perceptions* (sight, sound, taste, smell, touch, balance, temperature, kinesthetics). Is there a leading sense that is more important than others?
  - *Emotions* (for example pleasure, dominance, arousal. Or contentment, joy, love, optimism, excitement, surprise, anger, fear, sadness, shame, discontent, worry, envy, loneliness).
  - *Cognitive elements* (discovery, learning, thinking, understanding, problem solving, other intellectual activity).
  - *Imaginative thinking* (fantasizing, planning the future, re-living the past).
  - *Motor activity/ physical participation* (standing, walking, sitting, exercising).
  - *Opinion/ reaction of other people?* Is there a *shared meaning* given to the experience by some group of people? What group?
  - *Instrumental/rational goal.* Meaning that consumption does not lead to immediate pleasure as end in itself, but the gains stem from efficiency, long term goal or external factors. What is the instrumental goal?
21. Is the nature of the customer experience *routine, flow or extraordinary*?
  22. Does the experience require immersion from customers?
  23. Has your organization formally described the customer journey/ touchmap?
  24. Does your organization acknowledge customers' different needs in different experience phases that are described in following.
    - *pre-purchase* (acknowledgeing need, information search, trial);
    - *purchase* (contacting the organization, sales interaction, payment);
    - *core-consumption* (service consumption, benefits received);
    - *post-consumption* (remembrance, evaluation, intentions for future)
  25. What kind of activities has the organization implemented for each phase?
  26. Do your repeat customers have different needs, expectations or competency? What kind of extra activities are implemented for the repeat customers?
  27. Is there anything else you would like to tell me?

## Appendix 9. List of interviewed managers in the six case organizations

Organization	Position	Date (y. 2010)	Duration	Transcript (pgs.)
<b>Casino</b>	marketing director	10. Sept.	2h:03m	26
	corporate quality manager	23. Sept.	3h:26m	24
	director of human resources	28. Sept.	2h:25m	23
<b>Hotel</b>	corporate marketing manager	29. July	2h:26m	16
	marketing manager	29. July	2h:48m	20
	rooms division manager	7. Sept.	2h:40m	31
	sales division manager	17. Sept.	1h:38m	11
<b>Security service provider</b>	director of marketing and development division	13. Sept.	2h:27m	31
	marketing manager	21. Sept.	2h:30m	27
	service manager	24. Sept.	1h:37m	16
	manager of security solutions	29. Sept.	1h:51m	26
	head of recruitment division	1. Oct.	1h:29m	10
<b>Travel agency</b>	development director	21. July	1h:34m	12
	sales director	28. July	2h:08m	20
	marketing and communication director	18. Aug.	2h:00m	30
<b>Retail bank</b>	head of retail banking	3. Sept.	2h:04m	22
	head of segment management department	9. Sept	3h:14m	24
	head of branch network and contact centre division	26. July	2h:36m	27
	service area manager	26. Aug.	2h:03m	17
<b>Mobile operator</b>	customer needs analyst	29. Sept.	1h:54m	11
	head of customer care and sales development department	5. Oct.	2h:33m	21
	manager of interactive communications	6. Oct.	1h:43m	22
	manager of customer loyalty in the segment of private customers	14. Oct.	1h:40m	12
	head of retail sales and service (in Northern region)	25. Oct.	1h:53m	11
<b>experts</b>	Saul, Indrek (independent CRM & CEM consultant)	12. July	1h:35m	5
	Eensalu, Mari-Liis (TNS EMOR)	13. Aug.	1h:04m	11
<b>TOTAL</b>	<b>26 interviews</b>	<b>12. July– 25. Oct.</b>	<b>55hours: 21 min.</b>	<b>506 pgs.</b>

## Appendix 10. Importance of customer experience dimensions expressed by interviewed managers

7-point scale; 1-not important for our customers...7- very important for our customers.

Experience dimensions	Casino	Hotel	Security provider	Travel agency	Bank	Mobile operator
Sensory	4; 5; 7	7; 4,5; 6; 5,5	4; 3; 2; 3	5; 4	2; 5; 3	4; 6; 6
Emotional	6; 6,5; 7	7; 7; 7,7	6,5; 7; 6; 7	6; 5,5	6; 7; 5	5; 5,5; 4,5
Cognitive	3; 2; 5	2; 2; 2; 3	6; 2; 4; 2	4; 6	5; 4; 6	3; 5; 4
Imaginative	7; 7; 6	4; 3; 4; 4	7; 4; 5; 1	7; 7	3; 3; 4	1; 4; 2
Action	5; 4; 4	6; 4; 7; 6,5	1; 1; 1; 1	4; 1,5	1; 2; 2	1,5; 2; 3
Social	5,5; 4,5; 5,5	6,5; 5; 7; 6	4; 5; 3,5; 4,5	5,5; 5	4; 6; 3,5	6; 5; 3,5
Instrumental	6; 1; 3	5; 6; 3,5; 3,5	7; 3; 1; 4	4,5; 6,5	7; 7; 7	7; 7; 7

Source: interview transcripts and notes in interview guides

## Appendix 11. Importance of groups of elements that evoked customer experience in studied organizations

7-point scale; 1-not important for organization...7- very important for organization.

Groups of elements	Casino	Hotel	Security provider	Travel agency	Bank	Mobile operator
Servicescape	4; 5	6; 5,5; 6; 5,5	7; 3; 5	4; 5; 3	4; 4; 4; 6	3; 5,5; 5
Service employees	6; 7	7; 5; 7; 7	6,5; 6; 5	6; 7; 7	7; 7; 6; 7	6; 4; 6
Core service	5; 6	4,5; 7; 6,5; 6	6; 7; 5,5	4; 6; 6	3; 3; 7; 4	7; 7; 7
Price	7; 3	5; 4,4,5,4,5	2; 2; 7	5; 4,5; 4	1; 2; 4,5; 5	2; 3; 3,5
Electronic channels	2; 1	6,5; 3; 6,5; 6	5; 4; 3,5	5,5; 7; 7	6; 5; 6; 5,5	5; 6; 5,5
Promotion	5,5; 2	5,5; 5,5; 4; 4	3; 5; 3,5	5; 5,5; 5	5; 6; 5,5; 4	4; 5; 6,5
Other customers	3; 4	4; 3,5; 5; 5	5,5; 1; 3	4; 6,5; 1	2; 1; 3; 2	1; 5,5; 3,5

Source: interview transcripts and notes in interview guides

## Appendix 12. Analysis of common features of interviewees' understanding of CEM

Interviewee	Answers: How is CEM understood in your organization?	Common features					
		Customer feedback	Making improvements	Customer service	Whole organization	Direct and indirect exper.	Satisfying customer
<b>Bank</b> , head of branch network and contact center division	<i>Customer experience management means that we get feedback from customers and we react to this. We try to use this information from customers for improving the relationship with them, improving some activities or for pleasing customer.</i>	x	x				x
<b>Casino</b> , corporate quality manager	<i>Customer experience management for me means that company has gathered information about customers' experience, what and how has she gained from us. How we can improve the processes and games in order to keep the customer satisfied in future and loyal to us.</i>	x	x				x
<b>Travel agency</b> , marketing and communications director	<i>Customer experience management for me means that when we make certain decisions concerning market communication for which we can't directly observe outcomes, but after a while we can see from customer feedback that this decision was noticed and important for customer then I know that this was right decision</i>	x				x	
<b>Security service provider</b> , director of marketing and development division	<i>Customer experience management associates with everyday behavior of our employees, from field-service to office and the CEO. Based on their direct and public interaction with customers and wider society, a certain collection of values emerges that people attach to our brand. Meaningful and organized activities in this direction is customer experience management.</i>			x	x	x	
<b>Hotel</b> , marketing manager	<i>For me it means how you manage processes, how to serve customers better, how to make sure there are no mistakes, to make sure that employee knows what to do if the customer is dissatisfied, how to solve that situation.</i>			x			x

## Appendix 12 (continued). Analysis of common features of interviewees' understanding of CEM

Interviewee	Answers: How is CEM understood in your organization?	Common features						
		Customer feedback	Making improvements	Customer service	Whole organization	Direct and indirect exper.	Satisfying customer	
<b>Casino,</b> marketing director	<i>Customer experience management starts from the moment when customer first enters our house. Pleasant first impression is crucial. The service level that a customer receives in Casino is beyond comparison with any other service industry. It includes everything: greeting customer, serving her, understanding her needs, instructing her.</i>			x				x
<b>Bank,</b> service area manager	<i>Customer experience management – one thing is the direct interaction that we manage through offices and service standards. But the experience is shaped also by indirect factors, media and conversations with friends. We also need to manage that experience, here marketing and our communications team have important role.</i>		x			x		
<b>Bank,</b> head of segment departm.	<i>CEM means that the whole organization works on the purpose to retain or grow customer base by keeping customers satisfied.</i>				x			x
<b>Security service provider,</b> marketing manager	<i>For me customer experience management means that each action that you can measure on the [cost] efficiency row, creates an experience for the customer. It has a consequence to customer, based on this she gets impression that influences her opinion about your company and its values and if you are the right service provider for her.</i>				x			x
<b>Mobile operator,</b> head of cust. care and sales develop.	<i>In the broadest sense it is way of thinking in the organization. So that every person inside the company senses that customer is really the reason we go here.</i>						x	

Source: author's analysis based on interview transcripts

### **Appendix 13. Analysis of answers to the first, not-aided, question: what activities did interviewees associate with CEM?**

Categorized by CEM framework: U–understanding,, P–planning, O–organizing, C–coordinating, M–measuring

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#### **Mentioned activities and processes.**

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- |               |   |
|---------------|---|
| <b>Casino</b> | <ul style="list-style-type: none"><li>• Gathering customer feedback on paper and electronically (U)</li><li>• Important goal is to increase the share of high-revenue customers (P)</li><li>• Key account management program for high revenue customers, personal interaction and extra benefits (P, C)</li><li>• Follow-up activities to customers to encourage repeat visits (P?)</li><li>• “Standard for serving customers” – detailed procedures, describing what service actions in what sequence are appropriate for different customers, in ISO framework (P, C)</li><li>• Bonus salary of front-line employees is pegged to their performance in customer interaction (O)</li><li>• Serving the customer on a very high level in the Casino; interaction, understanding needs, offering pleasant experience (C)</li><li>• Explicit performance indicators for front-line employees (C, M)</li><li>• Keeping Casino diaries where service personnel writes down important customers and situations (U, M)</li><li>• System for monitoring and evaluation of service quality (M)</li><li>• Implementing changes in services and offerings based on customer feedback (not classified)</li></ul> |
| <b>Hotel</b>  | <ul style="list-style-type: none"><li>• Feedback questionnaires in rooms and by e-mail (after check-out) for understanding weak and strong aspects in each hotel (U, M)</li><li>• Offering right room with right price to every customer (P)</li><li>• Writing down processes, making procedures (P)</li><li>• Loyalty program for frequent customers (on three levels), including database with personal preferences and statistics. Involved invitations to special events, special offers etc. (P)</li><li>• Procedures and rules for solving different customer situations (P, C)</li><li>• Offering additional services to customers (P, C)</li><li>• Employing people with right attitude (O)</li><li>• Training, where service situations and solutions are simulated (O)</li><li>• “Empowerment” – all front-line employees can make dissatisfied customers happy, within a certain cost limit (O, C)</li><li>• Customizing room and service according to customer’s wishes (C)</li><li>• Controlling the processes (M)</li><li>• Mystery shopping for evaluating service personnel performance (M)</li><li>• Reacting to the feedback (not classified)</li></ul>                             |
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<b>Security service provider</b>	<ul style="list-style-type: none"> <li>• Measuring customer satisfaction and reputation in surveys (U, M)</li> <li>• Core values and beliefs that customers should perceive and associate with the organization (P)</li> <li>• Brand image and promise (P)</li> <li>• CVI displays inside and outside of organization (P, C)</li> <li>• Recruiting right people, who evoke right customer experience (O)</li> <li>• Activities to internalize the values in employees, so they would behave accordingly (O)</li> <li>• Training account managers, technicians, patrols in two areas: customer service and techs (O)</li> <li>• Interaction skills and competence of customer account managers, technicians, patrols (O)</li> <li>• Managing service processes so that customers perceptions and behavior are in accordance with organization's plan (C)</li> <li>• Interaction that keeps customers satisfied and relationship strong (C)</li> <li>• Attention to small details that can evoke customer's emotions (C)</li> <li>• Taking the organization values into consideration when planning marketing activities (C)</li> <li>• CRM solution for tracking customer interactions (C)</li> <li>• Measuring activities inside the organization on different levels (M)</li> <li>• Improving service solutions according to customers' wishes (not classified)</li> </ul>
<b>Travel agency</b>	<ul style="list-style-type: none"> <li>• NPS for gathering customer feedback and understanding what factors cause customer detractions and what factors cause delight (U, M)</li> <li>• "Welcome back" feedback gathering after travelling experience from customers (U)</li> <li>• Complaint management solution (U, C)</li> <li>• Experience based wisdom and intuition for understanding customers and offering right service to right customer group (P)</li> <li>• Principles of excellent service for guiding the customer interaction (P, C)</li> <li>• Contact management system for processing customer requests that arrive via electronic channels (C)</li> <li>• Evaluating daily a sample of electronic customer interactions, against "Principles of Excellent service" (M)</li> <li>• Based on evaluations the work quality of front-line employees is periodically assessed and bonus-salary calculated (M, O)</li> <li>• Improved processes based on feedback from NPS (not classified)</li> </ul>

<b>Bank</b>	<ul style="list-style-type: none"> <li>• NPS for gathering customer feedback (U, M)</li> <li>• Complaint management system (U, C)</li> <li>• Customer service standards, code of ethics and other guiding principles for employees (P, C)</li> <li>• “Backoffice meeting the customer” initiative for creating customer centric integration in the organization (O)</li> <li>• Internal “satisfaction” surveys, measuring regularly divisions’ performance (O)</li> <li>• Backoffice support to frontline (O, C)</li> <li>• Empowering office managers to solve customer complaints (O, C)</li> <li>• Employee performance planning and quarterly evaluation based on scorecards (O, M)</li> <li>• Customer Management program for saving customer data (C)</li> <li>• Morning meetings in offices as tool for managing frontline (C)</li> <li>• Improving “product” and other processes, making them more customer-friendly (not classified)</li> </ul>
<b>Mobile operator</b>	<ul style="list-style-type: none"> <li>• Gathering and sharing feedback from customers through frontline, web forum and via surveys (U, M)</li> <li>• Mobile network (core service) development (P)</li> <li>• Developing right services for right segments, value proposal development (P)</li> <li>• Branding (P)</li> <li>• Service standards for frontline employee behavior (P, C)</li> <li>• Top management initiative in acknowledging throughout the organization that customer is paramount for creating value for organization (O)</li> <li>• Internal communication in seminars and events (O)</li> <li>• Training front-line according to standards and received feedback (O)</li> <li>• Backoffice support to frontline (O, C)</li> <li>• Service management in front-line, supporting customers (C)</li> <li>• Public relations management (C)</li> <li>• Skill to use feedback for improving and developing superior customer experience, considering organization’s vision (not classified)</li> </ul>

Abbreviations: (U) understanding, (P) planning, (O) organizing, (C) coordinating, (M) measuring – components of CEM framework

Source: interview transcripts, author’s analysis

## **Appendix 14.** Characteristic aspects of elements that evoked customer experience in each case organization

### Characteristic aspects of elements that evoke customer experience in case of **Casino**

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<b>Service-scape</b>	<ul style="list-style-type: none"><li>• servicescape is planned carefully on single detail level</li><li>• 3 design themes for Casinos</li><li>• servicescape reckons with brandbook and CVI</li><li>• Casinos are designed in cooperation with leading Estonian interior designer, but also organization's long-time experience and foreign benchmark is utilized</li><li>• management team makes planning and building decisions</li></ul>
<b>Service employees</b>	<ul style="list-style-type: none"><li>• customer service standards in line with targeted customer experience</li><li>• service standards developed by HRM and quality managers</li><li>• regular meetings for employees with managers and colleagues</li><li>• monthly evaluation by managers of Casinos and surveillance unit</li><li>• managed by Casino managers, supported by HRM department and surveillance department</li></ul>
<b>Core service</b>	<ul style="list-style-type: none"><li>• slot machines and table games</li><li>• process for analyzing the slot machine's attractiveness and revenue</li><li>• improving machine's position or stakes if needed</li><li>• managed by management team</li></ul>
<b>Price</b>	<ul style="list-style-type: none"><li>• price is understood as win-back probability compared to competitors</li><li>• stakes and winning probability is adjusted in slotmix meeting (involving managers of Casinos and CEO)</li><li>• campaign prices managed by marketing department, drinks by manager of bars</li></ul>
<b>Electronic channels</b>	<ul style="list-style-type: none"><li>• phone and e-mail interaction with key customers is managed in customer relations department</li><li>• webpage is managed by marketing department</li><li>• Casino also operates an internet casino, but this unit is positioned separately in organization's structure and has quite different service and target group; it is omitted from this analysis.</li><li>• information phone is administrator's phone in the flagship Casino (no contact-center)</li></ul>
<b>Promotion</b>	<ul style="list-style-type: none"><li>• about 50 marketing campaigns per year;</li><li>• campaign results are always measured</li><li>• jackpots used for attracting customers</li><li>• mostly managed by marketing division, supported by casino managers</li></ul>
<b>Other customers</b>	<ul style="list-style-type: none"><li>• no special procedure for managing interaction of customers in casino</li><li>• constantly badly behaving customers are banned from the Casino</li><li>• Casino managers handle cases as they occur</li></ul>

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Source: author's analysis based on interview transcripts

## Characteristic aspects of elements that evoke customer experience in case of Hotel

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<b>Service-scape</b>	<ul style="list-style-type: none"><li>• customers spend long period of time in physical facility, therefore these clues were quite carefully planned and organized</li><li>• hotel interior was planned cooperatively by owners and hotel managers, using advice of interior designer</li><li>• operationally managed mostly on single hotel level</li></ul>
<b>Service employees</b>	<ul style="list-style-type: none"><li>• detailed service standards; in addition to prescribing appropriate behavior in encounter the standards also aimed to stimulate the employee; composed by personnel division and management board</li><li>• core values and slogan help and support frontline in choosing the right service behavior</li><li>• frontline employees were “empowered” to improve customer experience</li></ul>
<b>Core service</b>	<ul style="list-style-type: none"><li>• elaborated service manuals</li><li>• configuring right service packages for different target groups is considered very important</li><li>• rooms and hotels with different service levels</li></ul>
<b>Price</b>	<ul style="list-style-type: none"><li>• price became important during recent economic recession, but generally customers were not considered very price sensitive</li><li>• large variety of different prices for different rooms, dates, and early/late bookings</li><li>• managed by revenue manager</li></ul>
<b>Electronic channels</b>	<ul style="list-style-type: none"><li>• ordering center and e-mails managed by central sales division</li><li>• webpage was designed very thoroughly, it is considered very important in pre-purchase phase</li><li>• webpage managed by marketing department</li></ul>
<b>Promotion</b>	<ul style="list-style-type: none"><li>• strong brand-awareness was considered crucial for attracting tourists</li><li>• managed by marketing division</li></ul>
<b>Other customers</b>	<ul style="list-style-type: none"><li>• opinion of other people (in internet) is very important before actual stay</li><li>• influence of other customers was considered when accommodating guests to rooms</li><li>• in order to attract families there was a special check-in for kids, playing room for kids, surprises for kids etc.</li></ul>

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Source: author’s analysis based on interview transcripts

Characteristic aspects of elements that evoke customer experience in case of **Security service provider**

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<b>Service-scape</b>	<ul style="list-style-type: none"> <li>• stickers with logo in guarded objects are important clues</li> <li>• main focus is on cars and field employee uniform and appearance, office is not visited that often by customers</li> <li>• showroom design and furnishing a bit outdated, but will be updated</li> <li>• based on MNC's CVI, with local modifications</li> <li>• managed by broad management team and marketing department</li> </ul>
<b>Service employees</b>	<ul style="list-style-type: none"> <li>• people from multiple divisions interact directly with customers (account manager, technicians, surveillance center and patrols)</li> <li>• some employees are working remotely on customers' objects</li> <li>• field employees are important for building organization's reputation</li> <li>• there are rules about work-processes, how to wear uniform etc.</li> <li>• managed by security division, security equipment division, cash division, sales division and supported by HRM division</li> </ul>
<b>Core service</b>	<ul style="list-style-type: none"> <li>• developing core product is quite expensive and involves different divisions with sometimes conflicting goals (eg. cost efficiency or additional revenues vs. better customer experience)</li> <li>• managed mostly by main service divisions: security, security equipment and cash division.</li> <li>• supported by marketing department that highlights customer needs</li> </ul>
<b>Price</b>	<ul style="list-style-type: none"> <li>• as market leader the organization can set price levels, to which competitors align</li> <li>• "you don't have to be cheapest if you are better in other things"</li> <li>• in case of setting price for newly developed service the financial, marketing and core service divisions are involved</li> </ul>
<b>Electronic channels</b>	<ul style="list-style-type: none"> <li>• customer interaction mostly takes place through phone and e-mails</li> <li>• phone and e-mail interaction is mostly with account managers in sales and customer service division (except alarm calls from surveillance center in security division and direct mail from marketing division)</li> <li>• webpage is managed by marketing and development division</li> </ul>
<b>Promotion</b>	<ul style="list-style-type: none"> <li>• multinational CVI is modified for Estonian market</li> <li>• marketing and development division develops ideas and executes activities, while management board gives acceptance to budget</li> </ul>
<b>Other customers</b>	<ul style="list-style-type: none"> <li>• public communication in social and traditional media</li> <li>• "as market leader we do not disparage or attack competitors, but we advise customers as best as we can"</li> <li>• "we are too big to accept any service failures"</li> <li>• managed mostly by communications department</li> </ul>

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Source: author's analysis based on interview transcripts

Characteristic aspects of elements that evoke customer experience in case of **Travel agency**

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<b>Service-scape</b>	<ul style="list-style-type: none"> <li>• physical offices are losing importance as fewer customers visit the office</li> <li>• named “alternative channel” inside organization</li> <li>• managed by region managers</li> </ul>
<b>Service employees</b>	<ul style="list-style-type: none"> <li>• prescribed appearance (uniforms) and interaction style</li> <li>• “Principles of excellent service”</li> <li>• trainings about travel products and sales interaction skills</li> <li>• managed by personnel and quality manager</li> </ul>
<b>Core service</b>	<ul style="list-style-type: none"> <li>• travel service providers (consumption phase) are carefully selected, but not directly controllable by travel agency</li> <li>• sales service is controlled</li> <li>• there are millions of different travel service configurations, it is up to travel consultant to sense the customer and offer the appropriate</li> <li>• managed by product managers and development director</li> </ul>
<b>Price</b>	<ul style="list-style-type: none"> <li>• “if price is well substantiated, then people are ready to pay also higher price, but if you do not substantiate it, then of course they do not pay”</li> <li>• Travel Agency targets high service quality instead of low prices</li> <li>• prices are set by product managers and financial specialists, in small limits frontline can make changes</li> </ul>
<b>Electronic channels</b>	<ul style="list-style-type: none"> <li>• web and phone are most important sales channels</li> <li>• single words and symbols in e-mail become very important;</li> <li>• “even wrong color of underlined link on webpage leads to huge loss of potential customers”</li> <li>• webpage is optimized for most frequent customers (working women in 30-ies), does not support personalized content</li> <li>• e-mails and calls managed in “ordering center” that resides in sales department</li> <li>• webpage managed cooperatively by IT, product owners and marketing</li> <li>• social media interaction managed by marketing department</li> </ul>
<b>Promotion</b>	<ul style="list-style-type: none"> <li>• brand promise influences (increases) customers’ expectations towards Travel Agency</li> <li>• “brand is influenced by all the big and small decisions that are seen outside the organization”</li> <li>• promotion is executed by marketing department</li> </ul>
<b>Other customers</b>	<ul style="list-style-type: none"> <li>• minimal influence of other customers in offices</li> <li>• opinion of other customers is influenced with different public actions</li> <li>• communication in social and traditional media managed carefully, mostly by marketing and communications department</li> </ul>

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Source: author’s analysis based on interview transcripts

## Characteristic aspects of elements that evoke customer experience in case of Bank

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<b>Service- scape</b>	<ul style="list-style-type: none"><li>• offices are designed and furnished on purpose to reflect the bank as a customer-friendly and convenient/comfortable service provider, instead of previous more rigid and official reputation</li><li>• quite strict rules for servicescape on detailed level (colors, furniture design etc).</li><li>• design is developed by specialized international interior design consultant, based on brandbook</li><li>• daily coordinated by manager of branch</li></ul>
<b>Service employees</b>	<ul style="list-style-type: none"><li>• empathy and sensing customer wishes is considered important</li><li>• training body language, asking questions and other clues</li><li>• employees are given “social toolboxes” and autonomy, instead of strict behavior prescriptions</li><li>• “excellent service by frontline employee can make up weak performance in other areas”</li><li>• directly managed by office managers; every morning branch meetings</li></ul>
<b>Core service</b>	<ul style="list-style-type: none"><li>• the existence of core solution (lending, investing, payments) is important, but the nuances and detailed characteristics are not considered that important</li><li>• active development in the area of making processes more efficient and convenient for customers</li><li>• core services are mostly developed by product managers on group level</li></ul>
<b>Price</b>	<ul style="list-style-type: none"><li>• “we are not price leaders. we do not lower prices, but we are more concerned with developing the value, so that the customer would get value for money.”</li></ul>
<b>Electronic channels</b>	<ul style="list-style-type: none"><li>• webpage and phone support used most actively by young people and people with higher than average incomes</li><li>• some personalization options offered in webpage</li><li>• extremely high security of webpage sets some limits to possible applications</li><li>• next step for webpage development would be online interaction tools like MSN, where service employee can instantly answer to questions and help with online transactions</li></ul>
<b>Promotion</b>	<ul style="list-style-type: none"><li>• “promotion can’t replace direct, personal, experience with the service”</li><li>• yet most of customers rarely visit Bank branch; for such customers indirect experience is prevailing</li></ul>
<b>Other customers</b>	<ul style="list-style-type: none"><li>• separating barriers at the counters</li><li>• special office for private banking customers</li><li>• influenced by reputation in public</li><li>• direct experience managed operationally in branch</li><li>• indirect experience managed by marketing and communication team</li></ul>

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Source: author’s analysis based on interview transcripts

Characteristic aspects of elements that evoke customer experience in case of **Mobile operator**

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<b>Service- scape</b>	<ul style="list-style-type: none"> <li>• just finished implementing new retail concept in sales offices (mobile devices on the table, new ways to present banners)</li> <li>• service environment is closely connected to branding; it is believed that servicescape role in building brand reputation is crucial</li> <li>• not strictly prescribed how retail office should look like</li> <li>• managed cooperatively by retail sales division, marketing and product management</li> </ul>
<b>Service employees</b>	<ul style="list-style-type: none"> <li>• differentiation through excellent service is “cherry on the cake”</li> <li>• impression from direct face-to-face interaction lasts for long time, because many customers visit retail office only once in couple of years</li> <li>• weekly team meetings, setting weekly goals by employees</li> <li>• managed operationally by head of retail sales (and managers of retail offices); trained by personnel department; instructive materials and product descriptions developed by customer care and sales development department</li> </ul>
<b>Core service</b>	<ul style="list-style-type: none"> <li>• network coverage is most important for customers and organization</li> <li>• aim to be innovation leader in core service</li> <li>• managed by product development team</li> </ul>
<b>Price</b>	<ul style="list-style-type: none"> <li>• “we are not trying to sell with minimum price, it is not for us”</li> <li>• value proposals (service packages) managed by product development team and sales development department</li> <li>• has a separated discounter brand</li> </ul>
<b>Electronic channels</b>	<ul style="list-style-type: none"> <li>• webpage, phone and e-mail are as important as retail offices</li> <li>• not sure if it is cost-efficient to offer instant messaging support on webpage (it requires very high service level)</li> <li>• for phone interaction the customer complaints are often more out of context and emotional</li> <li>• Facebook is becoming a service channel, because customers seek for advice there</li> </ul>
<b>Promotion</b>	<ul style="list-style-type: none"> <li>• premium brand reputation is considered very important</li> <li>• “brand alone does not do anything, there are other factors behind it”</li> <li>• promotion is managed by marketing team</li> </ul>
<b>Other customers</b>	<ul style="list-style-type: none"> <li>• interaction between customers in retail offices is not in focus</li> <li>• separate position to guide and answer to customer’s posts in Facebook</li> <li>• some of customer comments in internet and social media do not reflect real situation, Estonians like to quetch</li> <li>• influence of other people depends on personality of customer</li> </ul>

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Source: author’s analysis based on interview transcripts

**Appendix 15. Characteristics of CRM solutions in each case organization**

<b>Characteristic aspects of implemented CRM solutions</b>	
<b>Casino</b>	<ul style="list-style-type: none"> <li>• software solution for tracking customers’ transactions</li> <li>• customer identification based on bonus cards</li> <li>• allows to save and retrieve some personal preferences</li> <li>• allows frontline employee to see the “customer transaction history”</li> <li>• separate software for registering casino visitors</li> <li>• no analytics</li> </ul>
<b>Hotel</b>	<ul style="list-style-type: none"> <li>• software solution for tracking customers’ transactions</li> <li>• customer identification based on loyalty cards</li> <li>• allows also to save and retrieve personal preferences (shortly)</li> <li>• allows to make longer notes about advanced preferences of business customers or tourist groups</li> <li>• separate solution was implemented in parallel for registering customers in and out of hotel rooms</li> <li>• separate solution for saving and analyzing feedback from customers</li> </ul>
<b>Security service provider</b>	<ul style="list-style-type: none"> <li>• software solution for tracking customer transactions</li> <li>• thorough information about contact persons, service type, secured objects, price etc.</li> <li>• service delivery workflow is managed through the same system (orders to technicians, contracts, billing etc)</li> <li>• saves information from interactions in e-mail, but phone calls and face-to-face meetings are not systematically registered</li> <li>• includes fields for saving “soft” information about customers, but filling this part is not common yet</li> <li>• integrated to self service, there is a plan to integrate solution with call-center (automated number recognition etc.)</li> </ul>
<b>Travel agency</b>	<ul style="list-style-type: none"> <li>• no special CRM software</li> <li>• software solution for managing customer queries (service pipeline)</li> <li>• customer transaction history is saved</li> <li>• e-mails handled through the same solution</li> <li>• retrieving information about past interactions is possible but uncomfortable</li> <li>• separate software solution for managing complaint handling</li> </ul>

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<b>Bank</b>	<ul style="list-style-type: none"> <li>• software for tracking transactions and interactions with customers</li> <li>• in addition to transaction information it includes information on history of sent offerings, customer response, problems, problem handling etc.</li> <li>• soft factors or customer emotions are not saved – but the need is acknowledged</li> <li>• integrated with different interaction channels (branch, phone, e-mail, self-service)</li> <li>• separate solutions for saving customer e-mails, phonecalls etc.</li> <li>• CRM is also used internally for sharing/ delivering information about customers’ needs/ sales possibilities</li> <li>• allows for some behaviour analytics, based on which personal offerings are prepared to be used by front-line employees</li> <li>• no support for marketing automation, samples are made manually</li> </ul>
<b>Mobile operator</b>	<ul style="list-style-type: none"> <li>• software for tracking transactions and interactions with customers</li> <li>• customer e-mails are connected to CRM</li> <li>• customer complaints are handled through CRM solution</li> <li>• organization basically logs most of contacts with customers in data warehouse, but not every small detail is displayed in CRM</li> <li>• does not support marketing automation, samples are made manually</li> <li>• separate service desk solution for managing and sharing workflow and processes inside organization</li> </ul>

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Source: author’s analysis based on interview transcripts

## Appendix 16. Formal metrics for measuring and controlling the customer experience evoking and its results in each case organization

Metrics and measurement processes that were mentioned by interviewees from **Casino**

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<b>Measuring CEM (target for measurement in brackets)</b>	
<b>Processes that evoke customer experience</b>	<ul style="list-style-type: none"> <li>• remote surveillance of service employees in encounter, based on a list of service standards (service employee behavior and appearance)</li> <li>• quarterly self-audit by casino managers based on prescribed list of questions (servicescape and service processes)</li> <li>• slot machine maintenance and repair times (core service maintenance)</li> <li>• time for solving customer complaints (casino manager)</li> <li>• handing out marketing campaign tickets and bonus cards (service employee behavior, promotion)</li> <li>• media monitoring (influence of press and other customers)</li> <li>• monthly evaluation and yearly attestation (service employee capability)</li> <li>• frontline employee turnover rate (casino manager)</li> </ul>
<b>Customer experience</b>	<ul style="list-style-type: none"> <li>• customer feedback forms in casinos (whole experience)</li> </ul>
<b>Customer behaviour</b>	<ul style="list-style-type: none"> <li>• share of repeat customers, in contrast to new customers</li> <li>• number of “new” customers who visit the Casino the fourth time</li> <li>• counting time that customers spend in Casino – customer-hours (casinos)</li> <li>• number of customer visits (casinos)</li> <li>• size of average gambling stake (casinos)</li> <li>• turnover of slot machines – “coin-in” (casinos)</li> <li>• number of customers participating in marketing campaigns (marketing)</li> </ul>
<b>Financial value to organization</b>	<ul style="list-style-type: none"> <li>• revenue (casinos)</li> <li>• profitability (casinos)</li> </ul>

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Source: author’s analysis based on interview transcripts

## Metrics and measurement processes that were mentioned by interviewees from Hotel

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### Measuring CEM (target for measurement in brackets)

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<b>Processes that evoke customer experience</b>	<ul style="list-style-type: none"><li>• mystery shopping for measuring predefined aspects of service; carried out twice a year (employee behavior, servicescape, core service)</li><li>• regular test calls (interaction by phone)</li><li>• “manager on duty” inspecting the hotel according to a checklist (servicescape and core service)</li><li>• employee satisfaction studies</li></ul>
<b>Customer experience</b>	<ul style="list-style-type: none"><li>• customer satisfaction with predefined aspects of service via customer feedback forms in rooms and sent by e-mail after checkout</li></ul>
<b>Customer behaviour</b>	<ul style="list-style-type: none"><li>• share of repeat customers (hotels)</li><li>• number of customer visits (hotels)</li><li>• occupancy rate (hotels)</li><li>• number of room-days in a period (business customers only)</li><li>• average revenue of room-days (business customers only)</li><li>• share of total spend/ share of wallet (business customers only)</li></ul>
<b>Financial value to organization</b>	<ul style="list-style-type: none"><li>• revenue (hotels)</li><li>• gross operating profit (hotels)</li></ul>

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Source: author’s analysis based on interview transcripts

## Metrics and measurement processes that were mentioned by interviewees from Security service provider

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### Measuring CEM (target for measurement in brackets)

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<b>Processes that evoke customer experience</b>	<ul style="list-style-type: none"><li>• time for patrols to arrive to scene (core service)</li><li>• calling queues (interaction in electronic channels, core service)</li><li>• internal control checks whether security guards work according to prescribed processes</li><li>• employee satisfaction survey</li></ul>
<b>Customer experience</b>	<ul style="list-style-type: none"><li>• annual customer satisfaction study (different aspects of experience)</li><li>• study of reputation and market trends (whole experience)</li><li>• frequent issues from complaint handling process are pointed out</li><li>• analyzing reasons why customers have stopped buying the service</li></ul>
<b>Customer behaviour</b>	<ul style="list-style-type: none"><li>• size of customer portfolio</li><li>• number of stopped contracts</li><li>• number of unpaid bills in customer portfolio</li><li>• additional sales to existing customers</li><li>• number of incoming alarm-calls (mostly technical system failures)</li></ul>
<b>Financial value to organization</b>	<ul style="list-style-type: none"><li>• revenue (divisions and organization level)</li><li>• cost indicators (divisions and organization level)</li><li>• profitability indicators (divisions and organization level)</li><li>• profit per customer (large business customers)</li></ul>

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Source: author's analysis based on interview transcripts

## Metrics and measurement processes that were mentioned by interviewees from **Travel agency**

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### Measuring CEM (target for measurement in brackets)

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<b>Processes that evoke customer experience</b>	<ul style="list-style-type: none"><li>• mystery shopping and test-calling for measuring predefined aspects of service; carried out twice a year (employee behavior, servicescape)</li><li>• selective evaluation of recorded phone interaction and e-mails (interaction in electronic channels)</li><li>• evaluation of service employees performance by managers (based on a list of questions)</li><li>• internal NPS for evaluating the support of backstage units</li></ul>
<b>Customer experience</b>	<ul style="list-style-type: none"><li>• NPS (whole relationship experience)</li><li>• “welcome back card” (last experience)</li></ul>
<b>Customer behaviour</b>	<ul style="list-style-type: none"><li>• market share (organization)</li><li>• frequency of customers’ purchases</li><li>• number of new customers (offices, marketing campaigns)</li><li>• number of potential customer contacts</li></ul>
<b>Financial value to organization</b>	<ul style="list-style-type: none"><li>• revenue (service employees, offices, customer segments, core services, and organization)</li><li>• profit margin (service employees, offices and organization)</li><li>• profit margin per customer (business customers and customer segments)</li></ul>

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Source: author’s analysis based on interview transcripts

## Metrics and measurement processes that were mentioned by interviewees from Bank

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### Measuring CEM (target for measurement in brackets)

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<b>Processes that evoke customer experience</b>	<ul style="list-style-type: none"><li>• selective evaluation of recorded phone interaction and e-mails (interaction in electronic channels)</li><li>• measuring time to answer customers' calls and e-mails</li><li>• evaluation of employees' competence (quarterly for service employees)</li><li>• employee satisfaction survey</li><li>• separate survey for evaluating front- and backoffice cooperation</li></ul>
<b>Customer experience</b>	<ul style="list-style-type: none"><li>• NPS (last encounter in office, by phone, e-mail or webpage)</li><li>• study of customer satisfaction, loyalty and perception of competitors</li></ul>
<b>Customer behaviour</b>	<ul style="list-style-type: none"><li>• market share of core services</li><li>• number of customers actively using core services</li><li>• number of contracts done in internet bank</li><li>• number of core services per customer (segment)</li><li>• achieving sales targets (employees)</li><li>• sales-points system (employees)</li></ul>
<b>Financial value to organization</b>	<ul style="list-style-type: none"><li>• revenue (core service, customer segments, organization)</li><li>• profitability (core service, customer segments, organization)</li></ul>

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Source: author's analysis based on interview transcripts

Metrics and measurement processes that were mentioned by interviewees from **Mobile operator**

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**Measuring CEM** (target for measurement in brackets)

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<b>Processes that evoke customer experience</b>	<ul style="list-style-type: none"><li>• selectively evaluating phone calls (electronic channels)</li><li>• monitoring average time for solving customer complaints</li><li>• attestation of employees</li><li>• employee satisfaction survey</li><li>• surveying frontline satisfaction with backoffice cooperativeness</li></ul>
<b>Customer experience</b>	<ul style="list-style-type: none"><li>• NPS</li><li>• study of general customer satisfaction (whole experience)</li><li>• study of customer satisfaction with core services</li><li>• study of customer satisfaction with service channels (retail office and electronic channels)</li><li>• text analysis of customer complaints</li><li>• asking and analyzing reasons why customers stop subscription</li></ul>
<b>Customer behaviour</b>	<ul style="list-style-type: none"><li>• number of repeat and new customers</li><li>• market share</li><li>• churn rate</li><li>• balance of switching providers</li><li>• analyzing records about customers' usage behavior in database from various aspects</li><li>• calculating customer's probability to leave (churn) based on analysis of customers' behavior</li><li>• number of customers coming to webpage from social media</li></ul>
<b>Financial value to organization</b>	<ul style="list-style-type: none"><li>• revenue (core services, organization)</li><li>• revenue from new services</li><li>• profit (customer segments, organization)</li><li>• average revenue per user (ARPU)</li><li>• sales points system for service employees</li></ul>

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Source: author's analysis based on interview transcripts

**Appendix 17.** Summary of organizations' structure from CEM perspective

<b>Structural units</b>	<b>Casino</b>	<b>Hotel</b>	<b>Security provider</b>	<b>Travel agency</b>	<b>Bank</b>	<b>Mobile operator</b>
Physical service encounter (impersonal for customer)	●	●	◐	●	●	●
Contact center (impersonal calls and e-mails)	○	●	◐	●	●	●
Customer account management/ sales unit (personally for customer)	◐	◐	●	◐	◐	◐
Marketing communication (managing indirect experience)	●	●	●	●	●	●
Service and sales development	○	○	◐	◐	●	●
Customer segment management	○	○	○	◐	●	●
Core service management	◐	●	●	◐	●	●
Support functions: HRM, IT, Techs, Financials, Internal control etc.	●	●	●	●	●	●

Legend: ●/ ◐/ ○ – present/ partly present/ not present in organization

Source: author's analysis based on information from interviews and webpages that is summarized in appendix 18

## **Appendix 18.** Main structural units of each studied organization from CEM perspective

### **Casino**

- Managers of Casino branches
- Manager of bars
- Marketing and customer relations
- (Service) quality management
- Human resource management
- Gaming device maintenance
- IT
- Surveillance department
- Financials
- Internet casino (not included to this study)

### **Hotel:**

- In each hotel:
  - reception department (administrators, supervisors, porters)
  - housekeeping department (room service, cleaners and supervisors)
  - restaurant
  - conferences
- Central office:
  - sales division (sales department, revenue manager, marketing department, and ordering center)
  - HRM
  - financials
  - IT
  - security

### **Security service provider**

- Sales and customer service division
  - customer account managers
  - customer service department
  - security solutions department (serving largest customers)
- Security equipment division (installing and maintenance of devices)
- Security division
  - surveillance center (handling alarm calls, managing patrols)
  - security managers of objects (manned surveillance)
- Cash division (cash transport services)
- Support divisions:
  - marketing and development division (marketing, communication and development departments)
  - HR, Finances, Legal, Tech, Internal control

**Travel agency:**

- Sales department
  - offices
  - contact-center
- Marketing and communications department
- Product management
- Supplier relationships management
- IT
- Financials
- HRM

**Retail Bank:**

- Branch network and contact center division (regional managers, managers of branches)
- Sales and service management department
- Segment management division (customer segment managers, marketing)
- Private customer financing (financing “products”)
- Everyday banking (payment and investment “products”)
- Small enterprise banking

**Mobile operator:**

- Sales and service division
  - retail offices
  - phone/e-mail service
  - key account management
  - service and sales development
  - service helpdesk
  - telemarketing
  - device sales
- Marketing division
  - customer segment managers (subscriptions, pre-paid and large customers)
  - communication managers (by customer segments)
  - analysis division
- Development and technology division (core service)
  - call service
  - data connection service
  - other services
- IT
- Finance
- HRM

Source: interview transcripts and organizations’ webpages

## SUMMARY IN ESTONIAN – KOKKUVÕTE

### Kliendikogemuse tekitamine ja juhtimine teenuste valdkonnas

#### Töö aktuaalsus

Kliendikogemuse juhtimine on viimasel kümnendil esile kerkinud lähenemine klientidele väärtuse loomiseks ning toodete ja teenuste diferentseerimiseks. Paljude turundusteadlaste arvates on suurepärase kliendikogemuse pakkumine üks kriitilisi edutegureid kaasaegsetes organisatsioonides (Pine & Gilmore 1998; Schmitt 1999a; Meyer & Schwager 2007). Seda kinnitab ka selliste kliendikogemusele keskendund ettevõtete edukus, nagu: Apple, Lego, Ikea ja Starbucks. Kliendikogemuse kontseptsiooni peetakse ühtlasi turundusteooria alustalaks tulevikus. Sellest ka kõrgendatud teaduslik huvi selle teema vastu.

Samas on kliendikogemust ja selle tekitamist käsitlev teaduskirjandus veel arenemisejärgus ning tasemelt ebahütlane. Turundust ja tarbijakäitumist puudutavad uuringud on traditsiooniliselt käsitlenud pigem toodete ja teenuste funktsionaalseid omadusi ning nende väärtust kliendile. Siiski on tõestust leidnud, et kliendid ei käitu sageli nii ratsionaalselt ja loogiliselt, kui neoklassikalisest majandusteooriast lähtuvad mudelid seda lubaksid arvata. Seega on märgatud, et turundus kui distsipliin on tegeliku kliendifookuse mõneti silmist lasknud (Payne *et al.* 2009). Mõne aja eest pöörduski tähelepanu kliendikogemuse holistilistele käsitlustele.

Frow ja Payne (2007) on ühed vähestest autoritest, kes on käsitlenud kliendikogemuse juhtimise teoreetilisi lähtekohti. Oma artikli on nad kokku võtnud tõdemusega, et kliendikogemuse teaduslik kontseptsioon on alles sündimas. Sama on kinnitanud ka Verhoef ja kolleegid 2009. aastal oma artiklis (lk. 31): „Nii palju kui meie teame, on olemas väga vähe artikleid, mis uuriksid kliendikogemust sügavuti ja teoreetilisest perspektiivist“ Kuigi teadmiste baas pidevalt areneb, on kliendikogemuse juhtimise uurimissuund täna hajus ja kohati isegi vastukäivalt kontseptualiseeritud; selles on vajaka nii täpsest terminoloogiast kui ka struktureeritud ja eelnevate töödega seostatud lähene misest. Käesolev doktoritöö annab selle lünga täitmiseks oma panuse, arendades uurimistööd aktuaalses valdkonnas, mida peetakse organisatsioonide üheks eduteguriks tulevikus.

On öeldud, et organisatsioonid ei saa vältida kliendikogemuse tekitamist – kliendid saavad hea või halva kogemuse niikuinii. Küll aga võivad organisatsioonid vältida kliendikogemuse tekitamise süsteemsel moel juhtimist (Haeckel, Carbone & Berry 2003). Seega on organisatsiooni juhtide ülesanne välja arendada võimekused ja protsessid, mis võimaldavad eesmärgipärast kliendikogemust regulaarselt tekitada. Kliendikogemuse juhtimise muudab keerukaks

fakt, et lõplik kliendikogemus luuakse iga kliendi peas individuaalselt. Kliendikogemuse tekitavad ettevõtte pakutavad stiimulid, mida iga klient tõlgendab lähtuvalt oma tajust ja taustast. Järelikult sõltub kliendikogemus suurest hulgast subjektiivsetest teguritest. Siiski tuleb rõhutada, et juhtimise seisukohast pole kliendikogemus mingi amorfne kontseptsioon, vaid sama reaalne pakkumine nagu toode ja teenuski. Seega, kliendikogemuse juhtimise paradigma kohaselt pole tootmise objektiks ja väärtuse kandjaks mitte toode või teenus, vaid kliendile tekitatud kogemus.

On leitud, et kliendikogemuse juhtimisest saadav kasu väljendub organisatsiooni jaoks järgmises: klientide kõrgem rahulolu, kordusostud, vähenenud hinnatundlikkus, lojaalsus ja soovitud teistele potentsiaalsetele klientidele. Samuti võimaldab see lähenemine vähendada kulusid – loobuda tegevustest, mis kliendile tegelikult väärtust ei loo. Strateegilises vaates võimaldab kogemuse tekitamisele keskendumine vältida toote tarbekaubastumist (*commodification*) ning annab üpris püsiva konkurentsieelise, sest kogemuse tekitamine on keerukas protsess, seda on võrdlemisi raske imiteerida.

## Uurimuse eesmärk ja ülesanded

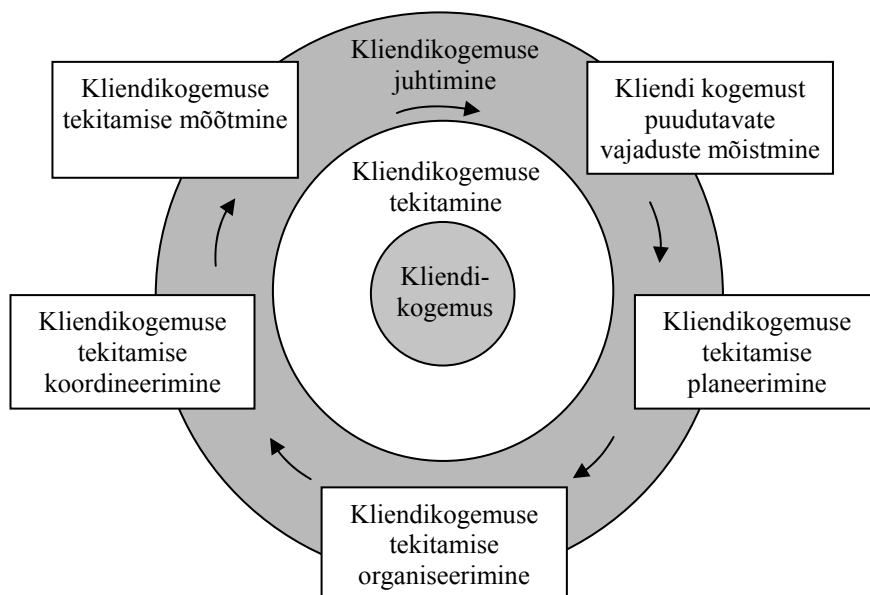
Käesoleva doktoritöö eesmärgiks on välja töötada raamistik kliendikogemuse tekitamise ja juhtimise kirjeldamiseks. Raamistik tugineb olemasolevate teoreetiliste käsitluste sünteesile ning seda analüüsitakse süvendatult juhtumiuuringuga Eesti teenindusorganisatsioonides. Eesmärgi saavutamiseks on püstitatud järgnevad uurimisküsimused:

- Analüüsida ja kokku võtta *kliendikogemuse* kontseptsiooni teoreetiline taust, välja töötada ühtne käsitlus, tuginedes asjakohasele teaduskirjandusele.
- Analüüsida ja kokku võtta teooriad, mis käsitlevad olulisi elemente ja printsiipe *kliendikogemuse tekitamiseks*.
- Analüüsida *kliendikogemuse juhtimise* definitsioone ja komponente, selleks et paigutada need komponendid sidusasse raamistikku.
- Välja töötada uurimisküsimused, suunamaks empiirilist uuringut ja kontrollimaks esialgse teoreetilise raamistiku paikapidavust.
- Põhjendada ja selgitada uurimismetoodikat, mida kasutatakse esialgse kliendikogemuse juhtimise raamistiku komponentide ja seoste analüüsil Eesti teenindusorganisatsioonide juhtumiuuringus.
- Esitada empiirilise uuringu tulemused ja diskussioon olulisemate tegurite kohta täiendatud kliendikogemuse juhtimise raamistikus.
- Tuua välja praktilised soovitud ning suunad edasisteks uuringuteks.

## Töö uudsus

Kliendikogemuse juhtimine on interdistsiplinaarne urimisvaldkond, mille käsitlemine eeldab teadmisi esiteks sellest, kuidas tekib klientide subjektiivne reaalsus ning teiselt ka organisatsioonides toimuvatest juhtimisprotsessidest. Käesolev töö kombineerib käsitlusi psühholoogia, turunduse, käitumusliku majandusteaduse ja teenuste ning organisatsiooni juhtimise valdkondadest, et avada kliendikogemuse juhtimisele omaseid protsesse ja seaduspärasusi ning leida neile kinnitust juhtumiuuringus.

Erinevus olemasolevate uuringute ja selle töö vahel seisneb selles, et käesolev töö ühendab kirjanduse erinevad suunad ning pakub välja uudse kolmetasandilise raamistiku, mis võimaldab mõista kliendikogemuse tekitamist ja juhtimist ühtse tervikuna. Niisiis on osa uuringuid keskendunud kliendikogemuse olemuse väljaselgitamisele (Holbrook & Hirschmann 1982; Caru & Cova 2003; Gentile, Spiller & Noci 2007), samal ajal on teised uuringud keskendunud elementidele ja printsiipidele, mis tekitavad kliendikogemust (Haeckel, Carbone & Berry 2003; Pullman & Gross 2004; Meyer & Scwager 2007). Kolmas, tunduvalt väiksem osa vastavast kirjandusest on eesmärgiks võtnud kliendikogemuse juhtimise kontseptualiseerimise (Grewal, Levy & Kumar 2007; Kwortnik & Thompson 2009; Verhoef *et al.* 2009).



**Joonis 1.** Kolm tasandit kliendikogemuse juhtimise kirjeldamiseks (autori poolt koostatud)

Käesolev uuring rõhutab vajadust uurida neid valdkondi integreeritult ning luua kliendikogemuse juhtimise raamistik, mis ei vaata mööda olemasolevatest teadmistest seotud valdkondades. Peale selle toob käesolev uuring välja vajaduse eristada kontseptuaalselt 1) kliendikogemuse tekitamist ja 2) kliendikogemuse juhtimist. Organisatsiooni seisukohalt viitab esimene erinevate elementide ja märkide vahetule mõjule kliendikogemuse tekitamisel. Teine aga puudutab protsesse, struktuure ja võimekusi, mis võimaldavad organisatsioonil kliendikogemuse tekitamist juhtida.

## Töö ülesehitus ning teoreetiline taust

Käesolev doktoritöö koosneb neljast peatükist. Esimesed kolm peatükki analüüsivad ja koondavad teoreetilisel tasemel käsitlusi, mis moodustavad aluse esialgsele CEM (kliendikogemuse juhtimine – *inglise k.*) raamistikule. Sellest lähtuvalt on välja töötatud ka uurimisküsimused empiirilisse osasse, CEM-raamistiku süvendatud analüüsiks ning selle kitsaskohtade väljatoomiseks. Neljas peatükk algab uuringumetoodika selgituse ja põhjendusega, millele järgneb juhtumiuuringu tulemuste väljatoomine ning diskussioon olulisemate järelduste ja raamistiku sobivuse üle.

Doktoritöö teoreetilise osa esimeses peatükis uuritakse kliendikogemuse kontseptsiooni arengut ja erinevaid definitsioone. Sest ebatäpne oleks analüüsida kliendikogemuse juhtimise teemat ilma põhjaliku arusaamata kliendikogemuse fenomenist. Siiski puudub ühtne või laiemalt tunnustatud kontseptualiseering, mis avaks kliendikogemuse olemust. Arutelu sel teemal alles areneb, tuginedes edusammudele teaduskirjanduses. Siiski lähtub kogemuslik turundus (*experiential marketing*) arusaamast, et väärtus, mille klient saab, ei seisne pelgalt toote või teenuse omadustes, vaid holistilises kogemuses. Tuginedes kliendikogemuse fenomenoloogilisele olemusele, peab analüüs arvestama põhimõtteliselt kõigega, mis toimub subjektiivselt kliendi peas. Lisaks ratsionaalsele kasule on tähtsad ka emotsionaalsed, sotsiaalsed ja kujutlusvõimega seotud aspektid. Erinevate autorite poolt välja töötatud käsitluste süntees võimaldas käesolevas uuringus kliendikogemuse defineerida järgmiselt: *kliendikogemus on kliendi subjektiivne ja mitmedimensiooniline organismiline vastus kõigile otsestele ja kaudsetele interaktsioonidele organisatsiooni ja tema poolt pakutavaga, mis akumuleerub kogu tarbimistsükli vältel.*

Järgnevalt analüüsitakse mudeleid, mis võimaldavad iseloomustada kliendikogemust erinevate tüüpide ja dimensioonide alusel. Kirjanduse kriitilisele analüüsile tuginedes käsitletakse käesoleva töö teoreetilises osas kliendikogemust koosnevana kuuest eristuvast dimensioonist. Selle käsitluse kohaselt koosneb kliendikogemus sensoorsest, emotsionaalsest, kognitiivsest, kehalisest, sotsiaalsest ning instrumentaalsest dimensioonist. Kliendikogemuse dünaamika peegeldamiseks uuriti kliendi teekonna (*customer journey*) ja kokkupuudete kaardi (*touchmap*) kontseptsioone. Ilmnes, et kliendi teekonda on sageli jaotatud nelja etappi – ostueelsest etapist tarbimisjärgseni. Samuti on oluline

märkida, et esmakordsete ja korduvklientide puhul on kliendi teekond erinev. Selline mitmedimensiooniline ja dünaamiline arusaam kliendikogemusest loob raamistiku, mille abil saab organisatsioon kujundada eesmärgiks võetud kliendikogemuse.

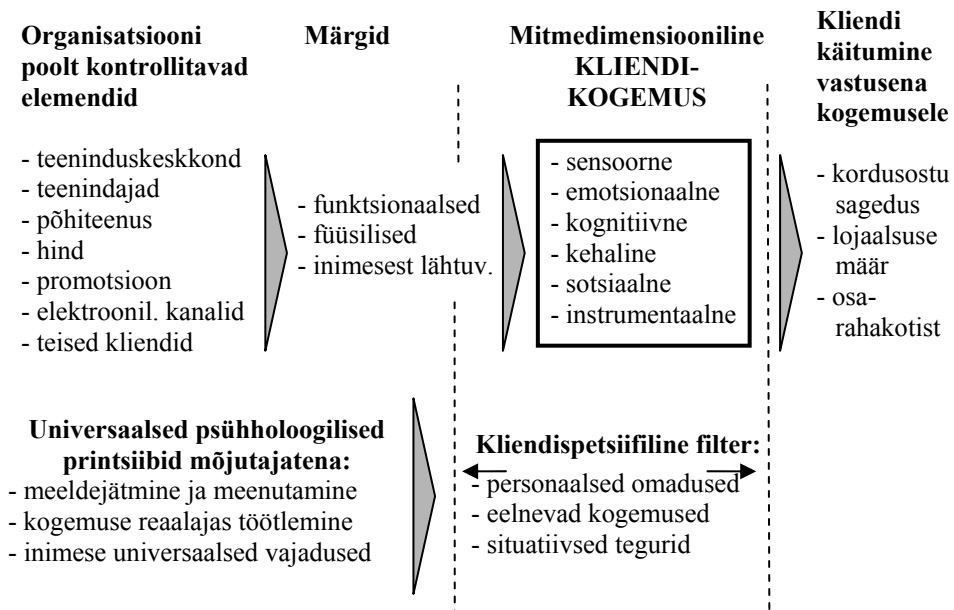
Teises peatükis võetakse sihiks analüüsida ja kokku võtta tegurid ning toimetehhanismid, mis vahetult tekitavad kliendikogemust. Seda teemat puudutav kirjandus on veelgi hajusam, seetõttu kombineeritakse teises peatükis käsitlusi erinevatest uurimisvaldkondadest. Märkide (*clues*) põhine käsitlus võimaldab selgitada, kuidas muudetakse väärtuspakkumise objektiivsed komponendid – nagu toode, teenus või hind – subjektiivseteks kliendikogemusteks. Märke võib tinglikult pidada ehitusklotsideks, mida organisatsioon saab kasutada selleks, et kliendile soovitud kogemust tekitada. Tuginedes kirjanduse analüüsile jagatakse elemendid, mida organisatsioonid kasutavad kliendikogemuse tekitamisel märkidenä, seitsmesse kategooriasse: teeninduskeskkond, teenindajatega seotud elemendid, põhiteenuse omadused, hind, alternatiivsed kanalid, promotsioon ning teiste klientidega seotud elemendid. Töös toodi välja ka see, et neid märke tuleb kasutada integreeritult. See tähendab, et märke, mis sobivad eesmärgiks võetud kliendikogemuse tekitamiseks ja kinnitamiseks, tuleb tugevdada, ning märgid, mis tekitavad sobimatut kogemust, tuleb elimineerida.

Samas on organisatsioonil võimalik elemente vaid planeerida, sest hinnangu ja väärtuse annavad elementidele lõppkokkuvõttes siiski subjektiivsed kliendid. Kirjandusele tuginedes jagati käesolevas töös kliendile omased subjektiivsed tegurid, mis kliendikogemust mõjutavad, kolme gruppi: kliendi isiksusest ja üldisest taustast tingitud tegurid, kliendi eelnevad kogemused sarnase tootega ning situatsioonist tingitud tegurid (kliendi eesmärgid, emotsioonid). Kuigi kliendispetsiifilised tegurid ei allu organisatsiooni kontrollile, on oluline neid tundma õppida, sest nad mõjutavad otseselt kliendikogemuse tekitamist.

Veel üks oluline suund kirjandusest käsitleb psühholoogilisi põhimõtteid, mille abil on võimalik kliendikogemuse tekitamist üpris universaalselt parandada. Neid printsiipe on kajastatud käitumusliku majandusteaduse alastes uurin-gutes. On leitud, et kliendikogemust spetsiaalselt stuktureerides ja kavandades on võimalik tõsta kogemuse väärtust inimese jaoks. Käesolevas uuringus jagati vastavad põhimõtted, mis on erinevas kirjanduses kajastust leidnud, kolme kategooriasse: 1) kogemuse meeldejätmise ja meenutamise eripärad, 2) kogemuse reaalajas töötlemise psühholoogilised eripärad ning 3) inimese põhivajaduste rahuldamine. Käsitlust leidsid sellised teemad nagu optimaalne kogemuse profiil, atribuutsiooni ja ratsionaliseerimise efektid ning erinevad kognitiivsed eripärad, mis kogemuse loomist mõjutavad. Samuti toonitatakse töös asjaolu, et lisaks konkreetsetele tarbimisvajadustele püüavad inimesed kliendikogemusega rahuldada ka oma põhivajadusi inimestena, näiteks vajadust turvalisuse, õigluse, kontrolli omamise ja eneseväärikuse järele.

Diskussioon märkide, organisatsiooni poolt kontrollitavate elementide, kliendispetsiifiliste tegurite ja universaalsete psühholoogiliste printsiipide üle

viib teoreetilise osa teises peatükis raamistiku loomiseni (Joonis 2). See lubab mitmekülgset selgitada kliendikogemuse tekitamist ning erinevaid mõju- tegureid.



**Joonis 2.** Raamistik kliendikogemuse tekitamiseks (autori poolt koostatud)

Kolmas peatükk teoreetilises osas keskendub spetsiifiliselt protsessidele, mis on organisatsioonis vajalikud kliendikogemuse tekitamise juhtimiseks. Kuna kirjandus kliendikogemuse juhtimise teemal on napp ning erinevate autorite arvamused lahknivad, siis analüüsiti käesolevas töös olemasolevaid definitsioone, eesmärgiga piiritleda CEM-i uurimisvaldkond. Analüüsile tuginedes defineeriti CEM kui *strateegiline tegevus kliendikogemuste tekitamiseks, mis loob väärtust nii kliendile kui organisatsioonile win-win põhimõttel, märkide teadliku arendamise ja pakkumise kaudu interaktsioonis klientidega kõigis tarbimistsükli etappides.*

Järgneb CEM-ile iseloomulike protsesside analüüs lähtuvalt olemasolevas kirjanduses väljatoodust. Erinevad lähenemised organiseeritakse esialgsesse raamistikku. Raamistik koosneb viiest komponendist, mis on vajalikud edukaks kliendikogemuse juhtimiseks.

CEM-i oluline funktsioon on esiteks tagada, et organisatsioon *mõistaks klientide nõudmisi ja vajadusi kliendikogemuse suhtes.* Sel eesmärgil analüüsitakse töös erinevaid turu-uuringu ja tagasiside protsesse, mis võimaldavad välja selgitada klientide subjektiivse taju kliendikogemusest. Lähtudes eelnevalt välja toodud mitmedimensioonilisest kliendikogemuse käsitlusest on oluline hinnata

organisatsiooni poolt kontrollitavate elementide mõju kliendikogemuse erinevatele dimensioonidele. Samuti on suurepärase kliendikogemuste planeerimiseks ja tekitamiseks oluline välja selgitada kliendispetsiifilised tegurid, mis kliendikogemuse tekitamist mõjutavad.

CEM-i teine komponent hõlmab *kliendikogemuse tekitamise planeerimist*. Vastavas alapeatükis käsitletakse selliseid teemasid nagu kliendikogemuse strateegia, organisatsiooni tegevust joondav motiiv (*motif*), segmenteerimine, kliendiga kokku puutumise punktide kaardistamine ja teeninduskanalite integreerimine. Teoreetiliselt peaksid need tegevused aitama organisatsioonil seada selgeid eesmärke kliendikogemuse erinevate dimensioonide lõikes, hõlmates tervet kliendi teekonda, ning luua ühtlasi sidus plaan kliendikogemuse tekitamiseks integreeritud protsesside ja elementide abil.

Kolmas CEM-i komponent on *kliendikogemuse tekitamise organiseerimine*. Kirjandusele toetudes tuuakse välja, et see peaks hõlmama kolme tegevuste gruppi. Kõigepealt brändingut, mis loob sümbolse aluse kogemust tekitavate elementide ja tegevuste sidumiseks. Teiseks personalijuhtimise praktikaid, mille tulemuseks on võimekad ja pühendunud töötajad, kes käituvad autentselt kliendikogemuse strateegia kohaselt. Ning kolmandaks hõlmab kliendikogemuse tekitamise organiseerimine joondavaid tegevusi, mis peaksid tagama, et organisatsiooni kõik funktsionaalsed üksused töötavad ühtset kliendikogemuse strateegiat järgides.

Neljandaks toimub taktikalisel tasandil *kliendikogemuse tekitamise koordineerimine*, kus tähelepanu pööratakse märkide integreeritud juhtimisele erinevates kanalites ja teeninduspunktid. Selles osas on tuginetud teenuste juhtimise alasele kirjandusele. Teoreetilisest perspektiivist lähtudes on oluline ette valmistada märkide kohandamiseks (*customization*) teeninduse käigus. Tulevalt kliendikogemuse subjektiivsusest olemusest on see vajalik kõigile klientidele suurepärase kliendikogemuse tekitamiseks. Sujuvat kohandamist kliendi soovidega hõlbustavad CRM-lahendused.

Viies CEM-i komponent on suunatud *kliendikogemuse tekitamise mõõtmisele*. Selles osas tuginetakse mudelile, mis jagab kliendisuhete juhtimisega seotud mõõdikud nelja kategooriasse. Hõlmates informatsiooni kogumist organisatsioonisiseste protsesside ja elementide toimimise kohta, samuti klientide poolt tajutud kogemuse ja sellest tuleneva klientide käitumise kohta ning viimaks ka klientidelt püütava väärtuse (*value capture*) kohta organisatsiooni tegevustulemuste näol. Kirjanduses on välja toodud vajadus mõõta organisatsiooni tegevustulemusi pikemas perspektiivis, lähtuvalt klientide eluea väärtusest, sest kliendikogemust tekitavate tegevuste kogu mõju võib kliendi käitumises avalduda alles pikema perioodi jooksul.

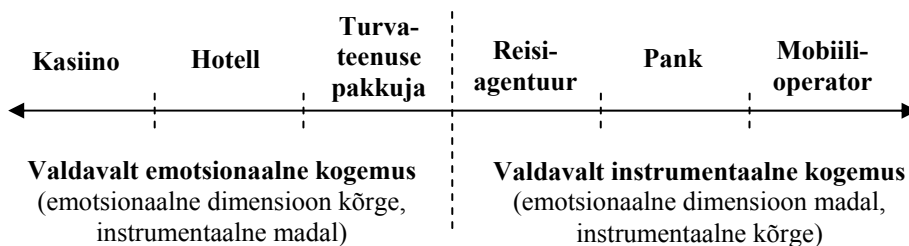
Ülaltoodud lähenemiste põhjal koostatud raamistik oli aluseks uurimisküsimustele, mis võimaldasid empiirilises uuringus keskenduda kliendikogemuse tekitamise ja juhtimise mõistmisele erinevate, kuid seotud vaatenurkade alt.

## Uurimismetoodika ja andmed

Kuna olemasolev teadmistebaas CEM-i teemal on napp ja ilma selge struktuurita, siis valiti käsolevas töös kvalitatiivne uurimisstrateegia, mis võimaldab sügavuti mõista uuritava fenomeni struktuuri ja põhjuslikke seoseid konkreetsetes tingimustes. Epistemoloogilisest vaatepunktist järgib see uuring *kriitilise realismi* paradigmat, mille kohaselt koosneb reaalsus lisaks subjektiivsetele arusaamadele ka sügavamatest, positivistliku olemusega struktuuridest, tendentsidest ja jõuväljadest, mida on siiski võimalik uurida vaid uuritava fenomeniga kokku puutunud inimeste ebatäiuslike arusaamade ja kogemuste kaudu.

Uuringus kasutati *instrumentaalse juhtumiuuringu* meetodit, mis võimaldas saada tervikliku pildi uuritavatest organisatsioonidest nende loomulikus kontekstis ja samas uurida erinevate muutujate keerukaid omavahelisi seoseid. Selle tulemusena oli võimalik leida kinnitust esialgses teoreetilises raamistikus välja toodud aspektidele või neid ümber lükata ja tuua välja uusi olulisi aspekte. Teisest küljest suurendas tulemuste usaldusväärsust mitme juhtumi/organisatsiooni kaasamine uuringusse. Uuringu kvaliteedi tagamiseks kasutati järgnevaid kirjanduses välja toodud protseduure: olemasoleva teooria kasutamine, otsene ja teoreetiline kordamine juhtumiuuringusse kaasatud organisatsioonide valimisel, erinevate andmeallikate kasutamine, „rikkalikud“ juhtumite kirjeldused, hoolikas selgituste ülesehitus, tagasiside uuringus osalejailt, juhtumiuuringu andmebaasi ja päeviku koostamine. Kõik need protseduurid suurendasid juhtumiuuringu reliaablust ja valiidsust.

Käesoleva juhtumiuuringu tarvis valiti välja kuus organisatsiooni. Kolme puhul neist oodati, et valdav on kliendikogemuse emotsionaalne dimensioon. Need organisatsioonid on Kasiino, Hotell ja Reisiagentuur. Ülejäänud kolme puhul oodati, et ülekaalus on instrumentaalne dimensioon. Need on Mobiilioperaator, Pank ja Turvateenuse pakkuja. Sellise valiku eesmärgiks oli suurendada tulemuste üldistatavust, kuna uuring hõlmas erinevaid organisatsioone. Kuigi kahe juhtumi puhul ilmses uuringu käigus, et esialgsed ootused olid ebatäpsed, osutus juhtumite valik sellest hoolimata edukaks, sest juhtumid joondusid emotsionaalse ja instrumentaalse kliendikogemuse teljele, mis võimaldas avada ja uurida juhtumite omadusi mõlemast äärmusest ning vahepealt (Joonis 3). Uuring ei leidnud CEM-protsessides olulisi erinevusi, mis lähtuksid tekitatava kliendikogemuse dimensioonist, kuid see kinnitas vaid väljatöötatud raamistiku robustsust, kehtides ühtmoodi kõigis uuritud organisatsioonides.



**Joonis 3.** Juhtumiuuringusse kaasatud organisatsioonide jaotumine vastavalt kliendikogemuse emotsionaalsele ja instrumentaalsele dimensioonile (autori poolt koostatud)

Kõik väljavalitud organisatsioonid on Eesti turul edukalt kliendikogemusi tekitanud enam kui kümne aasta jooksul. Kolmes organisatsioonis oli ligikaudu 500 töötajat, väikseimas 200 töötajat ning suurimais 1800 ja 3000 töötajat.

Peamisteks andmeallikateks olid intervjuud organisatsioonide juhtidega, kes CEM-iga enim kokku puutusid. Läbi uuriti ka organisatsioonide kodulehed ning aastaaruanded, kuid avalikud andmeallikad tõid välja vähe informatsiooni organisatsioonide sisemiste protsesside ja CEM-i kohta. Niisiis tehti igas organisatsioonis 3–5 intervjuud juhtidega, kes olid kliendikogemuse juhtimise protsessidega lähedalt seotud. Esialgse teoreetilise raamistiku põhjal püstitatud uurimisküsimuste alusel valmistati ette osaliselt struktureeritud intervjuu juhend. Kokku viidi läbi 26 intervjuud, perioodil juuli – oktoober 2010. Intervjuud kestsid 1,5–3,5 tundi, need lindistati ja transkribeeriti 506 leheküljel. Seda informatsiooni täiendasid organisatsioonide sisesed dokumendid, mida töö autorile intervjuude käigus näidati.

Valdav osa andmestikust oli kvalitatiivse iseloomuga. Kolme intervjuu küsimuse vastused sisaldasid siiski ka kvantitatiivseid hinnanguid, mis lihtsustasid juhtumite ja intervjuueeritavate arusaamade võrdlust. Andmeid analüüsiti esiteks juhtumisiselt, et välja tuua igale juhtumile omased protsessid, struktuurid ja põhjuslikud seosed. Teisena teostati juhtumite vaheline analüüs (*cross-case*), milles võrreldi juhtumeid omavahel ning toodi välja ühised tulemused ja kitsaskohad. See võrdlus ning tulemuste süntees võimaldas kolmandaks tulemused välja tuua üldistatud teoreetilisel tasemel.

Seega anti empiirilises osas kogutud andmetele tuginedes uurimisküsimustele üksikasjalikud ning selgelt põhjendatud vastused ning kontrolliti esialgselt välja pakutud CEM-i raamistiku paikapidavust, tuginedes andmetele kuuest organisatsioonist. Analüüs tõi selgelt välja raamistiku vajalikud ja olulised osad ning samuti nõrkused. Rikkalik tõendmaterjal võimaldas selgitada erinevaid põhjuslikke seoseid, mida polnud varasemates uuringutes kajastatud ning välja tuua kõrge potentsiaaliga uurimissuunad edasisteks uuringuteks.

## Töös püstitatud uurimisküsimused ja põhitulemused

Uurimisküsimused, mis toodi välja peatükis 3.2., olid jagatud kolme gruppi vastavalt CEM raamistiku ülesehitusele. Esimesed kolm küsimust olid suunatud kliendikogemuse omaduste väljaselgitamisele. Järgmise kolme uurimisküsimuse eesmärk oli mõista elemente ja tegureid, mida kasutatakse kliendikogemuse tekitamiseks. Viis viimast uurimisküsimust keskendusid CEM-ile omastele juhtimisprotsessidele. Kuid enne empiirilise uuringu tulemuste presenteerimist toodi välja ka olulisimad tegurid, mis CEM-i Eesti kontekstis mõjutavad.

Kuigi Eestis on kaasaegse turunduse ajalugu ja kogemus võrdlemisi lühike, on siin lääne praktikad üpris kiiresti omaks võetud nii organisatsioonide kui ka klientide poolt. Organisatsioonide poolel on siiski Nõukogude ajast alles jäänud märgatavad probleemid kliendile orienteeritud äripraktika ja organisatsioonikultuuri ellu rakendamisel. Probleemid on näiteks teenindamisele orienteeritud töökultuuri puudumine, töötajate vähene arusaam organisatsioonide missioonist ja usu puudumine sellesse, juhtide kompetentsusega seotud probleemid, turunduse ja klienditeeninduse funktsioonide isoleeritus organisatsioonide struktuuris, ning vähene arusaam CEM-ist. Siiski näitavad juhtumiuuringu tulemused, et organisatsioonid parandavad oma tegevust enamikus neist probleemsetest valdkondadest üpris jõudsalt.

### **K1.a. Millised on relevantssed dimensioonid kliendikogemuse kirjeldamiseks?**

Analüüs näitas, et kliendikogemust peaks kirjeldama järgneva seitsme dimensiooni alusel: sensoorne, emotsionaalne, kognitiivne, kujutlusvõimet puudutav, kehaline, sotsiaalne ja instrumentaalne. Kuigi üksikute dimensioonide olulisus sõltus konkreetsest tegevusvaldkonnast, siis osutus iga dimensioon seitsmest vähemalt osal juhtumitest väga oluliseks. See tähendab, et teooria tasemel on kõik seitse dimensiooni vajalikud kliendikogemuse olemuse mõistmiseks. Seega täiendab käesolev uuring tarbijaväärtuse kontseptsiooni, näidates, et lisaks instrumentaalsetele ja emotsionaalsetele kasudele on kliendikogemuse ja -käitumise uurimisel olulised ka muud aspektid. Praktikas võimaldab nende seitsme dimensiooni mõistmine ja nendega arvestamine suurendada kliendikogemuse väärtust kliendi jaoks.

### **K1.b. Kuidas on võimalik kliendikogemuse dünaamikat kirjeldada ning seda kliendikogemuse juhtimisel kasutada?**

Selle küsimuse vastus tõi välja olulise erinevuse diskreetse ning pideva kliendikogemuse vahel. Diskreetset kliendikogemust pakkuvad organisatsioonid kasutavad otsesel või kaudsel kujul neljaetapilist kliendikogemuse dünaamika mudelit selleks, et mõista kliendi teekonda ja juhtida kokkupuutepunkte sellele vastavalt (ostu-eelne, ostmise, tarbimise ja tarbimisjärgne etapp). Seevastu pideva teenuse puhul nagu panga või mobiilioperaatori oma võib tarbimisfaas kesta väga pikalt – põhimõtteliselt kliendi lapsepõlvest pensionini, ja seetõttu sisaldab see pidevat suhtlust kliendiga. See viib järelduseni, et organisatsioonil,

mis pakub pidevat kliendikogemust, on enam võimalusi kliendikogemuse tekitamiseks, samas on tema väljakutse pakkuda pidevalt kõrgetasemelisi kogemusi. Teisest küljest saavad diskreetset teenust pakkuvad organisatsioonid paremini ära kasutada psühholoogilisi põhimõtteid (*gestalt*-omadusi), sest kogemused on episoodilise olemusega.

### **K1.c. Millised kliendikogemuse omadused on veel olulised?**

Esialguses raamistikus välja pakutud erinevus kliendikogemuse tüüpide vahel lähtuvalt nende erakordsusest osutus oluliseks. Kõik kolm tüüpi esinesid juhtumianalüüsis – rutiinne, voog (*flow*) ning erakordne kliendikogemus. Samamoodi varieerusid osalemise (*participation*) ja immersiooni (kõiki meeli ja tähelepanu haarav) karakteristikute tasemed erinevate juhtumite puhul madalast kõrgeeni. Esialgused tulemused lubavad järeldada, et rutiinsed kogemused eeldavad reeglina madalamat osalemise ja immersiooni taset. Nende aspektide mõistmine võimaldab organisatsioonil seada realistlikud eesmärgid kliendikogemust tekitavatele tegevustele ja positsioneerida oma kliendikogemust võrreldes teiste kogemustega kliendi elus.

### **K2.a. Milliseid märke ja elemente kasutavad organisatsioonid kliendikogemuste tekitamiseks?**

Uuring kinnitas, et kliendikogemuste tekitamiseks kasutasid ettevõtted elemente, mis kuuluvad esialgses teoreetilises raamistikus välja toodud seitsmesse kategooriasse. Ilmnes, et organisatsioonide sees pöörati enim tähelepanu *teenindajate, põhiteenuse ja elektrooniliste kanalitega* seotud elementidele. Vähem tähelepanu pöörati *teeninduskeskkonna, promotsiooni, hinna ja teiste klientidega* seotud elementidele. Eeltestimist klientide peal kasutati nende elementide subjektiivse poole mõistmiseks siiski vaid väga harva. Kuidas kliendid märke tajusid, seda saadi enamasti teada tagasiside põhjal pärast reaalselt teenindusituatsiooni. See tähendab, et CEM-protsessid sõltusid paljuski ainult juhtide arusaamast märkide mõju kohta (mida küll hiljem sageli parandati). Esialgsetele tulemustele tuginedes võib teha järelduse, et organisatsioonid, mis pakuvad valdavalt emotsionaalset kliendikogemust, pööravad mõnevõrra rohkem tähelepanu teeninduskeskkonna kujundusele. Seevastu organisatsioonid, mis pakuvad valdavalt instrumentaalset kogemust, panevad rohkem rõhku promotsiooniga seotud elementidele. Siiski on neile väidetele vaja otsida täiendavat kinnitust tulevastes uuringutes, mis käsitlevad suuremat hulka ettevõtteid.

### **K2.b. Kas organisatsioonid arvestavad universaalsete psühholoogiliste printsiipidega kliendikogemuste tekitamisel?**

Empiirilise uuringu tulemused näitasid, et populaarsemaid aspekte tarbimispsühholoogiast olid organisatsioonid arvesse võtnud ning kliendikogemust tekitavate tegevuste planeerimisel ja ellu viimisel kasutanud. Siiski ilmnes, et mitmeid käesoleva töö teoreetilises osas välja toodud printsiipe ei kasutatud teadlikul tasemel. Psühholoogilisi printsiipe rakendati sageli lähtuvalt

otsustajate „loomulikust intelligentsist“ ja intuitsioonist. See aga tähendab, et süstemaatilise lähenemine võimaldaks tõenäoliselt paremaid kliendikogemusi tekitada. Tähelepanuväärselt peeti „sotsiaalseid“ ja „psühholoogilisi“ oskusi eriti oluliseks eesliini töötajate jaoks, sest nemad suhtlevad klientidega vahetult. Kuigi kliendikogemuse juhtimise seisukohalt on universaalsete psühholoogiliste printsiipide tundmine ehk olulisemgi just tagatoas (*backoffice*), kus kliendikogemuse tekitamise protsesse ning elemente planeeritakse, organiseeritakse ja mõõdetakse.

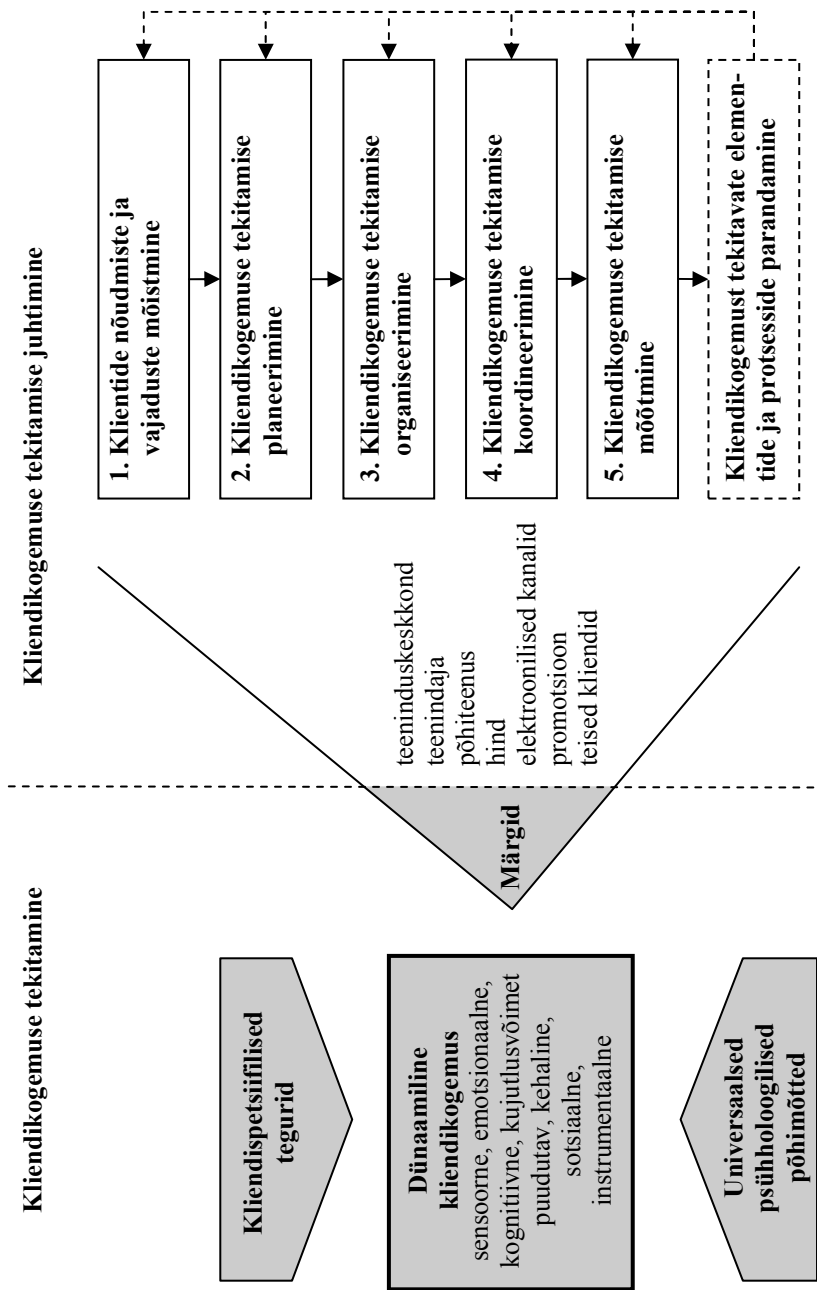
### **K2.c. Kas organisatsioonid arvestavad klientide individuaalsusega kliendikogemuse tekitamisel ja selgitavad välja kliendispetsiifilised tegurid?**

Klientide subjektiivseid tõlgendusi kliendikogemusest vaieldamatult teadvustatakse kõigis uuritud organisatsioonides. Kuid suureks väljakutseks on arvestada kliendispetsiifiliste tegurite müriaadiga kliendikogemust tekitavate protsesside juhtimisel. Kliendispetsiifilisi tegureid selgitavad organisatsioonid välja teeninduskohtumisel (*service encounter*) läbi eesliini töötajate, ning ka spetsiaalsete kliendiuuringutega. Samas vaid väike kogus sellest informatsioonist üksiku kliendi tasemel salvestatakse formaalselt. Abi on seejuures CRM-lahendustest, mis võimaldavad vastavat informatsiooni salvestada ning hiljem kasutada. Uuringu tulemusena selgus, et parema kliendikogemuse loomiseks on võrdlemisi lihtne kohandada teenindaja käitumist vastavalt informatsioonile üksiku kliendi spetsiifiliste subjektiivsete nõudmiste kohta; kuid tunduvalt keerulisem on kohandada selliseid elemente nagu põhiteenus, teeninduskeskkond, koduleht ning promotsioon.

Järgmisel lehel esitletud Joonis 4 seostab ülevaatlikult erinevad teemad, mida uurimisküsimustega sügavuti uuriti, ja selgitab ühtlasi siin välja toodud vastuste omavahelist seotust.

### **K3.a. Kuidas mõistavad organisatsioonid klientide nõudmisi ja vajadusi kliendikogemuse suhtes? Milliseid tegevusi sel eesmärgil kasutatakse?**

Leiti, et organisatsioonid saavad informatsiooni ja teadmisi klientide nõudmiste kohta 1) eesliini töötajate käest teeninduskohtumiste käigus, 2) klientide käitumise analüüsist, 3) teeninduskohtumiste vaatluse teel ja 4) spetsiaalsetest kliendiuuringutest. CEM-i seisukohalt on oluline, et kõik need protsessid tuvataksid kliendi kogemuse erinevate dimensioonide lõikes. Selles valguses on märkimisväärne, et ükski uuritud organisatsioonidest ei kasutanud etnograafiat ega muid süvauuringu meetodeid, selleks et süviti mõista klientide reaalse kogemuse verbaalselt väljendamata aspekte. Samuti on oluline märkida, et suhtlus klientidega teeninduskohtumiste käigus võiks anda organisatsioonidele tunduvalt rohkem infot ja teadmisi klientide kohta, kui oleks välja töötatud asjakohased protsessid „kliendi hääle“ kogumiseks ja analüüsimiseks teeninduskohtumiste käigus.



**Joonis 4.** Raamistik kliendikogemuse tekitamiseks ja juhtimiseks (autori poolt koostatud)

### **K3.b. Kuidas planeerivad organisatsioonid kliendikogemuse tekitamist? Milliseid tegevusi sel eesmärgil kasutatakse?**

Ilmnes, et kliendikogemuse strateegia eksisteerib organisatsioonis ühise jagatud arusaamana, pigem üldise teadmisenä kui konkreetselt kirja panduna. Formaalset kujul peegeldub kliendikogemuse strateegia mingil määral brändi väärtustes ja ka äriplaanis, millest strateegia on tuletatud. Lisaks tuli välja, et tegelikult pakutav kliendikogemus sõltub suurel määral sellest, kuidas väärtusi ellu rakendatakse – millised protsessid ja elemendid on äriliste eesmärkide täitmiseks kasutusele võetud. Kõigis uuritud organisatsioonides oli olemas omaette strateegia selleks, et pakkuda täiendava väärtusega kogemust oma kõige väärtuslikumatele klientidele. Siiski ei eristatud eesmärgiks võetud kliendikogemust erinevate kliendigruppide vajadustest lähtuvalt. Ehk teisisõnu: pakuti üpris standardset põhiteenust kõigile klientidele ühtviisi. Tähelepanuväärne on see, et formaalsed teenindusprotsesside kirjeldused ja regulatsioonid ei võtnud arvesse ei kliendi teekonda ega ka kliendikogemuse erinevaid dimensioone. Selle tulemuse põhjal võib teha üldist laadi järelduse, et organisatsioonid peaksid sellistes tegevustes, millega planeeritakse kliendikogemust tekitavaid elemente ja protsesse, enam keskenduma kliendi perspektiivile.

### **K3.c. Millised organiseerivad tegevused on vajalikud kliendikogemuse tekitamiseks?**

Kliendikogemuse tekitamise organiseerimine puudutab tegevusi, mis on seotud personalijuhtimisega ja funktsionaalsete üksuste töö joondamisega. Uuring kinnitas, et personali värbamisel, koolitamisel, hindamisel ja tasustamisel on oluline järgida kavandatud kliendikogemuse strateegiat. Esile võib tuua tulemuse, mille kohaselt on oluline töötajaid võimustada ja otsuste tegemise protsessi kaasata, selleks et saavutada töötajate autentne ja pühendunud käitumine teeninduskohtumistel kliendiga. See on oluline eelkõige eesliini töötajate puhul, kuid nagu eelnevalt välja toodud, pole tagatava töötajate roll suurepärase kliendikogemuste tekitamisel sugugi väiksem. Selleks et erinevate funktsionaalsete allüksuste töö sujaks ladusalt ja lähtuks kliendikogemuse strateegiast, kasutavad organisatsioonid tasakaalustatud tulemusjuhtimise süsteeme ja eelarveid ning tugevdavad kliendile orienteeritud organisatsioonikultuuri.

### **K3.d. Kuidas koordineeritakse kliendikogemuse tekitamist? Milliseid tegevusi kasutatakse?**

Selleks et pakkuda kooskõlalisi kliendikogemusi, on vaja kõigis kokkupuutepunktides klientidega operatiivsel tasemel koordineerida elemente, mis kogemust tekitavad. Põhiteenuse, hinna, teeninduskeskkonna ja kodulehega seotud elemendid olid organisatsioonides enamasti tsentraalselt juhitud ning üpris standardiseeritud; promotsiooni kohandati vastavalt väiksemate kliendigruppide omapärale; suhtlus klienditeenindajatega nii haruüksustes kui ka elektroonilistes kanalites oli üpris palju kohandatud. Kontrollida, et kõik märgid oleksid kooskõlalised – et välja ei saadetaks vastuolulisi märke, oli põhiliselt keskastme

juhtide (haruüksuste juhtide) ülesanne. Ometi ilmnes, et organisatsioonid ei kasutanud detailseid vahendeid, nagu näiteks teenindusskeem (*service blueprint*), selleks et integreerida märke kliendi perspektiivist vaadatuna. Selline kliendikogemuse koordineerimise vahendite puudus uuritud organisatsioonides võib olla tingitud organisatsioonide poolt valitud üldist laadi kliendikogemuse strateegiast, millega püütakse samaaegselt teenindada erinevaid sihtgrupe. Teisisõnu, püüd säilitada paindlikkust erinevate vajadustega klientide suhtes muudab keerukaks standardsete ja üksikasjalike plaanide või skeemide loomise ja järgimise.

### **K.3.e. Kuidas mõõdetakse kliendikogemuse tekitamist? Milliseid mõõdikuid organisatsioonid kasutavad?**

Uuringus leiti, et CEM-ile omased mõõdikud võib klassifitseerida nelja gruppi: 1) sisemised protsessid ja elemendid, mis kogemust tekitavad (seitsme elementide grupi lõikes); 2) kogemuse tajumine kliendi poolt; 3) kliendi käitumine reaktsioonina kogemusele; 4) väärtus, mida organisatsioon klientidelt saab. Erinevalt traditsioonilistest teeninduskvaliteedi ja klientide rahulolu mõõdikutest on CEM-i seisukohalt mõõdapääsmatu mõõta kliendi kogemust erinevate dimensioonide lõikes. Sellega seotult toodi empiirilises uuringus välja ka kvaliteedi kontseptsiooni puudutavad probleemid. Nimelt püüdlused tagada klientidele standardset kvaliteeti on osutunud sageli edututeks – selle asemel on organisatsioonid keskendunud interaktsiooni personaliseerimisele vastavalt klientide individuaalsetele vajadustele. Sest fenomenoloogia paradigma kohaselt otsustab iga kliendikogemuse kvaliteedi üle subjektiivne klient. Järgmise teemana toodi välja, et CEM-i seisukohalt on oluline mõõta klientide väärtust organisatsioonile kogu kliendisuhete perspektiivist. Seda sellepärast, et paljude kliendikogemust tekitavate tegevuste mõju ilmneb alles pikema aja jooksul klientide lojaalse käitumise näol. Samas ei olnud uuritud organisatsioonid täna võimalised mõõtma kliendi eluea väärtust, seega oli mõõdikute osas valdav lühike perspektiiv.

Käesolevas uurimuses välja töötatud raamistik oli tihedalt seostatud olemasoleva teooriaga, sellepärast võib väita, et töös välja toodud järeldusi ja tulemusi on võimalik teoreetiliselt üldistada ka teistele sarnastele organisatsioonidele. Lisaks suurendati tulemuste robustsust sellega, et juhtumiuuringusse kaasati erilaadset kliendikogemust pakkuvad ettevõtted. Tulemused põhinevad tegevustel ja protsessidel, mis leiavad aset üheaegselt niivõrd erinevates organisatsioonides nagu kasiino, hotell, turvateenuse pakkuja, reisagentuur, pank ja mobiilioperaator. Seega on alust arvata, et välja töötatud CEM-raamistik kehtib ka paljudes teistsuguseid teenuseid pakkuvates organisatsioonides.

Kõik uuritud organisatsioonid olid teenusepakkujad traditsioonilises mõttes. Täpsemalt: pakuti teenuseid, mida ei tootnud mitte teenindaja ainuisikuliselt, vaid mis olid toodetud organisatsiooni tagatoas. Siiski, tuginedes turunduse teenuse-põhilisele loogikale (*service-dominant logic*), on autor seisukohal, et

tulemusi on võimalik üldistada ka selliste organisatsioonide konteksti, mis ei olegi traditsioonilise teenuse tootjad. Sest CEM-i seisukohalt erinevad teenused ja tooted vaid kasutatavate märkide tüüpide ning kliendikogemuse dünaamika poolest, kusjuures lõpptulemus on üks ja sama – kliendikogemus. Seetõttu kutsutakse siinjuures üles suunama järgnevaid uuringuid käesoleva CEM-raamistiku valiidsuse kontrollimisele ka traditsiooniliste toodete tootmise kontekstis.

## **Töö praktiline tähtsus**

Üldisel tasemel rõhutab käesolev uuring, et organisatsioonide juhid peaksid kliendikogemusega teadlikult ja põhjalikult arvestama tunduvalt enamates situatsioonides, kui seda täna tehakse. Tuginedes teadmiste kliendikogemuse mitmepalgelisest olemusest, on võimalik kliendikogemusi süsteemsemalt tekitada. See teadmine võimaldab organisatsioonidel kavandatud kliendikogemusi tekitada tõhusamalt ning säästlikumalt. Kuid juhtimaks kliendikogemuse tekitamist organisatsioonis, on vaja protsesse ja võimekusi, mis erinevad traditsioonilisest toote tootmisel põhinevale juhtimislähenemisele omastest, eelkõige kliendikogemuste subjektiivse ning keeruka olemuse tõttu. Detailsemalt võib selle töö põhjal välja tuua viis praktilist soovitusi organisatsioonide juhtidele.

Esiteks aitab kliendikogemuse kontseptsioon organisatsioonidel mõista väärtust, mida nad klientidele loovad – mõista seda kogemuse seitsme dimensiooni kaudu kogu kliendi teekonna jooksul. Integreeritud raamistik võib aidata praktilisel täpsemini positsioneerida ja defineerida oma organisatsiooni väärtuspakkumist ning samuti täpsemini mõista klientide nõudmisi kogemusele.

Teiseks toob käesolev uuring välja, et organisatsioonid võivad kasu lõigata teadmistest elementide ja printsiipide kohta, mis kliendikogemust tekitavad. Analüüsides ja mõistes erinevate elementide ja märkide mõju kliendikogemuse dimensioonidele, on võimalik kavandada kliendikogemusi, mis täpsemalt vastavad valitud kliendikogemuse strateegiale. Samuti võimaldab selline teadmine planeerida tegevusi spetsiifilisemalt ja detailsemalt. Uuring näitas siiski vastupidiselt, et täna tuginevad otsused märkide rakendamisest pigem juhtide intuitsioonile, kui süsteemsele analüüsile.

Kolmandaks juhitakse töös tähelepanu universaalsetele psühholoogilistele printsiipidele, mis võimaldavad põhimõtteliselt iga kliendikogemuse väärtust tõsta, sõltumata tööstusharust või tootest. Empiirilise uuringu tulemused näitasid, et kuigi organisatsioonid kasutavad mitmeid neist printsiipidest kliendikogemuse tekitamisel, on selles osas veel omajagu ruumi paraneda, vastavaid teadmisi ellu rakendada ja seeläbi kliendikogemuste väärtust tõsta.

Neljandaks aitab väljatoodud raamistik mõista, kui võrd oluline on koguda ning kasutada informatsiooni üksiklientide kohta, sest kliendispetsiifilistel teguritel on subjektiivse kliendikogemuse loomisel keskne roll. Omades üksikute klientide kohta sellist informatsiooni nagu näiteks sotsiaal-demograafiline taust, eelnevad kogemused ja eelistused, isiksuseomadused, situatiivsed

eesmärgid ja soovid, on organisatsioonidel võimalik tekitada väärtuslikumaid kliendikogemusi. Organisatsiooni poolt toodetud märkide tähenduse ja väärtuse kliendi jaoks määravad suuresti ära just subjektiivsed tegurid.

Viiendaks toob raamistik välja kliendikogemuse juhtimisele omased protsessid. See võimaldab organisatsioonidel analüüsida oma senist kliendikogemuse juhtimisele suunatud tegevust ning planeerida tegevusi ja protsesse tulevikuks. Lisaks sellele tõi uuring välja huvitavaid ja illustratiivseid aspekte kliendikogemuse juhtimisest kuues juhtivas organisatsioonis. See loob võrdlusbaasi ning võimaluse õppimiseks. Sellest juhtimisraamistikust tulenevalt võib üldisel tasemel anda järgnevad soovitused:

- Kliendikogemuse juhtimine peaks hõlmama kuut peamist protsessi: a) kliendi soovide ja vajaduste mõistmine; b) kliendikogemuse tekitamise planeerimine, c) kliendikogemuse tekitamise organiseerimine, d) selle koordineerimine, e) selle mõõtmine ning f) parandamine.
- Protsessid, mille eesmärgiks on mõista kliendi vajadusi kogemuse suhtes, peaksid arvestama kliendikogemuse erinevaid dimensioone ja dünaamikat.
- Kooskõlalise kliendikogemuse tekitamiseks on vajalik luua organisatsioonis selgelt sõnastatud kliendikogemuse strateegia. Lisaks brändiväärtuste valimisele ja defineerimisele on oluline selgitada, kuidas neid väärtusi ellu rakendada igapäevastes tegevustes, et kavandatud kliendikogemust tekitada.
- Personalijuhtimine peaks olulisel määral juhinduma kliendikogemuse strateegiast. Selleks et saavutada (eesliini)töötajate pühendunud ja autentne käitumine, on oluline töötajaid võimustada ning kaasata nad otsuste tegemise protsessidesse.
- Organisatsiooni funktsionaalsete allüksuste koostöö on kliendikogemuse juhtimise seisukohalt ülioluline. Seda on võimalik saavutada tippjuhtkonna toel, rakendades kliendikogemuse strateegia kohaselt joondatud tulemusjuhtimise süsteemi ning juurutades kliendikeskset organisatsioonikultuuri.
- Kliendikogemuse juhtimise mõõdikud peaksid tagama *integreeritud ülevaate* organisatsiooni poolt kontrollitavatest elementidest ja protsessidest, nende mõjust kliendikogemusele, sellest tulenevast klientide käitumisest ning tulust (väärtusest) organisatsioonile.

## **Uuringu piirangud ja soovitused edasisteks uuringuteks**

Käesolev uuring oli avastusliku iseloomuga ning sellest tulenevalt on uuringul omad nõrkused. Tulemusena välja toodud raamistikku võib pidada esialgseks, sest selles valdkonnas on tehtud alles vähe uuringuid ning samuti on käesolevas töös uuritud organisatsioonide hulk väike. Samas on uuritavate ettevõtete väike arv põhjendatud vajadusega koguda rikkalikke andmeid, selleks et täiendada olemasolevat CEM-i teooriat uue teadmusega ning uurida seoseid, mis pole seni käsitlemist leidnud. Kuid täiendavad uuringud on vajalikud selleks, et

valideerida saadud tulemusi suuremas hulgas organisatsioonides ning vajadusel raamistikku täiendada.

Selles uuringus fokuseeruti kindla suurusega organisatsioonidele, mis tähendab, et järelduste tegemine tundub suuremate või väiksemate organisatsioonide kohta on raskendatud. Siiski on alust arvata, et CEM-i üldine loogika kehtib erineva suurusega organisatsioonides, sest elemendid ja põhimõtted, millega kliendikogemust tekitatakse, on üldjoontes samad. Erinevad on ilmselt vaid CEM-protsesside formaliseerituse tase ning kasutatavate ressursside hulk.

Empiirilisse uuringusse olid kaasatud vaid teeninduse valdkonnas tegutsevad organisatsioonid, seega on ilmne soovitus laiendada CEM-i raamistikku edasistes uuringutes ka materiaalseid (*tangible*) tooteid tootvate organisatsioonide konteksti. Samas peab täheldama, et kliendikogemuse seisukohalt on piir toodete ja teenuste vahel hägus; seega võib eeldada, et raamistik kehtib mitmesugustes tööstusharudes. Viimane väide vajab siiski veel kinnitust edasistes uuringutes.

Selle uuringu fookuses olid erakliendid. Seega tuleb ära märkida, et äriklientide puhul võivad kliendikogemuse tekitamise toimetehhanismid olla mõneti teistsugused, sest kliendikogemuse loomisel võib osaleda mitu isikut, kes lähtuvad käitumises paljuski oma tööandja huvidest. Samuti võib arvata, et äriklientide puhul on ka CEM-i protsessid teatud määral teistsugused, sest klientide arv on väiksem, ühe kliendi väärtus kõrgem ja suhtlus enamasti personaalsem. Samal ajal on vaid üksikud uuringud vaadelnud kliendikogemust ja selle juhtimist äriturgudel. See viitab olulisele lüngale kirjanduses. Edaspidistes uuringutes äriturgudel on siiski võimalik lähtekohana kasutada käesolevas töös välja töötatud raamistikku.

Käesolev uuring hõlmas kliendikogemuse juhtimise tegevust organisatsioonide koduturul, kuid kliendikogemusi tekitatakse ka välisurgudel. Seega oleks järgmiseks vajalikuks sammuks CEM-raamistiku laiendamine organisatsioonide tegevuse kirjeldamiseks välismaal. Kodumaiste ja isegi välismaale elama asunud juhtide jaoks on välisklientide spetsiifilised taustategurid tundmatud; seetõttu on neil keerukam mõista ja ennustada kliendikogemust tekitavate märkide mõju väliskliendile. Kodumaiste juhtide intuitsioon välisklientide soovide ja vajaduste suhtes võib olla ekslik, sest kultuuriline ja majanduslik taust on riigiti erinev. Järelkult on rahvusvahelise tegevuse puhul vaja rohkem tähelepanu pöörata „klientide mõistmise“ ning „märkide ja protsesside parandamise“ komponentidele CEM-i raamistikus.

Veel ühe suunana saab välja tuua, et edasistes uuringutes võiks keskenduda kliendikogemuse tekitamise toimetehhanismide detailsemale mõistmisele, uurides näiteks erinevate organisatsiooni poolt kontrollitavate elementide mõju kliendikogemuse dimensioonidele. See on kahtlemata oluline ja vajalik teadmine, kuid tulemused on kliendikogemuse subjektiivse olemuse tõttu tõenäoliselt tööstusharu-, riigi- ja tarbijakultuurispetsiifilised.

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