

Customer Experience In Online Retailing: Towards An Integrated Approach

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1. Introduction

Online retail market is on a path of rapid growth across the world. Increase in purchasing power of consumer population in developing economies, increased access to internet, innovative marketing efforts of online retail firms continue to contribute to the growth in customer base of this sector. Impressive growth rates of the sector attract lot of firms into online retail everywhere in the world. There is a wide spectrum of online retail players from multi-products “pure” online retail giants to small boutique firms running business on social media platforms, vying for precious market share in the online market space. The market is therefore highly competitive and volatile. Most retail players respond to this fierce competition by upping their sales and promotional efforts. Thus, frequent price-offs, discounts and other freebies have become the regular features of this market, turning customer loyalty into a remote and difficult probability for many. Though sales promotional tactics bring in short term results in the form of greater in-site traffic and increased short term sales, the threat of deal-proneness of customers arising out of price-based competition is bound to be a cause for concern in this market. Hence identifying and acting on a service differentiator is vital to the growth and survival of every firm occupying the online retail space. Online retail business, however, does not accord several opportunities for service differentiation as firms are similar in products variety or conditions of sale. In the light of positive results from traditional retail channels, customer experience seems to be a potential source of competitive differentiation in online retail. Extant literature points at the direction of positive impact of customer experience on consumer behaviour in retail (Gilmore & Pine, 2010). This paper is an attempt to analyse whether the customer experience in online retail is comprehensive enough given the complex nature of customer experience in a multi-faceted and complex service environment.

The growth of online retail business is projected to touch USD 36.7 billion by 2020 at an estimated CAGR of 52% in India alone (KPMG,2015). Customer loyalty is also a daunting task in this market where frequent promotional offers have made customers increasingly deal-prone. Therefore, finding a sustainable differentiator of service is a strategic imperative for companies in this field. Companies recognise customer experience as a strategically important variable central to creating superior customer satisfaction (Gartner, 2014). Scholars count customer experience as a source of competitive advantage or a potent competitive differentiator especially for service marketers (Pine & Gilmore, 1998; Meyer & Schwager, 2007, Shaw & Ivens, 2006, Schmitt, 2010, Lemke et al., 2011). Customer experience management is therefore a vital function of organisations for fulfilling the organisational philosophy of market orientation as customer experience is closely linked to it. This observation that the philosophical foundation of customer experience can be traced to market orientation where the long-term success of an organisation is believed to be rooted in customer focus has been made in literature (Gentile, Spiller & Noci, 2007).

As economies turn more ‘experiential’ and online platforms occupy a larger share in this economy, business organizations need to learn more about how customers develop and perceive experience in online space. Despite the industry attention and investment on customer experience management, customer experience still remains an amorphous concept marked by narrow focus and operationalisation (Jain, Aagja, & Bagdare, 2017). The paper is an attempt to review relevant literature in the field to analyse the conceptualisation of customer experience so as to understand: a) how customer experience in online retail settings is treated in literature; and b) whether the conceptualisation of customer experience in online settings is consistent with the conceptualisation of customer experience as it is generally understood in literature in terms of conceptual boundaries?

2. Customer Experience: The construct, its definition and operationalization

Practitioner interest in customer experience originates from the assumed potential customer experience holds to be one of the strong bases for product differentiation especially in settings where service components are significant parts of customer value (Shaw & Ivens, 2005). Literature projects customer experience as an effective competitive differentiator in various service contexts, often with anecdotal support for it from industry (Verhoef, et.al, 2009). Studies also vouch for positive association between customer experience and shareholder value which also points at the strategic advantage customer experience can accord organisations. Apart from the positive impact on competitive advantage, customer experience has also been associated with customer satisfaction, differentiation, image, loyalty and word-of-mouth communications (Arnold et al., 2005; Gentile et al., 2007; Crosby and Johnson, 2007; Verhoef et al., 2009; Palmer, 2010; Rawson et al., 2013)

The concept of customer experience has its origins in the experiential approach to consumer behaviour (Holbrook & Hirschman, 1982; Pine and Gilmore, 1998, 1999; and Schmitt, 1999). Experiential approach theorises that consumer decisions and actions are not solely based on ‘thinking’ but also on ‘feeling’. Thus, according to this approach, customers are much more than simple problem solvers who seek information and process it to arrive at consumption decisions; they *feel* and form opinions and attitudes based on those feelings. Meyer & Schwager (2007) defines customer experience as “the internal and subjective response customers have to any direct or indirect contact with a company”. Hence customer experience is the sum total of one’s personal reactions from all touch points with the firm, the product, the service or anything related to any of the above (Verhoef, et al., 2009).

Customer touch points are occasions where customers come in contact with the product/service or with the representations of the company along the “customer corridor” (Meyer & Schwager, 2007). Customer touch points are the building blocks of customer experience although a single interaction or transaction does not determine it independently (Rose, 2012). It is rather cumulative in nature, accumulated over a series of responses to touch points with the firm or the product. But from the perspective of managing customer experience, every single touch point is critical. Schmitt (2013) observes that these stimuli or touch points are not always customer generated but prompted. One classification scheme to

categorise touchpoints yields four categories, viz, company-created touchpoints, intrinsic touchpoints, unexpected touchpoints and customer-initiated touchpoints (Duncan, 2005).

Another characteristic of customer experience that turns it challenging for firms to manage is its subjective nature (Holbrook, 2006; Schmitt, 2010). Schmitt (2010) terms customer experience a 'subjective reality'. Since experience is hugely personal, firms cannot be in control of all determinants of customer experience. Customer experience is shaped by personal previous experiences, competitive offers and other external variables over and above the intrinsic factors associated with the service (Meyer & Schwager, 2007). This subjective nature customer experience has been integral to the conceptualization of customer experience. Pine and Gilmore (1999) remarks that customer experience is shaped by "events that engage individuals in a personal way" (p.12). Customer's emotional and intellectual involvement is thus part of how experience is perceived and evaluated. Enhancing the *personalized* nature of experience is the vital dimension of co-creation. Integral part of customers in customer value creation and consumption makes experience a co-created outcome (Prahalad and Ramaswamy, 2004a). The organizations turn as *resource integrators* in experience creation by facilitating settings for customer experience (Jain, Aagje, & Bagdare, 2015).

One way to map the customer touch points is to trace the path on which a customer travels to search, evaluate, purchase, use and do post-purchase evaluation. Thus, it is clear that pre-purchase, purchase, use and post-purchase activities are all important in shaping customer experience. Rawson, Duncan, and Jones (2013) – asserts that, rather than single touch points interactions independently, it is the cumulative experience that counts across the entire customer journey across all channels. They also point out that lapses can occur when firms try to touch points rather than the entire process or customer journey as narrow focus on single touch points often lead to solution of the immediate problem at hand ignoring the overall problem solution for the customer. Touch points occur throughout the consumption chain and demand active interaction between firms and customers (Mascarenhas et al., 2006). Lemke et al (2011) also stresses the totality of experience as opposed to single encounters that generate responses in customers. Therefore, the *holistic* nature of customer experience is generally accepted in literature.

It must be emphasised that emotional component of customer experience, though integral to what constitutes customer experience, is not the only constituent of customer experience. Sensory; affective; cognitive; physical, behaviour and lifestyle; and social identity are dimensions of customer experience (Schmitt, 1999). Multi-dimensional character in addition to the experiential nature has been followed widely in literature with additions and modifications. (Brakus et al., 2009; Tynan and McKechnie, 2008; Bagdare & Jain, 2013). Customer experience is conceived as comprising of two components, cognitive, and affective. Cognitive component is associated with the thought-processing mental activities. Affective component is about feelings, moods and emotions linked to the experience. There is interplay between these components, with the affective state influencing cognitive state. Most writings on customer experience dwell upon the 'emotional' nature of the construct, i.e., customer experience as something that results from the hedonistic motivations of consumption.

However, these conceptualisations also include cognitive or thinking component as a constituent dimension of customer experience.

Review of literature on the concept of customer experience brings out certain features very clearly. One, customer experience formation happens in multiple stages of consumption chain over multiple touch points. Two, customer experience is cumulative in nature, i.e, totality of experience counts though single touch points contribute to the accumulated experience. Three, experience is dynamic and on-going which implies that customer evaluate experience not based on single or current interaction or incident. Past experiences are also important. Four, experience is co-created. A part of perceived experience is created by customer -owned touch points. Five, customer experience is not entirely emotional or FEEL factors. Sensory, cognitive and physical factors are also important in creating total customer experience. Finally, customer experience is entirely personal and subjective which contributes to the challenges in managing customer experience. Considering the above factors, it is evident that a holistic view of customer experience should incorporate or reflect all the above features so as to fully capture the construct in its entirety.

3. What is Customer experience in online retailing

Facilitated by increasing internet penetration and spread of digital technology, online retail is on the rise all over the world. Given the intense competition and the ensuing commodification of services, customer experience is projected to be a potent source of competitive advantage for online retail firms (Vakulenko, Shams, Hellstrom, and Hjort, 2019). Realising the importance of customer experience, online retail organizations identify customer experience management a key result area (Pandey and Chawla, 2018). As customer empowerment increases, enhancing customer experience assumes more significance; Growth in number and complexity of choices available to customers as well as variety of channels makes perfect case for approaching customer experience with more enthusiasm and sense of purpose from the part of managers (Meyer &Schwager, 2007). Service is considered vital to enhancing customer experience when the service element is integral part of the value proposition to the customer. Customer touch points that make up customer experience vary in value to the customer; service interactions in services market typically carry more value as service happens to be the core offering (Meyer &Schwager, 2007). This again supports the importance of customer experience in online retail. Therefore, it is highly relevant for companies and researchers in the field to develop deep understanding of what customer experience is formed in online retail settings. Studies recommend more studies in online customer experience since acceptance and use of online platforms are increasing day by day (Rose et al., 2012 In this section, the article attempts to understand how customer experience is treated conceptually in the specific context of online settings and to evaluate whether the currently used perspectives are adequate to capture the multi-faced and complex environs of online retail.

One dominant perspective used in delineating the concept in online settings is to approach it as *flow* (Hoffman and Novak, 1996, Ding et al., 2010; Bridges and Florsheim, 2008). Flow refers to the smooth movement and total control of the actions without interruption and the actor/user becomes engrossed in the activity. It is the enjoyable feeling one has when one is

absorbed in an activity. One can see that flow theory equates customer experience with the cognitive absorption and the pleasant feelings attached to or originating from it. The flow perspective is limited in constructional boundaries as it inculcates only cognitive aspect of customer experience (Izogo, & Jayawardhena, 2017). Conceptualising customer experience in terms of flow is faulty as it considers only the online touch points presented by the website and customer interactions. Flow model of customer experience (Hoffman & Novak, 1996, 2001) equates experience with flow which is a state that happens during network navigation. Trevinal, and Stenger (2014) remarks that flow model is navigation model rather than an experience model which is broader and more cumulative spread across several touch points. Online retailing service consists of two broad, yet distinct sets of value adding activities. One, activities related to the design, creation and maintenance of online platform where buyers search for and order products; and two, activities related to the prompt and accurate physical delivery of the product. Most works on online customer experience including *flow* based studies consider the website experience as the only touch point platform. This makes sense for internet-based services which are purely *online* like online banking. However, this line of argument obviously has limitations to deal with situations like online retailing where consumption process has online and off-line component.

Izogo, and Jayawardhena (2017) argues for diverse and settings-appropriate drivers and outcome for online shopping experience. Most online shopping experience or online retail experience the SHOPPING stage of online retail which is a narrow-focussed one as we have already seen that CE is multi-stage covering entire consumption process. For instance, in Izogo, and Jayawardhena (2017), online shopping experience is defined as “what characterizes the internal responses that ensue as shoppers navigate a website and process its features such as color, fragrance, crowding, layout and so on because these features drive value”. The above definition of CE makes sense because it is online shopping experience and not CE in online retail which is a bigger in scope. It is reported that even in studies which explored *shopping* experience has revealed the importance of service components outside of the *shopping* trip or stage. Delivery quality, product quality and customer service quality were found to be most significant drivers of experience in (Izogo, and Jayawardhena, 2017).

Both cognitive and affective elements can be found in certain other studies. For example, Trevinal and Stenger (2014); Babin et al., (1994); and Rose et al. (2012) consider emotional or hedonic elements also as part of customer experience in shopping environments. In one of most inclusive conceptualizations, sensorial, emotional, cognitive, pragmatic, lifestyle and relational experiences are thought to be constituting customer experience (Gentile et al., 2007; and Verhoef et al., 2009). CE is the perception or feelings formed cumulatively by sets of clues gathered by customers from different sources like the product/service, physical settings, interactions with the employees etc. Authors group these sets of clues into two broad categories: First, clues associated with the functionality of the product or service, and the second, clues associated with emotions. Emotional set is further divided into “mechanics”, clues emanating from things and ‘humanics’, clues from people (Berry, Carbone, & Haeckel, 2002).

Another approach in online customer experience looks at experience from a value-in use perspective (Lemke et al. (2011). Both hedonic and utilitarian values form part of value-in use perspective. Social dimensions of customer experience are also noteworthy feature of online customer experience conceptualizations (Trevinal, and Stenger, 2014).

Therefore, service differentiation for an online retailer can be effected in both or either of these two operational domains. From a customer perspective, website interface and prompt and accurate delivery are the service cues by which buyers judge the quality of service performance. In extant research, models on customer experience in online retail settings include only web-site related factors as determinants of customer experience, ignoring the product delivery component. This conceptualisation of online customer experience is incomplete in its conceptual coverage and inadequate for decision makers as physical delivery is integral to the business model of online retail. Therefore, any framework which models customer experience is not complete without the off-line component. And therefore, product delivery and all process leading up to delivery are all potential touch points or stimuli for response.

Physical distribution service quality is an important factor in online commerce, contributing to the success of a retailer. Physical distribution in marketing is supposed to deliver two functions making the exchange possible, time utility and place utility. For online retail settings, at least some customers are often attracted by the prospect of busying things without having to leave the comforts of home, therefore physical distribution is inseparably linked even to the value proposition of retailers' product offer. Therefore, physical distribution quality has the potential of competitive differentiator. However, the exact mechanism through which it contributes to business success has not been analysed in literature. Physical distribution quality is thought to lead to customer satisfaction and customers repurchase intention.

4. Conclusion and Implications

Analysis of literature in customer experience in general and in the specific settings of online retail suggest that conceptualization of customer experience is single-faceted despite the wide recognition of its multi-faceted and complex nature. More integrative and holistic approach to its conceptualisation is widely acknowledged. From a managerial perspective, subjective nature of customer experience has always been a challenge. This again warrants multi-dimensional view of experience formation, especially where co-creation component is dominant such as delivery and product returns. Value-in pre-use, value in use and value in post-use may require different set of customer experience measurement systems and schemes. Each industry or sector or market place may need customised approach considering the context, consumption journey and customer expectations. This also highlights the need for moving away from a hitherto single-faceted flow experience to a more comprehensive approach to operationalising customer experience.

Firms should approach customer experience in its totality with all its complexities so that they can enhance customer experience and reap the positive outcomes associated with it such as customer satisfaction and loyalty. This is more important in online retail settings as customers are more likely to voice reviews, both positive and negative, than in traditional

offline settings. Moreover, these reviews reach more prospective buyers on online retail platforms than they do in offline markets. Therefore, online retail companies should strive to monitor all touchpoints along the customer journey to ensure total customer experience. Co-creation aspect of order fulfilment is a challenging dimension in this context in customer experience management in online retail sector. Delivery and payment options can be widened to suit all customers with varied requirements and expectations. Information before and after ordering and during delivery lead-time could also be important in ensuring favourable subjective evaluation of service experience by customers.

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