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Customers' conscious experience in a coffee shop

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Abstract

Starbucks™ Coffee Company has more than 21,000 stores in 65 countries and is the premier roaster and retailer of specialty coffee in the world. Starbucks' slogan is that they strive to bring their customers exceptional experiences. The new trend in large international companies is to have a strong brand and serve customers in a special way. It is no longer customer satisfaction which is important but the customer experience, along with the products or services, which carries a lot of weight in customers' final decision making. The purpose of this research was to examine the formation and measuring of customer experience in services in the B2C environment. This research was made with the permission of the management of the Starbucks™ Coffee Shop in Poznan, Poland. The research shows clearly the possibilities to improve the degree of customer experience as well as areas of the customer experience. The application was tested with a student group of 24. Furthermore, the test results and feedback gathered from the test group were used to verify and validate the usability and structure of the ontology and application created. The application operated well and the test group was satisfied with both the operation of the application as well as the collective results, which are presented in this research. Finally, some possible future actions relating to the customer experience are suggested.

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Keywords: Customer experience; Customer satisfaction; Ontology; Application; Management; Leadership

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1. Introduction

Starbucks™ Coffee Company has more than 21,000 stores in 65 countries and is the premier roaster and retailer of specialty coffee in the world. Starbucks' slogan is that they strive to bring their customers exceptional experiences. The new trend in large international companies is to have a strong brand and serve customers in a special way. It is no longer customer satisfaction which is important but the customer experience, along with the products or services, which carries a lot of weight in customers' final decision making.

The purpose of this research was to examine the formation and measuring of customer experience in services in the B2C environment. The timeliness and importance of studying the subject is highlighted by the fact that companies are currently trying to measure customer satisfaction at an increasing rate but using the wrong tools to do so. The conventional understanding of marketing and its tools, which stress rational customer behavior, are not suitable for measuring customer experience.

A diverse collection of publications relating to customer experience, consumer services, and consumer psychology was studied in the literature review of this research. Subsequently, a holistic and comprehensive ontology of customer experience was built. The ontology considers customer experience from the perspective of the customer's consciousness and the company's service environment. The research instrument is based on Pearl, an ontology-based management and leadership application. The Pearl application is further based on the holistic Concept of Man metaphor and the Circles of Mind metaphor [19]. The whole application operates on the Internet and the application has been constructed using Evidential methodology and fuzzy logic, cf. [5] [6] [7].

The literature review and ontology building revealed the breadth and complexity of the concept of customer experience. A clear distinction has to be made between customer experience and customer satisfaction. In addition, the role of customer experience as a more significant antecedent for customer loyalty needs to be understood. Customer experience has to be seen holistically as the cross-section of the customer's consciousness and the company's service environment. This is why creating a generic tool for measuring customer experience was challenging. Nevertheless, the testing of Pearl revealed that measuring customer experience develops understanding of the holistic customer experience. Traditional measurement of service quality focuses entirely on the service interaction itself and ignores all the other elements of the experience between customer and company.

This research was made with the permission of the management of the Starbucks™ Coffee Shop in Poznan, Poland. The research shows clearly the possibilities to improve the level of customer experience as well as areas of the customer experience. The application was tested with a student group of 24.

Furthermore, the test results and feedback gathered from the test group were used to verify and validate the usability and structure of the ontology and application created. The application operated well and the test group was satisfied with both the operation of the application as well as the collective results, which are presented in this research. Finally, some possible future actions relating to the customer experience are suggested.

1. Customer experience

The concept of customer experience has evoked debate in recent years and has been mentioned as forming a new paradigm of marketing, e.g. [9,13,15]. In the last few years an increasing amount of publications have emerged around the subject. At the same time companies are trying to attract their customers through different kinds of experiences resulting from various triggered stimulations in the consumers' senses and mind. This brings an immediate need for marketers to measure the experiences that customers experience subjectively too. However, the measuring tools and the complete traditional sense of marketing should also evolve to a new level. This means that marketers should question the focus on plain functional-centered thinking and rational decision making with narrow product categories and traditional analytical models [13]. Also, the traditional division of goods and services is becoming blurred as physical goods are becoming "servicified" and consumers are more eager to participate in co-creating value together with companies [3,4,20].

1.1. What is customer experience?

Companies have been testing and measuring the satisfaction of their customers for a long time and at an increasing rate. However, it has to be noted that customer satisfaction is not the same as customer loyalty, i.e. whether the customer will buy again. A satisfied customer does not equal a loyal customer, e.g. [2, 9]. Customer satisfaction can also be seen as the culmination of a large group of different experiences the customer faces during direct or indirect interactions with the company at several touch points and it measures the gap between expectations and experiences [10]. This is the main reason why companies should start paying more attention to the experiences they are providing instead of measuring customer satisfaction. Customer experience is a better explainer and antecedent of customer loyalty, e.g. [8].

Customer experience concerns everything in a company's actions and offering. Whenever customers buy a product or service, they always have an experience, which may be good, bad, or indifferent [1]. This approach can be expanded even further to consider that the customers have an experience every time they are in any kind of contact with the company. The key from the company point of view is to learn to manage the experiences customers are given. When the company understands the experiences it can provide for its customers, it can also manage relationships concerning customers' needs and priorities better.

It is important to understand that consumers do not always make their decisions on a rational basis. Emotions and consumer intuition have considerable influence when making the decision to buy. According to Shaw, Dibeehi and Walden [14], over 50 percent of customer experience is linked to emotions. This is why a holistic approach towards the subject should be taken. Customer experience is about the conscious and unconscious sides of the human mind, expressed as rational and emotional decisions and actions towards the company's offering.

Many different definitions of the concept of customer experience can be found in the literature but three common features can be identified from the definitions. First, all definitions stress, one way or another, the subjectivity of experience. All customer experiences are strictly personal and unique. Second, customer experience is something that includes the consumer's rational thinking and emotions. There are many different ways to describe this, but what is important to understand is that customer experience is largely a question of emotions and the customer's subconscious mind. The third common feature is that customer experience is a very holistic concept. There is a large quantity of different touch points between customers and companies, and every one of these touch points acts as an arena for experiences.

1.2. Customer experience and brand experience

Schmitt [13] identifies differences in branding when comparing traditional and experiential marketing. A brand from the point of view of traditional marketing is seen as a static identifier including names, logos, and slogans. In experiential marketing brand is an experience provider. It still includes names, logos, and slogans but also appeals to all five senses and the mind of the consumer. Brands are sensory, affective, and creative relations and should be seen as something the consumers care about. Brands always exist only in the minds of the customers [12].

Brand experience can be considered as a factor in customer experience because all consumers see the company through their personal brand experiences. However, there seems to be a two-way impact between these two notions. As earlier brand experiences affect later customer experiences, the experiences the consumer has with the company in direct contacts also have an impact on their brand experience. In other words, customer experiences affect brand experiences. Thus, a bad customer experience can impair the consumer's brand experience and an earlier bad brand experience can have an impact on the consumer's later customer experience. This bi-directional interaction has earlier been considered by Verhoef et al. [21], for example.

The concept of customer experience can also be divided into either product or service experiences. However, as customer experience should be seen as a holistic view of the consumer's total experience, the experiences with the product or service itself cannot and should not be separated from the total customer experience. Fig. 1 presents the different experience components and the relations between them.

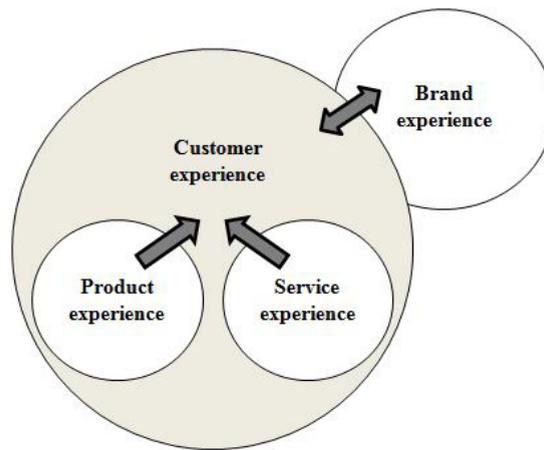


Fig. 1. Experience components of total customer experience.

The concepts of brand experience and customer experience are seen as parallel items having a two-way impact on each other and being partly nested. However, customer experience is seen as the most important part of the total experience because of its wider definition. Product and service experience are seen as sub-items in both customer and brand experience.

1.3. Benefits and challenges in measuring customer experience

The benefits of measuring customer experience compared to traditional customer satisfaction measurement can be compressed into three points. First, customer experiences are antecedents of customer satisfaction, and thus, measuring customer experience will create more insightful information for managers. Second, customer experience is a more holistic concept than satisfaction. Customers usually have experiences with the company even before they have direct contact with it. Customer satisfaction measurement focuses on direct service contacts with the company and so provides managers with more narrow information. Third, customer experience has been found to be a stronger antecedent of customer loyalty because it takes account of customers' emotional side. Satisfied customers are not the same as loyal customers. Knowing about the experiential side of customer contacts can predict customer loyalty more accurately.

In spite of its useful and holistic view of customer behavior, there are a few problems related to measuring customer experience. Palmer [11] mentions three challenges in customer experience measurement. The first problem concerns the complexity of context-specific variables. As customer experiences are very subjective and situation-specific, a fully inclusive and absolute measuring scale is hard to achieve. The second problem relates to the non-linear nature of customer experience, which makes measuring it harder. The third problem is caused by the two previously mentioned. Because of the context specificity and non-linearity, it may be hard to find the "ideal" level of experience. However, according to Palmer [11], the above-mentioned problems can be reduced by using sophisticated measuring instruments, which do not follow the traditional questionnaire approach.

2. Pearl - the research instrument

The complex and holistic nature of customer experience can be explained by using the metaphor of a theater stage. The whole concept of customer experience can be seen as a theater where the customer's and company's processes meet. This theater consists of two partly nested stages, where the outer stage acts as the service environment provided by the company and the inner stage as the customer's mind. The experience happens on both

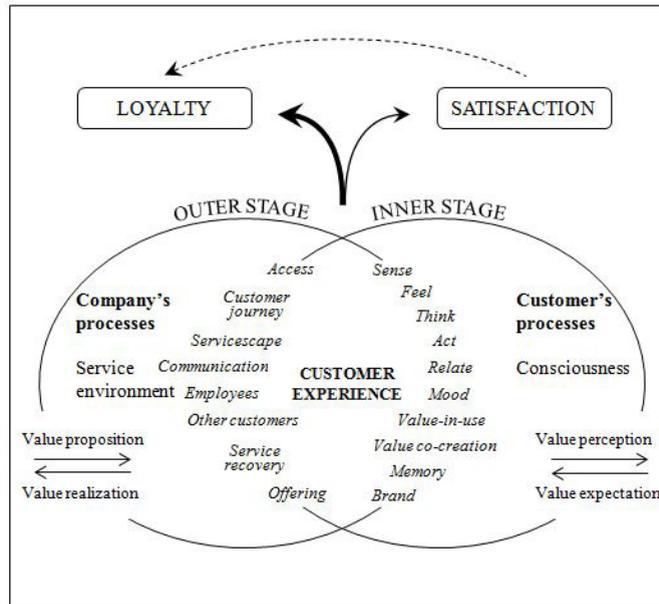


Fig. 2. Customer experience ontology.

stages at the same time, and the two acts together form the complete customer experience. Thus, to understand the holistic concept of customer experience, the subject should be viewed from both perspectives: the customer's consciousness (inner stage) and the company's service environment (outer stage). A similar idea has earlier been introduced by Pine & Gilmore [12], who stated that because of the interaction between the company's staged events and the individual's state of mind, no two people can have exactly the same experience.

Pearl, the research instrument used in this study, is based on the customer experience ontology presented in Fig. 2. When taking into account the concepts included in both the outer stage and the inner stage, customer experience can be measured holistically from the perspectives of the company's service environment and the customer's consciousness.

The customer experience ontology and the structure of Pearl are built on two main sections (stages), namely the company's processes and the customer's processes. Customer experience occurs when the two processes interact. In addition, the elements of customer experience have been placed on both stage areas simultaneously. Customer value is considered in the ontology regarding the value proposition and realization of the company, and the value expectation and perception of the customer. Detailed processing of the customer experience ontology and the content of the inner and outer stage is beyond the scope of this study.

Pearl, the application designed for measuring the customer's conscious experience, is built on the web-based Evolute platform, cf. www.evolutellc.com and [16] [17] [18]. When respondents use the application, they are asked to estimate the current states and the desired future states of propositions representing different elements of the customer experience. At the time of this research study, Pearl included 76 propositions /statements. After answering every statement, the application recorded and represented the results on a fuzzy scale.

3. Tests with the Pearl application

3.1. Test environment

In this research we have described the Starbucks™ coffee shop using the metaphor of a theater. Customers bring their own human theater metaphor when they enter the coffee shop and so these two metaphors meet each other. The customer's conscious experience starts immediately. The Starbucks™ coffee shop is in one of the best shopping

centers in the city of Poznan, Poland. The coffee shop offers both products and services. The customers respond to the offering by making choices concerning the added value they want to buy. In this way the supply meets the demand. All the products in this research, i.e. coffee/tea and muffins, were paid for by Poznan Technical University.

3.2. Test runs

All the test runs were made based on the conscious experience that the students had when they spent their coffee / teabreak in the Starbucks™ coffee shop. Each of the test subjects used the Pearl research instrument immediately after their visit to the coffee shop in the university's computer classroom. All the students received their own test results after making the evaluation with the statements. It was possible to later retrieve the collective test results from the test runs, and they are presented in this research. The total amount of participating students was 24.

4. Results

The Pearl application processes and generates the results of the respondents in different figures, which can be used to assess the positive and negative elements of the customer experience that the company is providing for its customers. Usually, the most informative way of presenting results from Pearl is by arranging the different elements according to creative tension, i.e., the gaps between the desired future states and the current states. Fig. 3 represents the test results in a histogram arranged by creative tension.

As shown in Fig. 3, the top four dimensions with the most creative tension are the offering, value co-creation, value-in-use, and service recovery. The offering dimension in Pearl measures the pricing and assortment of the target company and, according to the test, it can be seen as the main development area in the target company's customer experience. The second biggest creative tension is shown to be in value co-creation. This means that the respondents would like to have a more active role in creating customer value and the target company treats them as passive consumers. The third in the list is value-in-use, which describes the state of the customer's perception of getting value from the consumption of the company's offering. In this case, the customers seem to desire to get more value in return for the costs or they consider the costs too high for the value received from the company. The fourth main development area concerns service recovery, i.e. the customer's perception of the company's ability to handle problematic situations and correct its mistakes. Fig. 4 represents the same results in the form of a web chart.

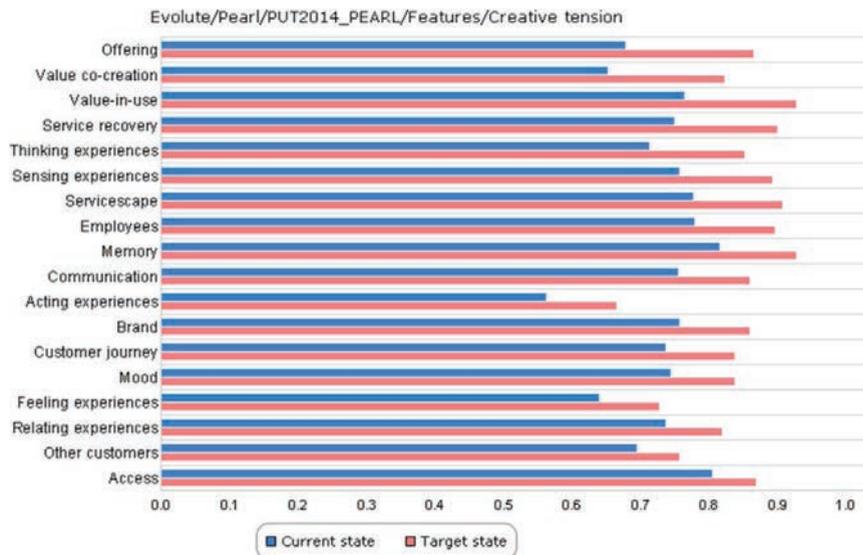


Fig. 3. The results of the test group - Histogram arranged by creative tension.

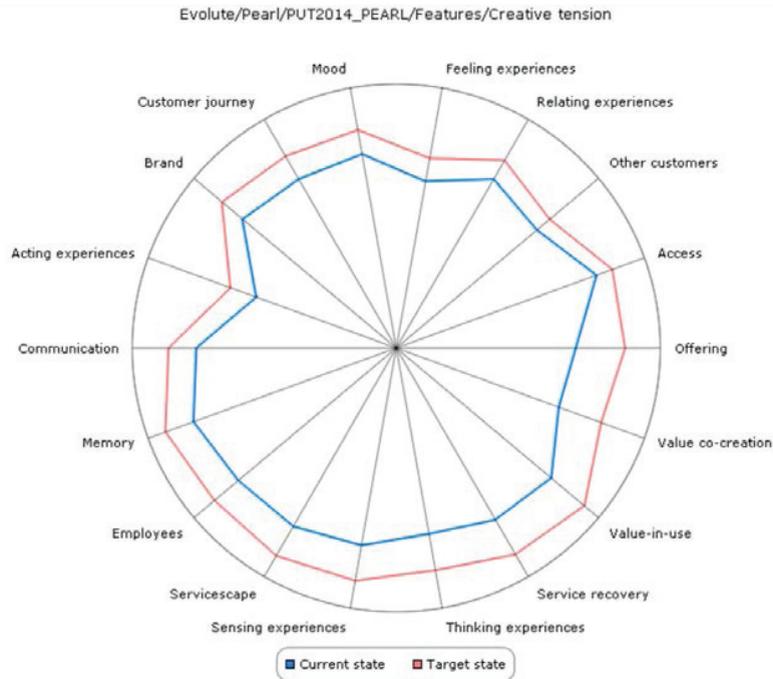


Fig. 4. The results of the test group - Web chart arranged by creative tension.

Assessing the test results shows that the test group did not see any major or alarming gaps in the target and current states of customer experience. However, it should be noted that that customers seem to be searching for ways to get more value out of the company's service and want to have more ways to influence the company's assortment, service, and ways of creating value.

5. Discussion

The customer experience ontology reveals the wide definition and complexity of customer experience. It can be affected by even very small things (such as a smile from a service employee or the background music in a service setting) but, as the results of the test group revealed, more conventional experience elements, such as the offering, have to be on a sound footing first. Taking a holistic look at the customer experience through the results provided by Pearl, the company can develop and improve different elements in its customer experience.

Future actions regarding the research subject and Pearl include developing the understandability of the test proposition used in the application and improving the user-friendliness of the test platform. Repeating the test with larger test groups and different target companies in various service industries would improve the validity of the customer experience ontology. For example, by taking into account different contextual issues, such as organizational and national cultural differences, more insightful information about the formation of customer experience could be achieved. Also, the methods and possibilities to reveal and measure the customer's subconscious side more should be studied.

The opportunities to increase the efficiency of collecting and exploiting information about the customer experience should be researched. The role of big data in companies would be a topical and useful area of research regarding customer experience. Using the information hidden in big data and combining it with customer experience measurement would give companies new outstanding possibilities to create compelling experiences and differentiate themselves from their competitors.

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