

Chapter One

Introduction

1.1 Research Background

Experience, as a broad term, commonly refers to any feeling or knowledge that a person obtains while undergoing any events or activities in daily life (Reber, 1985). That is, people have experiences all the time, no matter what they do. Several examples could be provided, such as eating, driving a car, and seeing a movie. An individual's daily life is made up of all kinds of experiences. Recently, consumption experiences have become important for customers themselves. As the commoditization of many products and services continues, customers are taking functional features and benefits and product quality as givens. They want something special or personal to impress their minds or stimulate their senses. When a customer purchases a cup of coffee, he or she not only tastes the "visible" coffee but also tastes the "invisible" experience of "coffee time," the time he or she spends. While having a cup of coffee, the customer might take a break or might have a good time with friends in a nicely decorated café. Customers are more and more willing to pay for such experiences with coffee, a café, and friends. In other words, customers are not merely consuming products or services anymore. They care more about the experiences that they obtain when consuming. Impressive experiences easily connect customers with a store, and memorable experiences generate strong feelings of excitement, curiosity, joy, and surprise (Hanefors and Mossberg, 2003).

As for marketing practice, more and more marketers have become aware of the

need to understand customer experiences and the need to manage the customer's journey with companies (e.g., Berry et al., 2002). On the one hand, taking the perspective of the service process, companies start by examining all the clues or cues that customers detect in the buying process. Any clue may reveal signals to customers. Berry and Bendapudi (2003) conducted a service study and presented that the case company had been devoted to telling a consistent and compelling story about its service to customers by carefully managing a set of visual and experiential clues. Companies consequently aim to provide excellent experiences to their customers. On the other hand, from the perspective of satisfying customers' needs, companies attempt to create touching and attractive experiences so as to fulfill customers' inherent and personal needs. In sum, managers have recognized that providing quality products and services is no longer enough; creating memorable and unique experiences is going to be a new focus in the effort to gain customers' attention.

Academic researchers' contentions correspond with consumers' change and managers' emphasis. Various authors have suggested that the focus of the economy has been transferred into experience (cf. Pine and Gilmore, 1998; O'Sullivan and Spangler, 1998; Schmitt, 1999). In general, experiences are considered as to providing more intrinsic or personal benefit to customers. Pine and Gilmore (1998) argued that experiences are discrete economic offerings and that the evolution of the economy has moved to the next step, from products and services to experiences. Compared to prior economic offerings that were external to buyers, experiences are inherently personal and exist only in the mind of the individual who has been engaged on an emotional, physical, intellectual, or even spiritual level (Pine and Gilmore, 1998). Norton (2003) additionally offered the opinion that people pursue

experiential offerings as a way of getting more enjoyment and as a means of feeling connected, important, and understood. Agreeing with Toffler's (1970) viewpoint regarding a marvelous new sector called the "experience industry," O'Sullivan and Spangler (1998) proposed that the economy has shifted from the manufacturing and service sectors to a new economic thrust. They pointed out several changes that support or influence the growth of the experience industries, including shifts in science and technology, demographics, economics, lifestyle patterns, and values. Schmitt (1999) argued that more and more marketers are attempting to create experiences for their customers in contrast to focusing on narrowly defined product categories and competition. He also suggested that delivering desirable experiences to customers is an important determinant of being successful in the global marketplace of the new millennium. In these authors' arguments, many relevant concepts are proposed, such as experience economy (Pine and Gilmore, 1998, 1999), experiential marketing (O'Sullivan and Spangler, 1998; Schmitt, 1999), entertainment economy (Wolf, 1999), the dream society (Jensen, 1999), emotion economy (Gobé and Zyman, 2001), and attention economy (Davenport and Beck, 2002).

In addition, the rise of the "experience industry" reveals the importance of experience. In the early 70's, Toffler (1970) predicted a revolutionary expansion of certain industries that manufacture neither goods nor services but "pre-programmed experiences." He pointed out that the experience industry could become "one of the pillars of super-industrialism, the very foundation, in fact, of the post-service economy" (p.200). Traditionally, the culture industry, which is characterized as creating or staging specialized psychological experiences, has been a good example of the experience industry. Furthermore, art-based experience industries can be found in the industries of recreation, mass entertainment, education, and certain psychiatric

services (Toffler, 1970). These industries are infused into experiences and aim to create memorable or personal experiences for customers. In O'Sullivan and Spangler's (1998) book, experience industries are also viewed as significant parts of today's economy. Experiences can be incorporated into products and can be used to enhance services. Many examples are witnessed in the museum, zoo, hospital, and hotel industries. They meanwhile divided the experience industry into three distinct categories: infusers, enhancers, and makers. Infusers, who are primarily providers of goods, incorporate elements of experiences into their goods in order to generate more sales. Enhancers, generally belonging to the service industries, use experiences to enhance the value or attractiveness of their services. Makers—providers who simply supply fun and good times—include the amusement, leisure, entertainment, and hospitality industries. Although O'Sullivan and Spangler's (1998) classification of the experience industry is conceptual, it demonstrates the increasing importance of infusing experience into managerial practice.

The concept of experience, however, is not new to academic research. Two decades ago, Holbrook and his colleagues were devoted to noting the importance of the experiential aspects of consumer behavior and hedonic consumption (Holbrook and Hirschman, 1982; Holbrook et al., 1984; Hirschman and Holbrook, 1982). This experiential perspective is phenomenological in spirit, and Holbrook and Hirschman (1982) perceived consumption as a primarily subjective state of consciousness with various symbolic meanings, hedonic responses, and esthetic criteria. The consumption experience is accordingly regarded as a phenomenon directed toward pursuing fantasies, feelings, and fun. In brief, the emerging concept of experience is parallel to Holbrook and his colleagues' experiential viewpoint on consumption. For marketing practice, experience is considered as an offering, and companies can create

or even customize experiences to fulfill customers' individual needs. Managing and designing experiences are hence stressed as a base for companies to differentiate themselves from competitors and to achieve competitive advantage. Apparent examples are the rapid expansions of theme restaurants such as Starbucks and Hard Rock Café. Not simply selling cups of coffee to customers, they focus on examining whether the consumption situation can provide meaningful or valuable experiences to customers. That is to say, product and service might not be main offerings anymore; experience, which represents customers' personal sensations of feeling and fulfills customers' inner needs, is becoming a key element of a new economic stage (cf. Pine and Gilmore, 1998; O'Sullivan and Spangler, 1998; Schmitt, 1999).

In conclusion, today, experiences are moving to the center of customers' consumption activities. Customers are looking for unique encounters with companies. Companies that underestimate the importance of consumer attention and experience and don't stay abreast of new developments will find it more and more difficult to win new and retain old customers and might even jeopardize their businesses in the long run. Capturing consumer attention in a positive way and creating memorable experiences will become crucial for business success in the coming years.

1.2 Research Objects

Overall, there are two main objects to be approached in this study. First, this study attempts to explore the essence of customers' experiences comprehensively. The Marketing Science Institute (1998-2000) designated the goal of "Understanding

the Customer Experience” as one of two capital topics. In its list of 2002-2004 research priorities, customer experiences continued to be one of the top-tier priority topics (p. 6). Reviewing existing research, however, this study finds that limited studies have defined and framed the concept of customer experience through exploratory investigation because of the difficulties involved in delimiting and measuring the construct. Many studies of customer experiences are founded on conceptual ideas or guidelines. Consequently, two relevant questions are addressed in this research. As for the customer, what has been perceived or sensed when he or she steps into a consumption setting? What elements make a customer impressed when he or she describes a consuming experience? Through answering these two questions, this thesis aims to find out the elements that constitute customers’ experiences and thereby propose a conceptual model that describes the essence of customers’ experiences. A qualitative study is pursued to explore customers’ perspectives on experiences when they are asked to describe their latest experiences with a service company.

Next, this research investigates how customers perceive the quality of experiences on the basis of the conceptual model of customers’ experiences, the result of the qualitative study. Not many researchers (Csikszentmihalyi and LeFevre, 1989; Wong and Csikszentmihalyi, 1991; Moneta and Csikszentmihalyi, 1996) have explored the quality of experience (“experience quality” for short) and assessments of experience quality. Although Csikszentmihalyi and his colleagues conducted a series of studies on the quality of life experience, they did not focus on consumption experiences. This study stresses the importance of exploring customers’ evaluations of experience quality and argues that when service providers understand how customers evaluate experiences, it will be helpful to identify how to manage the

critical elements of customers' experiences and how to influence customers' perceptions of experience quality. Hence, as for the concept of experience quality, a preliminary definition of experience quality is presented according to the literature review. Meanwhile, grounded in the conceptual model of customers' experiences, the elements of evaluating experience quality are empirically investigated. A quantitative study is conducted in order to verify the conceptual model of customers' experiences and to examine evaluative elements of experience quality.

1.3 Organization of This Dissertation

To approach these study objects, Chapter Two starts by reviewing the literature on experience and relevant concepts. Next, in Chapter Three, in-depth interviews are conducted with customers to gain a better qualitative understanding of the elements that customers perceive and are impressed by when they describe their own experiences with a consuming setting. Relevant propositions and a conceptual model of customers' experiences are proposed by analyzing the qualitative data. In Chapter Four, a self-administered and cross-sectional study is conducted with respondents to explore how customers emotionally perceive the quality of experience according to the findings of the qualitative study (see Chapter Two). The assessment of experience quality is therefore suggested and empirically explored. This proceeding is also helpful to test the dimensionality and relative importance of elements that constitute customers' perceptions of experience quality.

Drawing on the results of the previous two (qualitative and quantitative) studies, Chapter Four additionally tests customer-store relationships by testing the effect of

customers' perceptions of experience quality on customers' satisfaction and loyalty. Lastly, Chapter Five discusses the findings and provides implications for researchers and practitioners. Suggestions for future research are also presented.