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Conceptualising Customer Experience in B2B Services

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Abstract

Increasing attention has been paid to the customer experience by both scholars and marketing professionals. The need for measuring experience in business-to-business (b2b) services emerged from the importance of experience, which plays a key role in the development of relationships and therefore influences attitudes. Customer experience is considered the heart of service businesses. With the advent of the customer experience concept, many studies focus on the business-to-consumer (b2c) domain. Research on measuring experience in the b2b context remains sparse. The main purpose of this study is to conceptualise the customer experience construct and its drivers in the b2b context.

The study contributes theoretically and conceptually to advancing the current knowledge of the literature by verifying different components of the construct of customer experience and relative drivers that create experiences. It will improve the understanding of experience through considering the effects of experience on attitudes and behavioral intentions, which has never been considered. It will provide a base for future research on professional services in b2b.

Keywords: Customer Experience, B2B, Services

Introduction

The business-to-business (b2b) market has been increasingly seeking to enhance the efficiency and effectiveness of marketing relationship activities (Cannon and Perreault, 1999). The need to conceptualise customer experience in b2b emerged from the importance of the experience of the participants. This plays a key role in the development of relationships and therefore influences the attitudes and behaviors of these participants. In addition, these relationships are fundamentally diverse in essence, depending on the work environment; thus they are sometimes similar to those which may exist in the business-to-consumer (b2c) market (Turnbull et al., 1996). According to Lemke et al. (2011), customer experience quality assists in understanding the way customers satisfy their requirements. Hence, measuring customer experience provides offers an advantage to management performance. Customer experience is broadly described, in an approach that moderately assists managers in fieldwork (Maklan and Klaus, 2011). Scholars have called for a measure to evaluate the customer experience from the customer's point of view (Klaus and Maklan, 2007; Verhoef et al., 2009). The most popular measure of service quality, SERVQUAL, focuses on cognitive dimensions associated with service events and critical occurrences (Edvardsson et al., 2007), while the customer experience scale in b2b should be connected to the most significant marketing outcomes, i.e. behavioral intentions.

Turnbull et al. (1996) argue that the development of supplier-customer relationships is dependent on the development of experience of both participants. Moreover, it has been argued that experience is an outcome of many relationships and helps the company to be acquire knowledge concerning how these relationships should be managed (Hakansson et al., 2002 p. 26). Customers' experience may result in presuppositions that affect their attitudes and behavioral intentions. Thus, learning from experience is communicated to and influences certain elements of supplier-customer interactions. Furthermore, the experience acquired in certain events cumulates in an eventual experience. This eventual experience is considered to play a role in changing attitudes and behaviors which in turn, can be sustained for a long time (Hakansson et al. 2002 p. 26).

Linked to this, firms need to understand and manage experiences appropriately in order to achieve competitive advantage and enhancement of the firm's reputation (Pine II and Gilmore, 1998; Pullman and Gross, 2004; Verhoef et al., 2009; Zomerdijk and Voss, 2010; Klaus and Maklan, 2012). While many existing scales are devoted to evaluate service quality in b2c markets (Parasuraman et al., 2005; Brakus et al., 2009; Chang and Horng, 2010; Kim et al. 2011; Klaus and Maklan, 2012), there is no empirical evidence for measuring customers' experience in b2b services.

Research Context

The service sector is one of the main factors in the economic development and growth of countries as it plays an essential role in the global economy. The majority of contemporary economies are increasingly driven by service businesses as services account for the generation of a great number of new jobs, both skilled and unskilled. Indeed, while the service business comprises half of the economy in many developing countries, it accounts for more than 70 percent in developed countries (Wright, 2014). In addition to the importance of service markets, few studies have focused on measuring professional services in b2b (Ullrich, 2002; Woo and Ennew, 2005). In this regard, Bennett et al. (2005) argue that experience plays an important role as a personal source of information for professional services such as advertising, market research and legal firms. Together with this important role of experience, the relationships between these agencies and their customers are considered to be long-term in nature. Based on this premise, this present study will conceptualize the experience gained by b2b customers.

Key Contribution

Most existing literature on customer experience in b2c agrees on two components of experience; namely, cognitive and emotional. As the context in b2b differs from that of b2c, this study incorporates other components and items to further understand experience. The study will make a conceptual and theoretical contribution to the existing body of research through the addition of a factual component as a distinction from cognitive components, as well as by adding a social component as a distinction from emotional components of customer experience. In addition, this study explores the drivers that generate different components of experience. In this respect, the suggested model will explain various aspects of the customer experience construct and will make a contribution by defining it more adequately in order to improve the understanding of this construct in b2b services.

Literature Review

Underpinning Theories for the proposed Conceptual Framework

Three areas of literature were reviewed to develop a model for customer experience: service quality, the customer experience in b2c and the supplier-customer relationship in b2b. The first part of this literature review will discuss the relevant literature in the area of service quality measurements in services, explaining the move from service quality measures to customer experience measures. This discussion will lead to the call for a novel construct and measure of service quality based on customer experience in view of the limitations of existing measures of service quality. The second part of the

review covers the definition of customer experience and relevant literature on its different aspects, as well as the existing scales of customer experience in b2c. The third part will review relevant literature on relationships and interactions of suppliers and customers. Given the identified gap in the research on customer experience in b2b, the existing literature of customer experience in b2c will be discussed to form a base for conceptualising experience, taking into account the nature of and the differences between the b2b and b2c contexts.

Shifting from measuring Service Quality to measuring Customer Experience

The purpose of this section is to describe the origin and evolution of the customer experience construct, focusing on the most widely applied measure, SERVQUAL, developed by Parasuraman et al. (1988), across a broad spectrum of services. Newman et al. (2001) identified service quality as a fundamental source to achieve competitive advantage in business services. Service quality has been defined as the difference between what customers expect to obtain and what they actually receive (Parasuraman et al., 1988). Accordingly, many scales have been developed to measure the service provided. Nonetheless, it should be noted that SERVQUAL has been the object of much criticism. SERVQUAL has been criticised on conceptual and methodological grounds, as well as in terms of the validation of its contents. Existing literature relating to service quality indicates that the current measures of service quality have many flaws and do not adequately assess overall quality (Palmer, 2010). Therefore, there is a need for a novel measurement of service quality based on the customer experience (Maklan and Klaus, 2011). The construct of customer experience has been found to differ conceptually from service quality and hence, it needs a relatively new measurement (Klaus and Maklan, 2013). In this regard Johnson and Mathews (1997) provide empirical evidence for the importance of experiential factors in affecting expectations when measuring service quality. Klaus and Maklan (2013) defined customer experience as “the customer’s cognitive and affective assessment of all direct and indirect encounters with the firm relating to their purchasing behavior”. This definition is consistent with the conceptual model provided by (Verhoef et al. 2009). Marketing scholars should propose an adequate measure for the customer experience concept which is built on the following determinants:

1. Is based upon an overall cognitive and emotional assessment of value from the customers’ point-of-view rather than evaluated against benchmarks or expectations.
2. Captures the value-in-use of the organisation’s offer, not just the attributes of product and service delivery
3. Assesses, as much as possible, emotional responses as well as the functional delivery of the organisation’s promise

4. Determines a reasonable focal time period, sufficiently pre and post the service delivery, to allow the customer to assess the experience over time and across channels.
5. Is validated against behavioural measures as well as attitudinal ones” (Maklan and Klaus, 2011).

Customer Experience Concept and Definition

Customer experience concept came into prominence in the literature in the 1990s (Carbone and Haeckel, 1994; Johnston, 1999; Pine II and Gilmore, 1998; Pine II and Gilmore, 1999). In spite of the fact that the customer experience concept has attracted the attention of both professionals and scholars, there is a dearth of studies on this significant topic.

An early definition of the term ‘customer experience’ was given in the consumer behavior literature by Holbrook and Hirschman (1982), who explain it as an occurrence that is related to emotions and comes into being through interaction with the product or service consumed. However, this definition ignores other aspects of experience and restricts the experience to to the consumption process.

Gupta and Vajic (2000) suggest that experience evolves over a period of time and includes learning and interactions with different elements of a context, generated by a supplier. They note that experience is an outcome of participation in a set of activities in a social context and should therefore be investigated in this context. This is consistent with Prahalad and Ramaswamy (2004), Grönroos (2008), and Vargo et al. (2008), who hold that experiences are generated between customers and suppliers, as the working environment reinforces particular reciprocal experiences.

Shaw (2007, p.6) defines customer experience thus: “A customer experience is an interaction between an organisation and a customer. It is a blend of an organisation’s physical performance, the senses stimulated and emotions evoked, each intuitively measured against customer expectations across all moments of contract.”

Klaus and Maklan (2013) define customer experience as “the customer’s cognitive and affective assessment of all direct and indirect encounters with the firm relating to their purchasing behaviour”. This definition is consistent with Verhoef et al. (2009), who suggest that in a compound business context with numerous distribution channels, customer experience in certain channel would also be affected by other channels. They propose that the functional level of customer experience leads to guides differentiation of retail drivers that essentially impact various decision-making processes.

Other related definitions of customer experience proposed by Gentile et al. (2007), Meyer and Schwager (2007), and Verhoef et al. (2009) will be reviewed in the following section on conceptualization.

Experience in the B2B and B2C Contexts

“Customers in business markets predominantly focus on functionality or performance, whereas customers in consumer markets predominantly focus on aesthetics and taste” (Anderson et al., 1999). In this regard, Coviello et al. (2002) suggest that b2b firms pay more attention to relational experience, whereas b2c firms pay more attention to transactional experience. In the b2b environment, experience forms part of the customer management function. involved (Hollyoake, 2009). In the b2b context, the relationships are far more complicated and may include several individuals (Hakansson and Snehota, 1995).

More recently, Lemke et al. (2011) developed a customer experience model for both b2b and b2c. They suggest that customer experience is explained in terms of its contribution to value-in-use and on this basis they propose value-in-use as a mediator between experience and relationship outcomes. They further suggest that the evaluation of customer experience include peer-to-peer and supplementary supplier encounters as well as the products or services provided. In the b2b context, customers pay greater attention to firms which concentrate on comprehending and providing value-in-use than in the b2c context, where the focus is more general.

Conceptualizing Customer Experience in B2B

The customer experience literature reveals the necessity to develop a corresponding measure of customer experience in b2b. Based on the reviewed literature, customer experience can be seen as a set of interactions between a customer and an organization. The proposed model aims at explain the antecedents of experience, and the components of experience which affect attitudes and behavioral intentions.

The drivers and components of customer experience used in the model are identified based on a synthesis of two main facets: the customer experience in b2c and attributes of the supplier-customer relationship in b2b.

First, literature identifies how customer experience is created. Shaw (2007) argues that 50% of customer experiences are created by emotional reaction. In addition, Shaw (2007) notes that customer experience includes two experience categories: rational experience, which is driven by the particular physical attributes of a product or service and emotional experience, which is driven by customers’ emotions and their feelings in the course of their interaction.

Perhaps the most relevant related suggestion is that “The customer experience originates from a set of interactions between a customer and a product, a company, or part of its organization, which provoke a reaction. This experience is strictly personal and implies the customer’s involvement at different levels (rational, emotional, sensorial, physical, and spiritual)” (Gentile et al., 2007). The second related definition is that “customer experience is the internal and subjective response customers have to any direct or indirect

contact with a company. Direct contact generally occurs in the course of purchase, use, and service and is usually initiated by the customer. Indirect contact most often involves unplanned encounters with representatives of a company's products, service or brands and takes the form of word-of-mouth recommendations or criticisms, advertising, news reports, reviews and so forth." (Meyer and Schwager 2007, p. 118). Linked to this, Verhoef et al. (2009) provide another definition, suggesting that "customer experience construct is holistic in nature and involves the customer's cognitive, affective, emotional, social and physical responses to the retailer. This experience is created not only by those elements which the retailer can control (e.g., service interface, retail atmosphere, assortment, price), but also by elements that are outside of the retailer's control (e.g., influence of others, purpose of shopping). Additionally, we submit that the customer experience encompasses the total experience, including the search, purchase, consumption, and after-sale phases of the experience, and may involve multiple retail channels". Their model is consistent with other researchers' work, as the customer experience involves the customer's reaction to all encounters, direct or indirect, with a business (Meyer & Schwager 2007). Verhoef et al's (2009) model of customer experience creation, comprising determinants, dynamics and management strategy, is holistic in nature and also lacks empirical validation of their constructs. Experiences may be created via interactions with multiple services from multiple organizations that go further than the organization's offerings (Patricio et al. 2011).

Second, linked to the literature suggesting that the experience is a set of interactions between a supplier and a customer, the relationship between suppliers and customers is governed by relationship attributes, which work as drivers of customer experience. The drivers are extracted from the supplier-customer relationship attributes in b2b which control and affect their development in business. At least two individuals are involved in a relationship in the b2b market. These are usually the supplier and the customer. Many individuals from various functional areas become engaged in company-personal interactions. Individuals in business exchange information and technology and share risks as well as develop relationship and construct strong social ties which have consequences on the company's decisions and business relationships. The different individuals, characters, experiences, and aspirations of each representative of a company mean that they will participate in the interaction and social exchange in a different manner. Individual experience may lead to in presumptions about certain suppliers or customers (IMP Group 1982). The most widely agreed-upon drivers in the literature are discussed.

Supplier Offerings that Drive Factual Component of Experience

Factual judgments are generally thought to be objective and provable. Objective measures are based on observable facts not involving opinion and their measurement are related to figures, such as productivity, profits and

return on assets. Supplier's offerings that drive the factual component of experience are delivery performance and service performance; these are the functional elements of offerings. There is no scope for different interpretations of delivery and service performance and their measure. The first component, "delivery performance", is a key constituent of the supplier-customer relationship (Olsen and Ellram 1997. Ulaga and Eggert (2006) suggest that delivery is very important in a relationship and consider it to be the second most important driver of value. On-time delivery, flexibility of delivery and accuracy in delivering the right product or service are the main criteria for determining delivery performance

The second component is service performance. Quality is an important factor in supplier attractiveness (Olsen and Ellram 1997. Ulaga and Eggert (2006) propose that the quality of the product or service refers to the supplier's ability to fulfill customers' needs and wants. Performance, reliability, and consistency are key quality factors.

Supplier Offerings that Drive Cognitive Component of Experience

In the cognition component we have more subjective measures that are based on opinion or estimates. It is open to interpretation and tends to be more subjective. Suppliers offering that drive the cognitive component of experience are adaptation, service support and innovation.

With adaptation, in b2b, where suppliers and customers build a long-lasting relationship, and where the supplier in such a relationships may adjust offerings based on the customer's requirements, there are grounds to expect that an important counterpart-specific, or symbiotic, adaptation takes place . Hence, one can expect suppliers to adapt to the particular requirements of important customers (Johnson and Fornell 1991)

Service support concerns the range of accompanying services provided by the supplier when purchasing a product or service in business markets. These service components are important in shaping the supplier's offerings (Anderson & Narus, 1999).

Innovation attempts to leverage the customer's ability to compete in the market. A supplier's ability to improve and develop existing or new products or services is considered a valuable asset by customers (Ulaga, 2003, Walter et al., 2001). Innovation is often seen as a principal source of the customer's experience.

Exchange Climate that Drives the Emotional Component of Experience

The emotional component is a component of the customer experience which involves an emotional reaction by means of generating moods and feelings; an emotional experience can be generated to create an affective

relation with the company (Gentile et al., 2007). The exchange climate drives the emotional component of experience and is been discussed below.

The exchange climate construct consists of 5 items. The first item is atmosphere. Atmosphere occurs when both parties interact with each other (Su et al., 2008). The relationship between suppliers and customers is dynamic and influenced by the individual emotions that exist between them. The relationship is affected by the nature of the interaction and the individuals engaged in it. The overall atmosphere of the relationship is considered a measure of cooperation and closeness (Woo and Ennew, 2004; Su et al., 2008). A positive atmosphere of interaction generates the development of a reciprocally enjoyable long-term relationship between suppliers and customers (Wren and Simpson, 1996).

The second item is information sharing, which refers to the amount of information exchanged during the interaction which has an impact on relationship amongst parties. It is apparent that customers appreciate the exchange of accurate information.(Whipple et al., 2002) Information sharing influences the overall supplier-customer relationship (Whipple et al., 2002; Huttinger et al., 2012).

The third item is technology sharing. This refers to the capability to cope with technological changes, the supplier's technological tools that are used on a day-to-day basis, and the ability to improve rapidly in the future based on market needs. These elements affect supplier-customer relationships. Shared technology facilitates the interaction between suppliers and customers (Carr and Smeltzer, 2002; Huttinger et al., 2012).

The fourth item is sharing risks. The working environment includes an overall evaluation of the risk and uncertainty associated with the purchasing situation. Sharing risks is important factor in the supplier-customer relationship (Huttinger et al., 2012).

The fifth component is approach/avoidance. When individuals assess an object favorably, they are inclined to behaviors that support it, whilst when they assess it adversely, they tend towards behaviors to avoid it (Eagly and Chaiken, 1993). Individuals respond to the environment by two general forms of behavior: approach and avoidance. Positive behaviors are all oriented towards an end, such as a desire to come to, investigate, stay, and affiliate with other individuals, as well as to carry out the purpose of belonging to the organization; these are captured by approach behaviors. In contrast, avoidance behaviors represent the opposite; specifically a desire not to come to, investigate, stay, or affiliate with other individuals, as well as not to carry out the purpose of belonging in the organization (Mehrabian and Russell's, 1974). Therefore, approach/avoidance behaviors relate to the positive/negative emotions of the actors. The interaction among suppliers and customers is fundamentally affected by the actors' fundamental emotional reaction (Andersen and Kumar, 2006).

Bonding as a Driver of the Social Component of Experience

The social component always exists, as when two business or companies operate they inevitably engage in exchanges and this generates a social space in society. In b2b, the social element of experience is the outcome of the relationship that emerges as two enterprises come together to do business. Bonding is the driver of the social component of experience, as discussed in the following.

The first component of the bonding construct is Trust. Trust infers a high degree of confidence between partners (Das and Teng, 1998). Kang et al. (2013) view trust as a part of the development of a relationship and a key component of relationship quality. Hüttinger et al. (2012) argue that trust and commitment are important drivers of the supplier-customer relationship and are considered to be among the drivers affecting the relationship.

The second component is commitment. Morgan and Hunt (1994) describe commitment as a significant key factor in relationship marketing. Commitment has been addressed in a considerable body of relationship marketing literature. Consequently, a high level of commitment helps to stabilise the relationship.

The third component is interpersonal relationships which exert a positive influence on the essential atmosphere of a relation (Hüttinger et al., 2012). It can therefore be concluded that the social elements of a relationship have a considerable effect on the customers' decision to deal with suppliers. Personal relationships are at the heart of the relational exchange. Customers take personal relationships into account as an important aspect of purchasing.

The fourth component is the perception of threat from dependence. Dependence has been defined as the reliance on the partner's resources (Emerson, 1962) and as the extent to which a supplier or a customer requires to maintain the relationship in order to attain the desired aims (Ganesan, 1994). Dependence represents a significant tool in making suppliers and customers act efficiently. Hald et al. (2009) argue that the perception of dependence is considered to be a moderator that influences the perception of the expected value and that this influence can either weaken or reinforce the actors' relationship.

Attitudes and Behavioral Intentions

Experience matters because it affects attitudes. Attitude refers to a psychological inclination which is expressed by particular favor or disfavor towards a particular event (Eagly and Chaiken, 1993). According to Ajzen (1991), attitude explains behavior by describing the degree to which an individual evaluates something favourably or unfavourably.

It has been noted that customer experience creates other benefits for service providers. According to Ha and Perks (2005), customers use their previous experiences when forming intentions and making repurchase decisions. Chen and Chen (2010) recognized an indirect effect of customer

experience on behavioural intentions, which is mediated by perceived value and positive behavioral intentions frequently represent customer's loyalty. Customer loyalty is an important outcome of a marketing relationship due to its ability to maintain long-term customers. Measuring loyalty could provide a better understanding of customer retention. Keeping loyal customers is often less costly than gaining new ones. Loyalty has been defined as "an intended behaviour caused by the service and operationalised loyalty as a repurchase intention and willingness to provide positive word-of-mouth" (Andreassen and Lindestad, 1998) defined. East et al. (2008) defined word-of-mouth as "informal advice passed between customers". If customers have a negative experience they will probably look for another service provider. Therefore, this study will validate the scale of the most common behavioral intentions: repurchase, word-of mouth and switching supplier.

Moderators

Supplier's Financial Offer

The supplier's financial offer can moderate the relationship between customer experience and attitudes either positively or negatively. Since the supplier's financial offers (e.g., cost reduction, trade credit, and discounts) help customers to achieve their goals, they affect the customer's attitude. Hence, the relationship between experience and attitudes are moderated by the supplier's financial offer.

The first component, cost reduction, attempts to enable suppliers to decrease their joint total cost, in order to allow the customer to be competitive in terms of selling price. Cost reduction increases the supplier's capability to decrease the overall cost in order to give the customer a greater possibility of competing in the market (Hald et al., 2009). Therefore, cost reduction helps organizations to achieve their goals and plan for the future.

The second component is credit period or trade credit. This has been defined as payment made some time after purchasing products or services (Issakson, 2002). It has been noted that it can affect the ability to compete in the market. A credit period allows the development of positive long-term relationships with customers, which assists in gaining a higher income in the future.

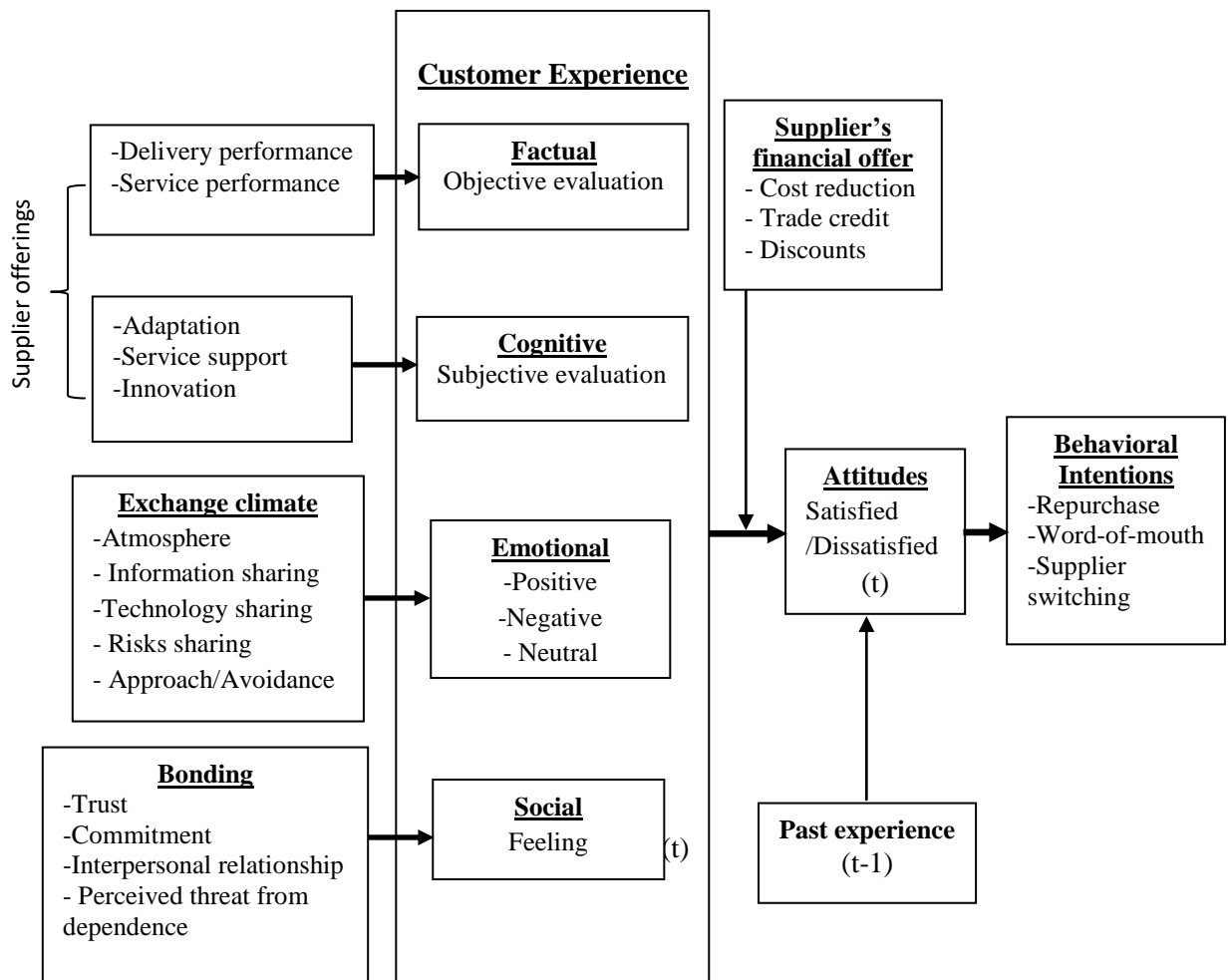
The third component is discounts. The supplier may offer a discount for the purchase of a certain quantity. Weng (1999) found that when businesses agree on a certain discount, the quantity of the order and hence the joint profit will increase through the reduction of the selling price. Therefore, discounts help organizations to maintain long-term relationships with the supplier, which influence their future plans and intentions.

Time (t)

It is important to incorporate time in the model, as Gupta and Vajic (2000) suggest that an experience evolves over a certain time and includes learning over time, which implies that past experience is very important in shaping the development of the experience and hence affects attitude.

The duration of the business interaction in the supplier-customer relationship provides stimulus for greater relationship collaboration. As such, older relationships are more experienced (Pimentel and Oliveira, 2010). Interaction processes over time produces a relationship history; every interaction process accumulates in this history. Accordingly, the parties in the relationship become more familiar with each other and build clear expectations of each other's relative functions this provides a level of institutionalization whereby partners do not have to think about every forthcoming step when working with each other. An analysis of the interaction provides an indication of the nature of the relationship: close, distant, cooperative, conflict ridden, etc. Moreover, as a relationship opens up, one or both of the participants may make an adaptation in the process of exchange which forms a unique relationship (Brennan et al., 2014).

Figure1. *The Conceptual Model*



Conclusion

This study provides a greater understanding of the customer experience construct and its related drivers and effects on business services. It establishes a solid base for further research in experience in b2b services.

The discussion led the theoretical foundation underpinning the conceptual framework of customer experience construct, its constituents and drivers in b2b. Conceptualization of customer experience in b2b has been built based on synthesis of two main facets of literature: firstly, customer experience literature in b2c which helped to extract the components of experience, and secondly, the relationship attributes within supplier-customer in b2b which helped to identify the main drivers that take place during interaction. The interaction of the parties are attributed to supplier offerings and exchange climate as well as bonding. These drivers lead to form 4 components of experience namely, factual, cognitive, emotional and social which in turn affect attitudes and behavioral intentions. There are two types of supplier offerings: the first drives the factual component of experience due to the nature of its objective measurement and the second drives the cognitive component of experience due to the nature of subjective measurement of it. The exchange climate drives the emotional component of experience because they shape an emotional reaction during the interaction, whereas bonding generates the social component of experience because they exist in a societal space. In addition, the proposed model incorporates moderators that affect attitude; these moderators are supplier's financial offer and time.

The study contributes conceptually and theoretically by incorporating a factual component distinct from cognitive components as well as incorporating a social component as distinct from emotional components of customer experience, which, to the best of the researchers' knowledge has never been considered previously.

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