Effects of customer experience across service types, customer types and time

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Abstract
Purpose – This study aims to investigate the relevance of customer experience quality (EXQ) across three different aspects. It compares the effect of EXQ on customer attitudes for hedonic vs utilitarian services; regular vs new customers; and new customers if they revisit or become regular customers.

Design/methodology/approach – The study uses a survey design with structured questionnaires and established scales. Part of the data is collected using a longitudinal survey. Factor analysis and structural equation modeling are used as analytical techniques.

Findings – Major findings indicate a stronger effect of EXQ on consumer attitudes for a hedonic service. The effect of EXQ is found to be different on attitude variables for new and existing customers. A temporal change is observed for the new customers when they become regular.

Research limitations/implications – The findings emphasize on the differential effect of EXQ depending on the service type and customer type. The findings also support the temporal nature of customer experience.

Practical implications – The findings emphasize on the role of customer experience in retaining customers. The findings further imply that a service provider should consider the effect of experience both during and post-consumption for better service delivery and growth.

Originality/value – The novelty of the study lies in the comparison of the effects of experience across different service types. In addition, longitudinal exploration of changing effects of customer experience is tested for the first time as per the author’s knowledge.

Keywords Structural equation modelling, Customer experience, Customer type, Longitudinal survey, Utilitarian/hedonic service

Paper type Research paper

Introduction
There is an increasing trend for creating a unique experience for the customers to gain their confidence and loyalty (Klaus, 2014). Services firms across industries are slowly recognizing the importance of creating a “wow” factor for the customers through service delivery (Kim et al., 2011). In an early attempt, Parasuraman et al. (1988) conceptualized the SERVQUAL to measure customer experience from the service quality perspective. SERVQUAL measured the gap between the expected and the actual service based on five dimensions – reliability, assurance, tangibility, empathy and responsiveness. Pine and Gilmore (1999) were among the first few to understand the importance of experience and propose the possibility of an “experience economy” as they noted, “A new, emerging economy is coming to the fore, one based on a distinct kind of economic output, goods and services are no longer enough” (p. 11). Subsequently, consumer researchers further refined the concept and definition of customer experience. However, later researchers (Coulthard, 2004; Klaus and Maklan, 2011) commented on the conceptualization and methodology of the SERVQUAL, especially because it did not serve as a comprehensive tool to measure customer experience in real-life business scenarios.

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One such critique led to the development of the customer experience quality or EXQ scale by Klaus and Maklan (2012). Klaus and Maklan (2012; 2013) argued in favor of EXQ over SERVQUAL on three grounds: the measurement tool was based on the customer’s point of view; it conceptualized and measured service and customer experience; and it fulfilled the psychometric properties of a scale. The four dimensions of EXQ are product experience, outcome focus, moments-of-truth and peace-of-mind. These dimensions act as a reflection of customer’s perception of service experience. Klaus and Maklan (2013) further supported the generalizability of their scale in subsequent studies.

There are several questions related to customer experience dynamics that need to be addressed by researchers (Verhoef et al., 2009). Klaus and Maklan (2013) noted a few questions that were worth investigating in future, such as the temporal effects of EXQ and the role of service nature (utilitarian/hedonic) on consumer outcomes. Some of these issues have been raised by other researchers, such as differential effect of service environment on first-time vs repeat visitors (Ryu and Han, 2011) or the difference in shopping value (hedonic/utilitarian) and its effect on customers (Jones et al., 2006). Thus, there is a need for a study that contrasts between different types of customers and customers over time in the context of customer experience (Verhoef et al., 2009).

By drawing upon the concept of transcendent consumer experiences (Schouten et al., 2007), information processing...
theory (IPT) (Tybout et al., 1981; Petty and Cacioppo, 1986; Chaiken, 1987) and schema theory (Fiske, 1982; Fiske and Taylor 1991; Baron and Byrne, 1991), our study aims to answer three questions. First, we examine the effect of experience quality of a service with a higher hedonic value on the consumer attitudes compared to a service with a lesser hedonic value (or higher utilitarian value). Second, we explore the differential impact of experience quality on the customer outcomes for regular vs new customers for a hedonic service. Third, we investigate the temporal change (if any) taking place on the customers converting from new to revisiting customers. This investigation was facilitated using three separate surveys (that was part longitudinal) of customers of utilitarian (bank) and hedonic (restaurant) services covering more than 900 respondents.

The rest of the paper is divided into five sections. The next section offers a background of the concepts of customer experience, hedonic and utilitarian values and customer types, thus leading to the study’s objectives and hypotheses. This is followed by the methodology and the results to provide insights into the outcome of the study. The following discussion section elaborates the theoretical underpinnings of the study. The closing sections offer managerial implications and conclusion to the paper.

**Literature review**

**The concept of experience**

The concept of customer experience could be traced back to the work of Holbrook and Hirschman (1982), who discussed customer experience as a “subjective state of consciousness” having both cognitive and behavioral aspects that evolve over time and service encounters. Gronroos (1978; 1988) discussed the concept of customer experience as something that is developed as the consumer interacts with the service provider (while consuming a service), subsequently leading to service quality perceptions. The concept of customer experience calls for making consumers active participants during a marketing encounter (Codeluppi, 2001; LaSalle and Britton, 2003). Experiential marketing is about integrating a variety of senses at various customer encounters with the goal of establishing connection with customers (Schmitt, 1999; Codeluppi, 2001). One of the major focus areas of experiential marketing is on delivering a relevant and distinct customer experience (Caru and Cova, 2003, 2008; Ismail et al., 2011). Various researchers in course of time have defined “customer experience” (a summary of the important ones are given in Table I). It is interesting to note that three elements are common in all the definitions: the individual customer, the interaction with the product/service and the time element. Thereby, the working definition of customer experience as summarized by the author is as follows:

A gestalt of affective and cognitive elements resulting from a service encounter that may lead to attitudinal outcomes such as satisfaction and repeat purchase intention and behavioral outcomes such as loyalty and word of mouth.

The theoretical rationale behind customer experience may be drawn from the theory of information processing (Miller et al., 1960) that suggests that human beings process information (that could include all aspects of a service provider) through cognitive processes, including perception, memory and problem solving. According to the IPT, incoming information is represented more or less faithfully in active memory. This information may stimulate the activation (called retrieval) of object-relevant thoughts that have been processed (Tybout et al., 1981). Holbrook and Hirschman (1982) emphasized on this point as they mentioned the role of “mental events” (that are not directly observable) in the creation of a memorable customer experience. However, environmental, marketer-induced and consumer’s internal factors may influence the cognitive processing that leads to experience (Verhoef et al., 2009).

**Customer experience**

Researchers have established a significant effect of customer experience on the cognitive and affective buying behavior of consumers (Berry et al., 2002; Cetin and Dincer, 2014). Beyond this, customer experience researchers have explored various aspects of customer experience in the past decade, such as, extraordinary experience (Arnould and Price, 1993); relationship experience in brand co-creation (Payne et al., 2008); retail experience (Backstrom and Johansson, 2006; Rowley and Slack, 1999); pre-purchase service experience (Edwardsson et al., 2005); actual service experience (Otto and Ritchie, 1996; Winsted, 1997); and transcendental customer experience (TCE) (Schouten et al., 2007). However, most of these studies were unidimensional, as they explored only one aspect of the customer experience, whereas in reality, customer experience is multidimensional (Gentile et al., 2007).

Owing to the lack of a practical, reliable and valid measure of customer experience, Klaus and Maklan (2012) developed and subsequently validated a multi-item scale to measure customer experience called EXQ (Klaus and Maklan, 2013). The EXQ scale consists of four dimensions – product experience, outcome focus, moments-of-truth and peace-of-mind. Product experience is related to the customer’s perception of being able to compare offers from different service providers and having variety/options at the chosen service provider. Outcome focus reflects the significance of objective-oriented customer experiences such as searching and qualifying a service provider. Moments-of-truth stresses upon the significance of the service provider’s flexibility, pro-activeness and service recovery (in case of a failure). Peace-of-mind is the customer’s assessment of the service provider before, during and after the service interaction.

**Why would experience differ for hedonic vs utilitarian services?**

Drawing inference from the theory of need satisfaction (Oliver, 1997; Herzberg et al., 1959), one could argue that both utilitarian and hedonic service consumption may generate satisfaction but at different levels. Utilitarian consumption is described as ergic, task-related and rational (Batra and Ahtola, 1991). Utilitarian services are purchased to fulfill basic needs (Holbrook and Hirschman, 1982) and could be labeled as “necessity,” “errand,” “work” and something one has to “get through” (Babin et al., 1994). Hence, a utilitarian service would be related to the cognitive aspects of attitude such as value for money and judgments of convenience and time saving (Sindhwad and Adidam, 2012). This implies that a consumer would consider functional/tangible attributes known as...
Heuristic processing is faster, and consumers use shortcuts, proxies, clues or stereotypes to evaluate a situation (in our case, the consumers would be more in bivalent satisfiers) for assessments of utilitarian value. The presence or absence of the same can cause satisfaction or dissatisfaction.

On the other hand, a hedonic service is most likely to be related to more abstract, experiential or altruistic aspects of consumption such as experience and fun (Helkkula, 2011). This is because hedonic consumption is associated with increased arousal, perceived freedom, fantasy fulfillment, escapism and heightened involvement (Babin et al., 1994). Hedonic services are meant to provide customers with an experience of luxury and pleasure (Batra and Ahtola, 1991). They tend to accomplish the potential entertainment and emotional worth (Holbrook and Hirschman, 1982). Thus, in this case, the consumers would be more influenced by higher-order characteristics of goods and services known as “monovalent satisfiers”, which are “extra elements” that affect satisfaction in a psychological manner.

It may be logical to argue that the EXQ would have a stronger effect on consumers for a service with a higher hedonic component such as a fine dine restaurant as compared to a more utilitarian service such as banking service. We further draw support behind our argument from IPT (Chaiken, 1987; Petty and Cacioppo, 1986). According to IPT, consumers may process information either heuristically or systematically. Heuristic processing is faster, and consumers use shortcuts, proxies, clues or stereotypes to evaluate a situation (in our case a service). On the other hand, systematic processing is deeper and requires more intense cognitive processing of information (Chaiken, 1987; Petty and Cacioppo, 1986). Researchers have found various motivations that encourage consumers to engage in systematic information processing such as importance, relevance, outcome dependency, mood, need for cognition and desire for control (Neuberg and Fiske, 1987; Petty, Cacioppo and Goldman, 1981; Pittman and D’Agostino, 1989).

Thereby, we argue that heuristic processing would motivate consumers seeking a utilitarian service, and hence, their satisfaction would not be affected as much by experience as the consumers seeking a hedonic service (who would be motivated by systematic processing).

The effect of customer experience has already been found to be positive on its consequences such as customer satisfaction (Anderson and Mittal, 2000; Klaus and Maklan, 2013), loyalty (Fornell et al., 2006; Klaus and Maklan, 2013) and word-of-mouth (Keiningham et al., 2007; Babin et al., 2005; Klaus and Maklan, 2013). However, until date, a comparison has not been conducted as per the author’s knowledge that compares the effects of perceived experience for a utilitarian vs hedonic service. Thus, the first set of study hypotheses are proposed as:

**H1A.** EXQ will have a higher (positive) effect on customer satisfaction for a hedonic service compared to a utilitarian one.

**H1B.** EXQ will have a higher (positive) effect on loyalty intentions for a hedonic service compared to a utilitarian one.

**H1C.** EXQ will have a higher (positive) effect on word-of-mouth for a hedonic service compared to a utilitarian one.

**Temporal nature of customer experience**

Despite the existence of different experience typologies, the flow experience concept has attracted many researchers who promote the idea of a total immersion or plunge taken by the customer during the experience (Holbrook and Hirschman, 1982; Arnould and Price, 1993). The concept of flow has an inbuilt time element as a flow cannot be static. The temporal
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The nature of experience has been implicitly elaborated by researchers such as Grundey (2008) and Luigi et al. (2012), who suggest that customer experience begins before the service encounter and continues after the encounter is over. Similar thoughts are supported in Gentile et al.’s (2007) pragmatic, lifecycle and relational components of customer experience, all of which could develop only over time. The holistic experience approach holds every interaction between the company and the customer responsible for the creation of the experience (LaSalle and Britton, 2003). Assuming this logic, a first-time customer would have less familiarity with the service provider/service setting and lesser cues to evaluate the service (Ryu and Han, 2011). In addition, he/she is more likely to have a more complex and differentiated image of various aspects of the service compared to regular customers as he/she lacks complete information (Fakeye and Crompton, 1991; Petrick, 2004). On the other hand, regular customers are likely to evaluate the service in its completeness because of prior experience.

A better explanation of the temporal nature of customer experience could be derived from the concept of TCE, which is characterized by internal emotions and feelings such as enjoyment, awakening and epiphany (Schouten et al., 2007). The effects of transcendent experiences are long-lasting (Schouten et al., 2007) and may have enduring transformative effects on the consumer (Lanier et al., 1996). In the same context, Schouten et al. (2007) differentiate between “peak experiences” that leave deep and long-lasting effects on the consumer’s psyche and “flow experiences” that are transitory and enjoyed only in the moment. Going by this argument, both new and regular customers may have “flow experiences” that would lead to satisfaction. However, while the flow experiences would motivate the customers to elicit behavioral loyalty, the peak experiences are expected to result in word-of-mouth (WOM).

Summarizing both views, one could argue that customer experience develops over time, and thus, behavioral manifestations such as loyalty and WOM may not be resulting from experience quality for the first-time customers. This argument is supported by literature, as Ryu and Han (2011) found a significant moderating effect of customer type (new vs repeat) on the relation between service environment and consumer attitudes. In this context, Klaus and Maklan (2013) suggested the need for a future study examining the differential effect of EXQ on consumer attitudes and behavior between first-time and regular customers. Given the theoretical understanding, it is postulated that customer experience develops over time, and thus, the effects of customer experience would be different for first-time customers compared to that for revisiting/regular customers. The second hypothesis is thus proposed as:

H2. Customer experience (EXQ) will have a positive and significant effect on only customer satisfaction for the first-time customers (while it will influence satisfaction, loyalty and WOM for regular customers).

Customer experience has been found to be temporal (Holbrook, 2006; Gentile et al., 2007). The explanation behind this may be derived from schema theory that postulates that cognitive frameworks within a consumer’s mind allow him/her to interpret and organize new information (Fiske, 1982; Fiske and Taylor, 1991; Baron and Byrne, 1991). Nishida (1999) defined schema as “collections of knowledge of past experiences which are organized into related knowledge groups and are used to guide our behaviors in familiar situations” (p. 755). Cognitive schema structures enable consumers to form expectations about various domains, process and retrieve information, categorize environmental stimuli and facilitate decision-making (Sujan and Bettman, 1989). Schema theory assumes that consumers understand, memorize and apply knowledge from present consumption encounters (in future consumption encounters) (Stopa and Waters, 2005). Thus, the cognitive schema may influence attitude adjustments over time (Palmer, 2010). Thereby, a consumer’ cognitive schema related to a new service provider may be absent or just limited to external information and may only allow limited response (such as satisfaction/dissatisfaction) to a new service encounter (first-time visit). However, for a regular customer of the same service provider, the cognitive schema is developed, and the same may govern the manner in which the consumer behaves (e.g. spread good WOM).

In addition, Oliver (1997) has discussed the differences between the causes and creation of satisfaction between first-time and regular consumers. The first-time customers would be satisfied if their expectations (formed through external sources) are fulfilled; their judgments of quality and value are positive; and their evaluation is positive. However, the repeat customers would have predefined attitudes developed from the prior experience that would guide their expectations. The same attitude would lead to loyalty if the expectations are confirmed repeatedly and the evaluations are positive.

Summarizing both the views, this may imply that first-time customers would like to revisit the same service provider if they were satisfied (Garbarino and Johnson, 1999). The literature on the positive effects of satisfaction on loyalty (Gremler and Brown, 1996) and WOM behavior (Brown et al., 2005) found satisfaction to have a positive effect on loyalty and WOM behavior. Integrating this notion with the concept of attitude adjustment, one could argue that the effect of customer experience on WOM and loyalty intentions might also change over time if the customers are satisfied. Thus, the last set of hypotheses is proposed as follows:

H3A. The effect of customer experience (EXQ) on customer satisfaction will change for first-time customers with time if they (are satisfied and) keep revisiting the service provider.

H3B. The effect of customer experience (EXQ) on loyalty intentions will change for first-time customers with time if they (are satisfied and) keep revisiting the service provider.

H3C. The effect of customer experience (EXQ) on word-of-mouth behavior will change for first-time customers with time if they (are satisfied and) keep revisiting the service provider.

Methodology

Developing nations such as India, China and Brazil have shown evidence of economic growth and hold potential for the service
sector internally and externally (Clark and Rajaratnam, 1999; Javalgi and White, 2002; Riddle, 1996; Wirtz, 2000). Researchers have rooted this growth of the services sector in India to liberalization and economic reforms (Jain and Ninan, 2010; Arnold et al., 2016). Thereby, the choice for India as the focal country for the study is justified, and the findings would be relevant for developing nations (if not for others).

Service selection pretest
A pre-test was conducted among 55 respondents (aged from 18-45 years) belonging to similar economic profiles in a large Indian city to select the hedonic and utilitarian service to be studied. The respondents were asked to rank three services in terms of “where do you seek an experience the most?” and three services in terms of “where do you seek an experience the least?” Based on modal ranking, restaurant emerged as the highest ranked service for experience, and bank emerged as the least. Thus, restaurant and bank were retained as services for the main study. In this context, the restaurant industry has an appeal to all the five senses of the customers (Su, 2011) and has been previously classified by researchers as a hedonic service (Stafford, Stafford and Day, 2002). Likewise, banks are found to be high on utilitarian value (Hellén and Sääksjärvi, 2011). Thereby, our pre-test services selection was in agreement with existing thoughts.

Questionnaire design
The EXQ questionnaire was adopted from a study by Klaus and Maklan (2013) for banks with minor modifications. However, in the present study, one of the objectives required collecting data from both first-time and regular visitors of restaurants. Thus, two rounds of further purification were conducted to the EXQ questionnaire to ensure face validity. The first round had two sets of 25 regular visitors of fine dining restaurant rate the questions on applicability, relevance and repetitiveness. This resulted in two sets of questions for first-time visitors and regular visitors. Even though some items were modified, they were following the four-dimensional structure given by Klaus and Maklan (2012, 2013). The new sets of questionnaires were shown to the six marketing heads of major hospitality brands in India. There was 87 per cent agreement (the practitioners agreed that 27 out of the total 31 items were applicable to the Indian service context) on the validity of the questions in measuring customer experience. Thus, the face and content validity of the questions were established (refer to the appendix for the questionnaires for both groups). The final set of questions had 16 items for the first-time customers and 15 items for the revisit/regular customers. The questions for customer satisfaction (Dagget et al., 2007), behavioral loyalty (Zeithaml et al., 1996; Parasuraman et al., 2005) and WOM behavior (Brown et al., 2005) were adopted from existing literature with minor modifications. All questions were measured on a seven-point Likert scale (1 = strongly disagree; 7 = strongly agree). The questionnaire also had a section on demographic data, where basic questions such as age, income, frequency of eating out and a question to check for the perception of the service (i.e. hedonic/utilitarian) were included.

Data collection
The data collection was conducted through three studies. Study 1 consisted of data collection from two groups of respondents, where Group 1 consisted regular customers of a hedonic service (fine dine restaurant) and Group 2 consisted of regular customers of a utilitarian service (national bank). Study 2 consisted of data from a group of first-time visitors of the same fine dine restaurant selected in Study 1. Study 3 consisted of the respondents selected in Study 2 only with a time lag of 60 days with respect to the same restaurant that they responded in Study 2.

Study 1
For data collection from relevant respondents, three reputed national banks and three fine dine restaurant chains were approached by the researchers. Both the banks and the restaurant chains had a nationwide presence. The national banks offered a wide range of banking services, and the restaurant chains offered a set of restaurants (Indian, Chinese, multi-cuisine, etc.) with individual brand names. One bank and two restaurant chains agreed to allow their customer databases to be used. Thus, the bank and one restaurant chain were selected for the study. Customers of both the services were contacted based on the data provided by the respective companies (350 customers for each service). The customers were contacted over email, where a survey link was provided. The respondents were provided with an incentive (₹100 added to your bank account; 20 per cent discount coupon on the food bill for the next visit) if the respondent completed the survey. The total numbers of completely filled-in questionnaires received were 234 and 272 for the restaurant and the bank, respectively, in a 30-day period. The same was used for analysis.

Study 2
In Study 2, the objective was to test for the differences in effects of EXQ on its outcome variables across regular and first-time customers. Here, the study was focused on the hedonic service only. Thus, the data collected from regular customers of the same restaurant chain as in Study 1 were used for Study 2. However, systematic sampling was used instead of using the customer database for the first-time visitors to the restaurant. The researcher supervised the data collection with the help of an on-site assistant. The restaurant customers were given a feedback form along with the food bill (that had a standard question on whether the customer was visiting for the first-time or was a regular). Every third customer, who was found to be the first-time visitor, was approached to participate in the survey (in exchange for the same incentive given in Study 1). Once the customer agreed, the assistant conducted the survey. This phase lasted for 30 days and resulted in 226 completely filled-in questionnaires from the first-time customers.

Study 3
The first-time customers (n = 226) intercepted during Study 2 were sent the same survey link after a period of 60 days. The respondents were asked to take a repeat survey (this time with the questionnaire for regular visitors) in case:

- they had visited the same restaurant again within the period of two months; and
Results
The sample in all three studies was fairly balanced in gender and age to negate any possible bias due to the demographics (refer to Table II for sample demographics). The manipulation check questions found that consumers correctly perceived the bank as a utilitarian service and the restaurant as a hedonic service (Study 1 only). Study 1 was intended to explore the differences between the effect of perceived experience consumers of a hedonic service vis-à-vis utilitarian service. Once the differences were ascertained, Study 2 explored the differences in the effects of EXQ on consumer attitudes of regular versus first-time customers. Study 3 continued from Study 2 and investigated the change in the effects of EXQ on loyalty and WOM behavior for satisfied customers in a temporal framework.

Study 1
The objective of Study 1 was to test for the differences in the effect of EXQ on consumer attitudes of a hedonic vs utilitarian service (H1A-1C). Thus, an exploratory factor analysis (EFA) for the seven study constructs was conducted first to ensure that the constructs displayed unidimensionality. Even though established scales were used, researchers have suggested EFA as a tool to provide an initial overview of the latent variables and to help in identifying redundant items (Netemeyer et al., 2003; Lewis et al., 2005). In addition, researchers (such as Malhotra, et al., 2005) suggested that scales developed in a western country context might not yield similar results in as in an eastern country context. The EFA results for the EXQ items (for both hedonic and utilitarian service) yielded a four-factor solution with satisfactory KMO values (0.893 and 0.856, respectively) and statistically significant Bartlett’s test values. All scale items had communality values above 0.6 (for both data sets), and the total variance extracted was 73.23 per cent (hedonic) and 74.26 per cent (utilitarian). Following the EFA, the individual constructs were tested for internal consistency reliability and unidimensionality. The internal consistency reliability for all constructs was measured through Cronbach’s α, and all the constructs displayed reasonably high (Nunnally, 1978) levels (above 0.6) of internal consistency reliability. The factor structure obtained had no cases of cross loadings higher than 0.4, implying that items were converging to their respective constructs. Thus, the findings indicated the presence of a similar structure to experience quality in terms of dimensional structure and items in each dimension as per the literature.
This was followed by confirmatory factor analysis (CFA) for the data (both hedonic and utilitarian service) from Study 1. This was to ensure:
- the desired factor structure for EXQ; and
- to assess the reliability and construct validity for the study constructs.

The CFA results found standardized factor loadings (λ values) to be above 0.5 for all scale items, the AVE values to be above 0.5 for all constructs and the construct reliability (measured by Joreskog’s rho) to be above 0.7, ensuring that the constructs displayed convergent validity for both hedonic service (Tables III-IV) and utilitarian service. To test for discriminant validity, the inter-construct correlations (for each service type) were compared to the AVE values of each construct as per method suggested by Fornell and Larcker (1981). To ensure discriminant validity, all AVE values should be greater than the square of the inter-construct correlations of the respective constructs. The diagonal terms in Table V (representing the AVE values) were greater than the off-diagonal terms (representing squared inter-construct correlations) and provided evidence in support of discriminant validity among the EXQ constructs and the consumer outcome constructs.
Following this, independent structural models were run for the hedonic service and the utilitarian service data. The fit statistics were: hedonic service: $\chi^2$/df = 2.3; goodness of fit index (GFI) = 0.95; adjusted goodness of fit index (AGFI) = 0.89; comparative fit index (CFI) = 0.97; root mean square residual (RMR) = 0.04; and root mean square error of approximation (RMSEA) = 0.04; utilitarian service: $\chi^2$/df = 1.9; GFI = 0.93; AGFI = 0.88; CFI = 0.96; RMR = 0.05; and RMSEA = 0.04. Most fit indices were above/below the minimum cut-off criteria suggested by structural equation modeling (SEM) researchers (Bagozzi and Yi, 1988; Hu and Bentler 1999; Van Birgelen et al., 2001; Hair et al., 2010). This indicated that the data were supporting the conceptual model empirically.

The path estimates from the analysis suggested a positive and significant effect of EXQ on satisfaction, loyalty and WOM behavior (Table VI) for both service types. However, the magnitude of the standardized estimates was lesser for utilitarian service than hedonic service. Interestingly, an overall structural invariance test suggested no significant difference in the model structure (Table VI). However, a pairwise comparison of the path estimates of the outcomes of EXQ on consumer satisfaction, loyalty and WOM suggested statistically significant (and stronger) effect of EXQ on the outcomes for a hedonic service compared to a utilitarian service (Table VI). Thereby, the findings from Study 1 suggested that customer experience...
Table III Study 1: descriptive statistics, reliability and CFA results: regular customers (hedonic service)

<table>
<thead>
<tr>
<th>Item Name</th>
<th>Mean (SD)</th>
<th>Constructs</th>
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<tbody>
<tr>
<td>PRX1</td>
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</tr>
<tr>
<td>PRX2</td>
<td>5.19 (1.48)</td>
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<td>PRX3</td>
<td>4.52 (1.81)</td>
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<td>0.69</td>
</tr>
<tr>
<td>WOM2</td>
<td>5.56 (1.26)</td>
<td>0.88</td>
</tr>
<tr>
<td>WOM3</td>
<td>5.63 (1.27)</td>
<td>0.87</td>
</tr>
<tr>
<td>WOM4</td>
<td>5.57 (1.40)</td>
<td>0.85</td>
</tr>
</tbody>
</table>

Cronbach’s α: 0.73 0.73 0.78 0.80 0.79 0.75 0.86
Construct reliability (rho): 0.89 0.88 0.88 0.90 0.87 0.88 0.90
AVE: 0.66 0.63 0.64 0.67 0.62 0.63 0.69


Study 2
The data on the hedonic service of the regular customers were included in Study 2 along with the fresh data on first-time customers. Thus, the two groups of data in Study 2 were the first-time and regular customers of the same hedonic service. The CFA was run directly in Study 2 as the EFA results were supportive of the factor structure in Study 1. The CFA results for the first-time customers found standardized factor loadings above 0.7 and AVE values above 0.5 for all constructs. The construct reliability values were all above 0.7, along with acceptable alpha values, thus ensuring convergent validity (Table VII). This was followed by tests for discriminant validity (for the first-time customers only) in the same way as in Study 1, and the EXQ constructs and the endogenous consumer outcomes were found to display discriminant validity (Table VIII). The SEM results for the first-time customers showed a reasonably good fit ($\chi^2/df = 2.50$, GFI = 0.97, AGFI = 0.92, CFI = 0.97, RMR = 0.05 and RMSEA = 0.02). The path model estimates indicated a statistically significant effect of customer experience (EXQ) on satisfaction (SAT) (Table IX) but not on loyalty and WOM.

However, to ensure that the results were robust, two different tests were undertaken. First, the model was further examined to check for the indirect effect of EXQ on behavioral loyalty (LOY) and WOM via satisfaction (as a mediator). The results did not indicate any significant indirect effect in both cases. Following this, a test of invariance was performed to find out whether the models obtained for the first-time customers and that of the regular customers were statistically dissimilar to each other. In this case, a more rigorous approach to test for similarity across the two groups as suggested by Dabholkar and Bagozzi (2002) based on Joreskog and Sorbom (1993) was adopted. To this end, the parameter estimates obtained from
the first-time customer group were used to constrain the model of the regular customers. In our case, the path estimates (regression weights) only were constrained and the difference in \( \chi^2 \) values was tested. The \( \chi^2 \) value thus obtained from the regular customer group (79.23, \( df = 20 \)) was significantly different from that obtained in the unconstrained model (\( \Delta \chi^2/\Delta df = 0.4 \)). Thus, it could be inferred that the models obtained from the first-time customers and the regular customers were different. Thereby, at this stage, it could be inferred that first-time customers and regular customers differ in terms of attitudes formed toward service providers, even when they have the same experience. Thus, the initial findings and the diagnostic tests found support for \( H2 \).

**Study 3**

In this phase, the data collected from the first-time customers (in Study 2) after the time lag was analyzed (objective was to test \( H3A-3C \)). The data were subjected to CFA and the reliability and validity checks similar to the data obtained from the first wave (summary of the results in Table X). The major focus in this phase was on the SEM results for the path model. The SEM results indicated acceptable fit of the data to the

<table>
<thead>
<tr>
<th>Table V</th>
<th>Discriminant validity test results: regular customers (hedonic and utilitarian services)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construct</td>
<td>PRX</td>
</tr>
<tr>
<td>PRX</td>
<td>0.66, 0.58</td>
</tr>
<tr>
<td>OUF</td>
<td>0.40, 0.48</td>
</tr>
<tr>
<td>MOT</td>
<td>0.35, 0.48</td>
</tr>
<tr>
<td>POM</td>
<td>0.24, 0.42</td>
</tr>
<tr>
<td>SAT</td>
<td>0.25, 0.48</td>
</tr>
<tr>
<td>LOY</td>
<td>0.19, 0.47</td>
</tr>
<tr>
<td>WOM</td>
<td>0.16, 0.40</td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Table VI</th>
<th>Structural model results: hedonic vs utilitarian service</th>
</tr>
</thead>
<tbody>
<tr>
<td>Relationship</td>
<td>Hedonic</td>
</tr>
<tr>
<td>EXQ → satisfaction</td>
<td>0.791</td>
</tr>
<tr>
<td>EXQ → loyalty</td>
<td>0.552</td>
</tr>
<tr>
<td>EXQ → WOM</td>
<td>0.471</td>
</tr>
</tbody>
</table>

Note: \( t^a/b \) stands for difference between standardized estimate\( a \) and standardized estimate\( b \).

<table>
<thead>
<tr>
<th>Table VII</th>
<th>Study 2: descriptive statistics, reliability and CFA results: first-time customers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item Name</td>
<td>Mean (SD)</td>
</tr>
<tr>
<td>PRX1</td>
<td>4.88 (1.51)</td>
</tr>
<tr>
<td>PRX2</td>
<td>4.78 (1.64)</td>
</tr>
<tr>
<td>PRX3</td>
<td>4.54 (1.37)</td>
</tr>
<tr>
<td>PRX4</td>
<td>4.82 (1.69)</td>
</tr>
<tr>
<td>OUF1</td>
<td>5.06 (1.34)</td>
</tr>
<tr>
<td>OUF2</td>
<td>5.08 (1.35)</td>
</tr>
<tr>
<td>OUF3</td>
<td>5.89 (1.13)</td>
</tr>
<tr>
<td>MOT1</td>
<td>4.86 (1.53)</td>
</tr>
<tr>
<td>MOT2</td>
<td>5.16 (1.33)</td>
</tr>
<tr>
<td>MOT3</td>
<td>4.45 (1.52)</td>
</tr>
<tr>
<td>MOT4</td>
<td>4.79 (1.44)</td>
</tr>
<tr>
<td>POM1</td>
<td>5.14 (1.33)</td>
</tr>
<tr>
<td>POM2</td>
<td>5.21 (1.38)</td>
</tr>
<tr>
<td>POM3</td>
<td>5.17 (1.36)</td>
</tr>
<tr>
<td>POM4</td>
<td>4.54 (1.63)</td>
</tr>
<tr>
<td>SAT1</td>
<td>5.17 (1.45)</td>
</tr>
<tr>
<td>SAT2</td>
<td>4.81 (1.53)</td>
</tr>
<tr>
<td>SAT3</td>
<td>5.09 (1.37)</td>
</tr>
<tr>
<td>SAT4</td>
<td>4.58 (1.47)</td>
</tr>
<tr>
<td>LOY1</td>
<td>5.06 (1.59)</td>
</tr>
<tr>
<td>LOY2</td>
<td>4.48 (1.52)</td>
</tr>
<tr>
<td>LOY3</td>
<td>4.21 (1.62)</td>
</tr>
<tr>
<td>LOY4</td>
<td>5.10 (1.61)</td>
</tr>
<tr>
<td>WOM1</td>
<td>4.62 (1.72)</td>
</tr>
<tr>
<td>WOM2</td>
<td>4.56 (1.58)</td>
</tr>
<tr>
<td>WOM3</td>
<td>4.98 (1.61)</td>
</tr>
<tr>
<td>WOM4</td>
<td>5.02 (1.61)</td>
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<tr>
<td>Cronbach’s ( \alpha )</td>
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</tr>
<tr>
<td>Construct reliability (rho)</td>
<td>0.86</td>
</tr>
<tr>
<td>AVE</td>
<td>0.60</td>
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<table>
<thead>
<tr>
<th>Table VIII</th>
<th>Discriminant validity test results: first-time customers</th>
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<tr>
<td>Construct</td>
<td>PRX</td>
</tr>
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<td>PRX</td>
<td>0.60</td>
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<tr>
<td>OUF</td>
<td>0.42</td>
</tr>
<tr>
<td>MOT</td>
<td>0.33</td>
</tr>
<tr>
<td>POM</td>
<td>0.37</td>
</tr>
<tr>
<td>SAT</td>
<td>0.29</td>
</tr>
<tr>
<td>LOY</td>
<td>0.23</td>
</tr>
<tr>
<td>WOM</td>
<td>0.14</td>
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Table IX  Structural model results: first-time customers

<table>
<thead>
<tr>
<th>Relationship</th>
<th>Standardized estimate</th>
<th>S.E.</th>
<th>p-value</th>
<th>Related hypothesis</th>
<th>Inference</th>
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<tbody>
<tr>
<td>EXQ → satisfaction</td>
<td>0.892</td>
<td>0.095</td>
<td>0.000</td>
<td>2</td>
<td>Supported</td>
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<tr>
<td>EXQ → loyalty</td>
<td>0.137</td>
<td>0.180</td>
<td>0.252</td>
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<tr>
<td>EXQ → WOM</td>
<td>0.259</td>
<td>0.195</td>
<td>0.185</td>
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Table X  Study 3: descriptive statistics, reliability and CFA results: first-time customers who revisit

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<tr>
<th>Item Name</th>
<th>Mean (SD)</th>
<th>PRX</th>
<th>OUF</th>
<th>MOT</th>
<th>POM</th>
<th>SAT</th>
<th>LOY</th>
<th>WOM</th>
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</thead>
<tbody>
<tr>
<td>PRX1</td>
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<td>0.82</td>
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</tr>
<tr>
<td>PRX2</td>
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<tr>
<td>PRX3</td>
<td>5.32 (1.24)</td>
<td>0.79</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>PRX4</td>
<td>5.50 (1.09)</td>
<td>0.80</td>
<td></td>
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<td>OUF1</td>
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<td>OUF2</td>
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<td>OUF3</td>
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<td></td>
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<td>OUF4</td>
<td>5.22 (1.12)</td>
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<td></td>
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</tr>
<tr>
<td>MOT1</td>
<td>5.45 (1.22)</td>
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<td></td>
<td></td>
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<td>MOT2</td>
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<tr>
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<tr>
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<td></td>
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<td></td>
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<td>POM4</td>
<td>5.98 (1.35)</td>
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<td></td>
<td></td>
<td></td>
<td>0.86</td>
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<td>POM5</td>
<td>5.75 (1.26)</td>
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<td></td>
<td></td>
<td></td>
<td>0.84</td>
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<tr>
<td>SAT1</td>
<td>5.22 (0.99)</td>
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<td>0.91</td>
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<tr>
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<td>0.89</td>
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<tr>
<td>SAT4</td>
<td>5.19 (1.14)</td>
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<td></td>
<td></td>
<td>0.83</td>
<td></td>
</tr>
<tr>
<td>LOY1</td>
<td>5.65 (1.67)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.88</td>
</tr>
<tr>
<td>LOY2</td>
<td>5.58 (1.94)</td>
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<td>0.82</td>
</tr>
<tr>
<td>LOY3</td>
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<td></td>
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<td></td>
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<td></td>
<td>0.81</td>
</tr>
<tr>
<td>LOY4</td>
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<td></td>
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<td></td>
<td>0.93</td>
</tr>
<tr>
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<td></td>
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<td>0.91</td>
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<tr>
<td>WOM2</td>
<td>5.19 (1.28)</td>
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<td></td>
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<td></td>
<td></td>
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<td>WOM3</td>
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<td></td>
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</tr>
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<td>WOM4</td>
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<td>Cronbach’s Alpha</td>
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<td>0.89</td>
<td>0.90</td>
<td>0.90</td>
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<tr>
<td>Construct Reliability (rho)</td>
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<td>0.86</td>
<td>0.90</td>
<td>0.91</td>
<td>0.93</td>
<td>0.90</td>
<td>0.92</td>
<td>0.92</td>
</tr>
<tr>
<td>Average variance extracted (AVE)</td>
<td>0.65</td>
<td>0.67</td>
<td>0.67</td>
<td>0.68</td>
<td>0.78</td>
<td>0.71</td>
<td>0.77</td>
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</tbody>
</table>

model ($\chi^2/df = 2.01$, GFI = 0.96, AGFI = 0.89, CFI = 0.96, RMR = 0.02 and RMSEA = 0.05). Interestingly, the path estimates indicated EXQ to have a positive and significant effect on all consumer outcomes, i.e. satisfaction, loyalty and WOM (Table XI). A detailed analysis of the direct and indirect effects of EXQ on loyalty and WOM behavior revealed the indirect effects of EXQ to be close in magnitude to the direct effects of satisfaction on loyalty and WOM. However, to ascertain that the results obtained in this phase were free from sampling bias, a bias corrected bootstrapping was performed. The bootstrap results (Table XI, last three columns on the right) further supported the findings from the earlier round of analysis. Thereby, it could be inferred that first-time customers receiving a favorable experience may be converted to regular customers who may develop loyalty toward the service brand and may spread good WOM. Thus, at this stage, $H3A-3C$ were supported.

**Discussion**

Our study contributes to the existing research on customer experience and EXQ (Klaus and Maklan, 2013) in multiple ways and supports the call for linking various related concepts in services marketing into a single study (Helkkula, 2011). First, the present study brings out an important difference in the role of service experience in influencing the consumer attitudes in case of hedonic vs utilitarian services. The present study found a stronger effect of service experience quality (EXQ) on consumer...
Standardized indirect effects

**EXQ → satisfaction**

0.812 0.113 0.000 0.713 0.870 0.019

**EXQ → loyalty**

0.400 0.179 0.000 0.158 0.593 0.026

**EXQ → WOM**

0.284 0.171 0.008 0.090 0.523 0.027

**Satisfaction → loyalty**

0.399 0.119 0.000 0.206 0.595 0.006

**Satisfaction → WOM**

0.531 0.115 0.000 0.329 0.708 0.008

**EXQ → loyalty**

0.324 N.A. N.A.

**EXQ → WOM**

0.431 N.A. N.A.

Figure 1 The conceptual model

Thereby, it supports the assertion that different services may generate need satisfaction at different levels (Oliver, 1997; Herzberg et al., 1959). In addition, it supports the general notion that experiences would matter more for a hedonic service compared to a utilitarian service (Jones et al., 2006). As a hedonic service is more related to the fulfillment of emotional/sensory gratification (Wakefield and Blodgett, 1999), it is expected that a service experience in the same would generate a stronger effect on the consumer attitudes than a utilitarian service that is related to task-related consumption (Batra and Ahtola, 1991). The same is supported by the findings of the present study. At the same time, it does not negate the role of customer experience in utilitarian services, as Study 1 indicated a significant effect of EXQ on all consumer attitude variables. This supports the notion that utilitarian services may generate affect in a rational manner than emotional (Jiang and Lu Wang, 2006) from experiences, but is relevant.

The findings from H2 add to the literature on the temporal nature of customer experience (Arnould and Price, 1993). To the author’s knowledge, this is one of the very few studies that have explored the concept by using longitudinal data. H2 suggests that experience may not be time-bound and may not have an impact on consumer attitudes at the first instance. Thus, our findings support the view on the gradual build of customer experience through repeated interactions with the service provider (LaSalle and Britton, 2003; Gentile et al., 2007). The findings further support the transcendent nature of customer experience (Belk, 1988; Arnould and Price, 1993; Schouten and McAlexander 1995) that builds over time, as first-time customers may be less equipped to evaluate a service provider and thereby may not have formed attitude toward loyalty and WOM at all (Ryu and Han, 2011). Thus, outcomes such as loyalty and WOM may be apparent for the regular customers, while they may be absent for the first-timers. However, the support for H2 also indicates satisfaction to be an instant outcome of a favorable customer experience (Anderson and Mittal, 2000; Klaus and Maklan, 2013).

H3A-C imply that customer experience developing over time (this was for regular customers) could lead to patronage behavior (through positive WOM) and behavioral loyalty. Both these outcomes are desired of experiential marketing (Pine and Gilmore, 1999; Chang and Horng, 2010). The findings are in agreement with the cognitive schema of consumer attitude formation with time. In the first service encounter, the consumers only form satisfaction as an attitude, and they are still assimilating information. However, with repeated encounters, the learning allows the consumer to create attitudinal loyalty and manifest behavior such as positive WOM. Study 3 is novel, as researchers have not yet investigated the effects of customer experience on consumer attitudes at different time points for the same customers while they have called for such investigations (Klaus and Maklan, 2013). The present study addresses this point, as the findings (H3A-C) indicate that favorable customer experience would lead to a long-term direct effect on behavioral loyalty and positive WOM (Garbarino and Johnson, 1999).

Fourth, the study has few methodological implications, as the findings indicate a stable nature of customer experience concept having the four constructs of product experience, outcome focus, moments-of-truth and peace-of-mind. Thereby, the study validates the EXQ scale in the context of a developing nation and across different service types. The EXQ scale was found to be valid for both regular and first-time customers. Thereby, the present study enhances the generalizability of the EXQ scale as called for by Klaus and Maklan (2012, 2013) and provides support to the existing literature on the role of customer experience in services (Klaus and Maklan, 2011; Helkkula, 2011).

**Managerial implications**

The present study has several managerial implications. First, the differential effects of hedonic vs utilitarian service on the
consumer attitudes underline the need of creating a favorable service experience in case of a hedonic service provider. The consumer may be more interested in the experiential elements of a utilitarian service and thus be.discounting the experiential element if the functional aspects go right. Thus, a utilitarian service provider may have to focus more on the functional experience of the service. For example, a banker may need to create an experience that reduces waiting time. On the other hand, a hedonic service provider has to create the right service experience at the emotional level so that it reinforces the sensory aspects of the service. For example, a restaurant manager may have to focus more on the color palate and aromas that a customer may experience while in the restaurant. Thereby, a well-crafted experience creation strategy may be required by both types of services with differences in the definition of experience. The same would create satisfied and loyal customers and may spread good WOM.

Second, the findings indicate that the service provider has to think of a different strategy for the new customers. While visiting the service provider, a new customer may not hold a self-opinion/view about the service provider. Thus, the service provider may have a lot of scope to influence the customer at a rational and emotional level through the experience he/she provides. The findings suggest that while visiting a new restaurant, customer experience may not directly influence loyalty and WOM. Thus, the immediate objective of the service provider would be to create a pleasurable/memorable experience that can create satisfaction. The findings suggest that satisfaction, loyalty and WOM may not occur at the same period. However, if a customer is satisfied (that could be highly influenced by the experience), she/he could be converted into a loyal customer. The satisfaction thus created would impact revisit behavior and positive publicity for the marketer.

For the revisiting customers, the previous experience may act as a benchmark, and thus, a deviation in the negative direction may influence loyalty and WOM. This throws a challenge to the service provider and suggests him/her to have a two-pronged approach for the customers. For first-time customers, the service provider’s job would be to concentrate on providing a “wow” experience. However, to retain an existing customer, the service provider has to ensure a better experience each time the customer pays a visit. Thus, in effect, the service provider should focus not only on the actual service encounter with the customer but also upon the phases before and after such encounters for a good customer experience. To summarize, the findings from the present study provide managers with implications on the importance of service experience and guidelines on execution depending on service/customer types.

Conclusion

The present study compares the role of EXQ across service types and customer types. The findings implied a differential effect of EXQ on the hedonic vs utilitarian services and regular vs new customer outcomes. A temporal change in behavior was observed for the customers who converted from first-timers to regular.

The present study has few limitations. While these limitations do not undermine the value of the findings, they provide scope for future research. The study was restricted to only one service in each category (restaurant in hedonic and bank in utilitarian). Future research should consider other services that have differential levels of utilitarian/hedonic elements, such as fast food service and adventure sports. The present study was conducted in one country, and it would be interesting to explore the model across different countries with cultural differences to bring out (if any) the moderating effect of culture of experiential consumption. EXQ studies (such as Klaus and Maklan, 2013; Klaus and Maklan, 2011) including the present one have investigated the consequences of EXQ. Future studies should investigate the effects of the antecedents of EXQ on the EXQ and subsequently test the concept of EXQ in a larger nomological network. Nevertheless, the present study contributes to the service experience literature within its limitations and provides academics and practitioners with a novel perspective on customer experience management.

References

Baron, R.A. and Byrne, D. (1991), Social Psychology–Understanding Human Interaction, Allyn and Bacon, Boston, MA.
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Customer experience
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**Further reading**


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