Impact of Experiential Value on Customer Loyalty Formation for Coffee Concept Shops - Agenda for Future Research

Nadia Rashid¹, Dr. Fayaz Ahmad Nika², Dr. Tabasum Nazir³

¹ Dept. of Management Studies Central University of Kashmir, India
² Associate Professor, Dept. of Management Studies Central University of Kashmir, India
³ Assistant Professor, Islamia College of Science and Commerce

ABSTRACT

Despite a significant degree of academic and practitioner interest, the topic of experiential value remains underdeveloped. The specific contribution of the current paper is in developing a clear and concise understanding of experiential value. In doing so, insights have been drawn from a number of discreet literature bases. Thus, the paper should aid future research in the area of experiential value through (1) helping researchers to clarify the role of experiential value in building loyal customer and (2) providing a theoretical framework that could help researchers in framing their research efforts in the area. Additionally, it would suggest measures to marketing managers with regard to promoting experiential value.

Key Words: Coffee Concept Shops, Customer Loyalty, Experiential Value, Experiential Marketing, Experience Economy

1. INTRODUCTION

Increase in consumption culture, westernization and disposable income has given boost to the Indian coffee retail space. In order to successfully take advantage of the growing coffee culture, rising competition in the sector and the increasing presence of global giants, it’s getting difficult for the smaller chains to sustain this intense competition, at the same time make profits to cover the rising costs, so need of the hour is to shift the focus from customer acquisition to customer loyalty using experiential value as a tool.

The economic slowdown of 2009 badly hit the coffee retail sector, as with incomes and job securities going down, people did become wary. Industry experts believe while things have started look up more recently, consumer approach is still not back to what it was in 2008[1].

The focus has shifted from product and brand management to building customer relationship marketing and finally to creating compelling customer experience through experiential marketing strategy. From the customers’ perspective, global orientation, need for customized services, busy lifestyle, advancement in technology and communication, increased customers’ awareness, diverse alternatives availability in the market and increased spending power could be a few of the reasons. From the firms’ point of view, the shift apprehended because of change in customers’ demand, dynamic competition, agility in business models, an increase in the bargaining power of customers and blurred boundaries in services[2].

According to a definition given by, Yuan and Wu [3]:

“Experiential marketing can be seen as a marketing tactic designed by a business to stage the entire physical environment and the operational processes for its customers to experience”.

Lee et al. [4] defined experiential marketing as “a memorable memory or experience that goes deeply into the customer’s mind”.

The challenge of customer experience for organizations is that it cannot be assessed through traditional commercial value chain elements designed for commodities. The traditional value chain is focused on efficiency and considers consumers as rational decision makers (homo economicus).

It is well documented that an effective creation of customer’s positive experience is essential to constructing customer loyalty, retention, and subsequently financial success [5]. When customers are impressed in their experience, they tend to remember it and repeat their behaviours.

Pine and Gilmore discussed the progression of economic value: [6]

(i.e. Agrarian economy -> industrial economy -> service economy -> experience economy) and speculated a shift in customers’ demand (i.e. commodities -> products -> services -> experiences). He introduced ‘experiences’ as a new form
of economic offering to provide a competitive edge. ‘An experience occurs when a company intentionally uses services as the stage creates a memorable event’

He further argued that the noticeable shift towards a service economy in the twentieth century was one stage in the progression of economic value. This progression is from extracting fungible commodities to manufacturing tangible goods, to delivering intangible services. Each stage in this progression represents a superior value proposition with higher potential for differentiation and margins. For example, growing coffee beans is less lucrative than processing and distributing packaged coffee, which in turn represents less value than serving a cup of freshly brewed coffee. Pine and Gilmore focus on the next level in this progression, namely that of staging memorable experiences.

The following model depicts the progression:

**The Progression of Economic Value**

Firms wishing to emphasise the experiential aspect of the positioning of their offerings, can induce consumers to make decisions based on imagination, emotions and hedonism. Moving from a service economy to an experience-based economy, firms must be experience providers [7]. Hedonic consumption designates those facets of consumer behaviour that relate to the multisensory aspects of one’s experience with products, where “multisensory” means “the receipt of experience in multiple sensory modalities including tastes, sounds, tactile impressions and visual images” [8] Because the experience is a phenomenological activity of individual character, a single experience can have different meanings and sensations for different consumers.

According to Warde and Martens, [9] initially the practice of eating outside the home was motivated by aspects such as convenience and utility, but in recent years, the characteristics of this occasion have taken on a new meaning. We are now being motivated to eat outside the home for pleasure rather than out of necessity. Therefore, individuals or families would seek the experience of eating-out more for moments of distraction and satisfaction.[10]

**1.1 Coffee Retail Market- the Indian scenario**

As per the latest market figures, the Indian coffee retail market has been buzzing over the last 12 months with two key players Starbucks and Café Coffee Day on expansion drive. The Starbucks has turned out to be one of the key growth drivers of the coffee retail market. Since the launch of its first store in 2012, the coffee retailer has opened 50 stores across Delhi, Mumbai, Pune, Bangalore, and Chennai. On the other hand, Café Coffee Day, India’s biggest coffee retailer has launched approximately 150 stores over the last one year. The total store count of this retailer is about 1550, with presence in 200 cities, thus has added to the growth and expansion of this market.

The market size of retail coffee in India is estimated at around Rs 1700 crore plus and expected to grow at a fast pace of over 20% in the recent times.

The coffee retail is a segment which has also seen many players struggling and failing with more than 3100 stores across the country and the industry size of more than 1700 Crore, the competition is quite intense with very less margin for error [11]
Kashmir is showing increasing trend of setting coffee concept shops, both indigenous and franchise coffee shops, due to the changing lifestyle and living standard of people. Cafe Coffee Day – a division of India’s largest coffee conglomerate, Amalgamated Bean Coffee Trading Company Ltd. (ABCTCL), popularly known as Coffee Day opened outlet in Kashmir valley. This is the first outlet at Durganag area in Kashmir, and then many outlets of CCD were opened in Kashmir, including many other coffee shop franchises. In 2017, that Barista outlet was inaugurated in the summer capital at Raj bagh which means the coffee culture is growing in Kashmir also. Luckily though, there are plenty of other coffee chains out there that offer franchise opportunities. So, there is a huge scope of the study of experiential value of coffee concept shops viz a viz Kashmir and its impact on customer patronage.

2. REVIEW OF LITERATURE

2.1 Experiential Value
According to a definition given by Wakefield and Baker, [12]: “Experiential Value is defined as customer assessment of food quality, service quality and different service encounter elements like restaurant environment (Light, Sound, Temperature, Aesthetics, Smell, Theme conveyed, interior decoration), interaction with service employees (how courteousness and proactive they are to serve customers) and other customers during service encounter”.

Experiential value has been defined as perceptions and interactions involving either direct usage or distanced appreciation of goods and services. These interactions provide the basis for the relativistic preferences held by the individuals involved [13]. Customer experiential value is a very dynamic construct and it is subjected to change due to the advancement of adopting various experiential marketing strategies in the smart phone industry. Although Wang and Lin [14], have conducted a study in Taiwan to investigate the relationship between experiential marketing and experiential value as well as Conway and Leighton [15], have evaluated the experiential marketing in Great Britain, the similar study of the conceptual framework in the context of evaluating the impact of experiential marketing on experiential value in the smart phone industry is not yet available in Malaysia. By doing this study, the findings may provide a clear picture how the experiential marketing (such as sense experience, feel experience, think experience, act experience and relate experience) affects the experiential value among the smart phone users.

2.2 Customer Loyalty:
According to Rob Smith [16] “Loyalty occurs when the customer feels so strongly that you can best meet his or her relevant needs that your competition is virtually excluded from the consideration set and the customer buys almost exclusively from you”.

In terms of research, customer loyalty incorporates both behavioral and attitudinal aspects [17]. The behavioral aspect refers to the concepts of repeat patronage, purchase frequency, and referral, whereas the attitudinal aspect focuses on psychological commitment toward the store/brand [17]. Zeithaml et al. [18] further proposed that after service experiences, customers can generate both favorable (positive statements, recommendations, loyalty, increased willingness to pay a price premium), and unfavorable intentions (negative statements, switch behavior, complaining to others).

2.3 Service Excellence:
Mathwick et al. [19] characterized service excellence as an extrinsic and reactive value that is subjective. Cina (1990) identified five steps through which firms can achieve service excellence: (1) know your moments of truth; (2) inventory your moments of truth; (3) assess the importance/performance of each contact; (4) establish a service management discipline; and (5) implement your action plan.

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2.4 Aesthetics:
They also deconstructed aesthetics into two dimensions: (1) the salient visual elements in a physical environment, such as physical attractiveness, color, graphic layout, and photographic quality; and (2) the entertainment dimension of a service performance, meaning that all nuances of an experience are worth savoring. Vilnai-Yavetz and Rafaeli [25] showed that good aesthetic perceptions can generate
feelings of pleasantness, service satisfaction, and the intention to reuse that service. In establishing the dimensions of innovative cuisine, Hu [26] asserted that aesthetics, as one dimension, can be evaluated via four core competencies: (1) knowledge of fashion trends; (2) sensibility of the aesthetic experience; (3) the ability to make harmonious sense of the product; and (4) positive attitude toward the increasing aesthetic value of products. Ryu and Han [27], who analyzed the effects of a restaurant's physical environment on the dining experience, found that aesthetics can reduce any discrepancy between expectation and performance, and improve both the customer's satisfaction and loyalty. We assert that due to the importance of aesthetics for food tourism, the aesthetics of a food tourism experience in a city can strengthen or weaken customer-perceived assessments of a city's food brand.

An aesthetic reaction is a reaction to the symmetry, proportion and unity of a physical object, a work of poetry or a performance (Verzyer) [28]. Both visual appeal and the entertainment dimension of the aesthetic response offer immediate pleasure for its own sake, irrespective of a retail environment’s ability to facilitate the accomplishment of a task in the fast food chains.

2.5 Playfulness:
Mathwick et al. [19] defined playfulness as ‘intrinsic enjoyment that comes from engaging in activities that are absorbing, to the point of offering an escape from the demand of the day-to-day world’ (p. 44). Barnett defined playfulness as ‘the predisposition to frame (or reframe) a situation in such a way as to provide oneself (and possibly others) with amusement, humor, and/or entertainment’ (p. 955). Moreover, people with playful personalities are typically happy, humorous, impulsive, adventurous, cheerful, spontaneous, unpredictable, active, sociable, energetic, outgoing, and funny (Barnett). Due to its significant role in coping with stressors and creating a flow experience (Magnuson & Barnett, 2013), playfulness has long been explored in studies of addiction to computer games [29]. In food marketing, playful features can assist in selling healthy products because, rather than simply emphasizing healthy functions, they can improve and enrich a customer's perceptions of a product [30]. When designing a restaurant's interior, improving perceived hedonic value can stimulate sensory and affective feelings, and strengthen satisfaction and behavioral intention [31]. Moreover, emphasizing entertainment cues at restaurants can improve the influence of food quality on the customers' affective responses [32]. Taken together, playfulness can enrich dining experiences, and may eventually strengthen the consumers' overall perception of a restaurant brand. Playful exchange behavior indicates the intrinsic enjoyment that comes from engaging in activities that are absorbing, to the point of offering an escape from the demands of the day-to-day world. Playfulness exists to some degree in any activity that is freely engaged in. Playful acts have a restorative capability and operate outside of immediate material interests. The intrinsic enjoyment of playful exchange behavior serves as an end unto itself, engaged in without concern for practical considerations [33].

2.6 Customer return on investment (CROI):
Mathwick et al. [19] argued that the CROI is the return from financial, behavioral, temporal, and psychological resources that are actively invested by consumers during consumption. Any evaluation of CROI is normally based on economic utility, affordability, and the utility of a consumption encounter (Mathwick et al [19]). In conceptualizing the consequences of service experiences, [18] incorporated an evaluation of CROI, including ongoing revenue, spending, price premium for a favorable service, decreased spending, and a stop transaction relationship for unfavorable service. McCall & Bruneau [34] determined that when customers are bargain shopping, their price knowledge and beliefs about price-quality are manifested in the tendency to be very concerned with CROI. Hwang, Choi, Lee and Park [35] demonstrated that concerns about CROI can be used to segment customers in full-service restaurants. Price sensitivity is an effective factor for segmenting a tourist's willingness to participate in tourist activities [36]. When selecting activities, tourists compare the pleasure that may be gained from an activity with its cost; therefore, CROI is a decisive element in the overall perception of a destination [36]. Taken together, due to the additional value derived from personal evaluations, a high CROI may prove favorable for a city's food brand image, while a low CROI may significantly reduce a city's food brand image. It comprises of active investment in financial, temporal, behavioral and psychological resources that potentially yield a return. The consumer may experience this return in terms of economic utility and the perception of affordable quality [37].

CONCLUSION
Changing customer demands along with today's competitive conditions force enterprises to differ from their rivals and develop new strategies to gain competitive advantage over its competitors. When there was an active process of agricultural economy, the products were not different and they were considered commodity. With industrialization, the products and the product centeredness have commenced and the enterprises have tried to make a difference between the concrete product and its quality. In the next step, abstract product concept has emerged by service delivery and support of products with services. Therefore, marketing theorists and practitioners embark on guest to create customer loyalty with the help of unique and entertaining experiences in experience economy. In this context, the strategies of marketing world has changed and improved so as to enhance customer experience rather than selling product and service.

With the continuous proliferation of communication media and frequently changing consumer expectations, the fight for capturing a prospect's mind-space has seen a radical shift from product or service orientation to a customer
experience driven approach. In the cluttered space of brands and advertising noise, consumer engagement is turning out to be the winning formula.

With the high demand for coffee and the existence of many coffee shops in the market, every coffee provider (coffee shops or other businesses selling coffee) wants to gain more market share to increase profits. However, in today’s competitive market, services and service providing companies (coffee providers) within the same industry are becoming increasingly similar – the coffee industry is not an exception. So how can the coffee providing companies retain their existing customers and attract new customers? If a company wants to survive in a competitive market such as the coffee market, the concept of customer loyalty needs to be emphasized much more.

The need is to create this awareness that in the long run it is imperative on the part of coffee retail outlets to have a customer evangelists. At the same time, it would also curtail the marketing costs to a great extent which therefore would enhance the profitability of the organization using experiential value as a tool.

Notwithstanding the rise of coffee concept shops, little is done to investigate revisit intention towards the café in the context of Kashmir.

REFERENCES


