

Connecting customer experience and sustainable multiple customer value creation as key success factors

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Abstract

Purpose of the article The purpose of this paper is to examine the theoretical aspects of customer experience and sustainable multiple customer value creation as key success factors in the context of the digital age; and find common points to formulate research questions leading to new avenues for further research.

Methodology/methods The paper is based on literature retrievals of research papers and journal articles in the areas of customer experience, sustainable value creation, and business model. Articles were analyzed, compared to provide a synthesis of relevant knowledge.

Scientific aim The aim of the article is to find touching points between the two bodies of literature and find potential avenues of further research in the context of the digital age

Findings Findings show similarities in concepts of both theoretical bodies but lack sufficient research. The topics are constantly evolving and providing new areas for research. The article identifies the main touch point for both theoretical bodies and states research question for further research

Conclusions The two theoretical bodies show similar concepts in customer interaction and involvement in the value creation process. In the context of sustainable development and the digital age facilitating customer value creation through technology the connection of these two topics presents many opportunities for research.

Keywords: customer experience, co-creation, customer satisfaction, customer loyalty, business model, multiple value, sustainable value creation

JEL Classification: M31, M21

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Introduction

With modern tools of digital age, companies can reach customers directly and in a more personal way through new channels like mobile apps, social networks, mobile messaging. And to stay in the game, companies are forced to embrace these new channels quickly and with that consider that most of them are overcrowded by other companies and customer loyalty is tested, because switching brands takes customer only one single tap or click. The fast-moving digital age is challenging for companies, because they must be much more adaptable, responsive, they have to deliver value faster and be overall flexible so they can keep up with more frequently changing technological and market conditions.

The idea of customer experience (CX) and customer experience management (CXM) is in the spotlight of both the academical and managerial area for several years now (Frow, Payne, 2007; Johnston, Kong, 2011; Klaus, Maklan, 2013; McColl-Kennedy et al., 2015). Since the early days of customer experience, the focus was on hedonic consumption of individuals and perfect, superior, peak, or critical experiences (Schouten et al., 2007). Nowadays customer experience is getting more and more into the space of day-to-day situations and across the range of contexts, for example, business-to-business and public services (Klaus, 2014a; Hardyman et al., 2015). Managers are still trying to better understand processes of value creation, to improve customers' experiences and new areas, like co-creation of customer experience are emerging (Akaka et al., 2015; McColl-Kennedy et al., 2015).

Throughout the years, companies went from the marketing concept over customer satisfaction to the customer relationship management (CRM) to gain a competitive advantage. Product-focus and sales-orientation, expected product functions vs. real product performance, focus on information about customer and transactions are the main characteristics of these approaches. Unfortunately, all of them, despite their essence, failed in taking enough focus on the customer, which proved essential to differentiate against competitors and create competitive advantage (Schmitt, 2003).

The Customer Experience Management trend of several last years is supposed to be solution to this very problem (Schmitt, 2003). It once again revives the idea of a relationship between the company and the customer, but builds a much more complex view on the experience around it. It rediscovers it arguing that people buy goods and services to fulfill their deeper emotional, sensory, hedonic, environmental, social aspirations, and puts great emphasis on how they experience the processes that are necessary for achieving their aspirations and higher-order goals (Maklan, Klaus, 2011).

Frow and Payne (2007) establish the connection between customer experience and customer value with their statement that customer value reflects all the previous and present encounters and experiences with the product or brand. In relation to the customer relationship they point out that experience needs to be considered over the full lifecycle of the customer experience, not just for the sales and service activities. Meyer and Schwager (2007) see difference between CRM and CXM in what company captures about customer and a timing of this capture. Customer relationship management cares about things such as customers' history of requests and returns whereas customer experience management cares about customers' subjective thoughts about a company. In terms of timing, CRM captures data after the fact while CXM captures customers' immediate responses to its encounters with the company. Another essential claim supporting importance of customer experience in customer value creation is that experience is replacing quality as the competitive battleground for marketing (Klaus, Maklan, 2013). An interesting point is made by Reinartz, Ulaga (2008), who argued that differentiation is increasingly obtained through service because goods are becoming commoditized. Meyer and Schwager (2007) takes that even further and indicate that service is commoditized too and that contemporary consumers are seeking compelling experiences.

After all, organizations and researchers agreed that CX may provide new ways for competition and that customer experience and customer value creation is an issue for all organizations, business-to-consumer (B2C), business-to-business (B2B), that want to memorably engage with their customers (Klaus, 2011).

1 Definition of Customer Experience

Customer Experience is defined as holistic in nature, based on personal interactions between a customer and a brand, service provider or product that is composed from various cognitive, affective, emotional, social and physical responses of this customer (Gentile et al., 2007; Verhoef et al., 2009). Meyer and Schwager (2007) explains it more concretely, that customer experience encompasses every aspect of a company's offering, for example, advertising, packaging, features of product and services, ease of use, reliability or the quality of customer care.

From another point of view, Maklan and Klaus (2011) state that customer experience blurs traditional distinctions between products and services, because of its focus on customers' value, which arises from their combinations and as a result measuring CX is far more complex. Voss et al., (2008) confirms that by statement that customers

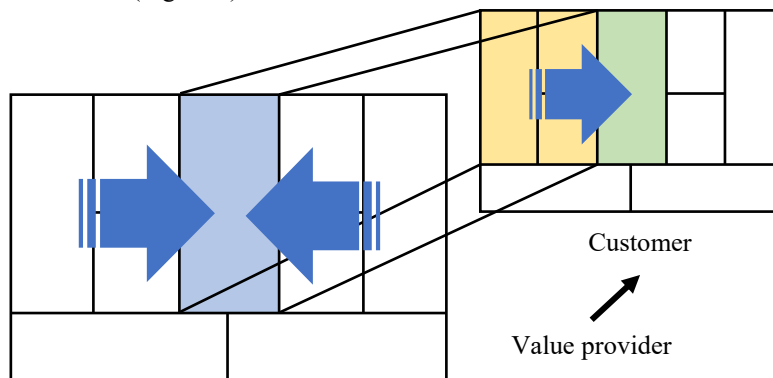
evaluate their experiences by the means of the customer journey, customer’s sequence of touch points with the firm. As an extension to his opinion is statement by McColl-Kennedy et al., (2015) that customer experience is also created by elements outside of company’s control such as other customers or devices that customers use to get in touch with a company; suppliers even can, with a help of knowledge sharing processes, use their own customers as the support for the creation and delivery of the customer experience (Frow, Payne, 2007). They also support and concretize the view on customer experience as a dynamic phenomenon that is present in all kind of phases of the customer journey, for example, search, purchase, consumption and after-sale encounters (McColl-Kennedy et al., 2015).

Significant remark is that everything happens through multiple channels and multiple touch points. Each such touch point can also have its own role that the customer plays from the perspective of the customer experience. Depending on how much a customer influences such experience, roles can be, according to Bolton et al. (2014), for example, a consumer, user, participant or co-creator. In relation to the multiplicity of roles, Cho and Park (2001) point out that in case of online shopping, customer shouldn’t be recognized as just shopper, but also as, for instance, technology user and visitor. McColl-Kennedy et al., (2015) state that CX also depends on what a customer alone can and is willing to do.

The whole experience containing these touch points with its roles is determined by elements such as social environment, stakeholders, service interface, retail atmosphere, range of products, price, customer experiences in alternative channels and the retail brand (Verhoef et al., 2009). Another interesting point of view on customer experience, that supports complexity of the whole CXM approach, is that CX is a response to not only direct but also indirect encounters with a company (Gentile et al., 2007). In terms of time framing, Maklan, Klaus (2011) made interesting finding that the longer period we are using while looking at experience, the harder it is to distinguish such experience from overall brand perception.

2 Sustainable multiple customer value creation

The notion of multiple value (Freeman, Wicks, Parmar, 2004) has been coined during sustainability reporting efforts (Marberg, Jonker, 2007). The theoretical framework of multiple value creation as a business foundation was formulated by McVea and Freeman in stakeholder theory (McVea, Freeman, 2005). The notion is based on the concept of the “triple bottom line” (Elkington, 1994). Thus, multiple customer value applies sustainable development principals. In this respect, assessing the choice of production technologies, production process, and distribution, i.e. the business model, to promote eco-efficiency ensuring that the product/service exceeds customer expectations (Nidumolu, Prahalad, Rangaswami, 2009; Červený et al., 2013). This provides a holistic point of view on customer value creation and is closely related to business model theory. Where the business model serves as a narrative for value creation. This determines the business model’s configuration (choice of elements) and the kinds of value it provides, creates, and captures. The value then manifested in the value proposition transcends into the supply of the customer (Figure 1):

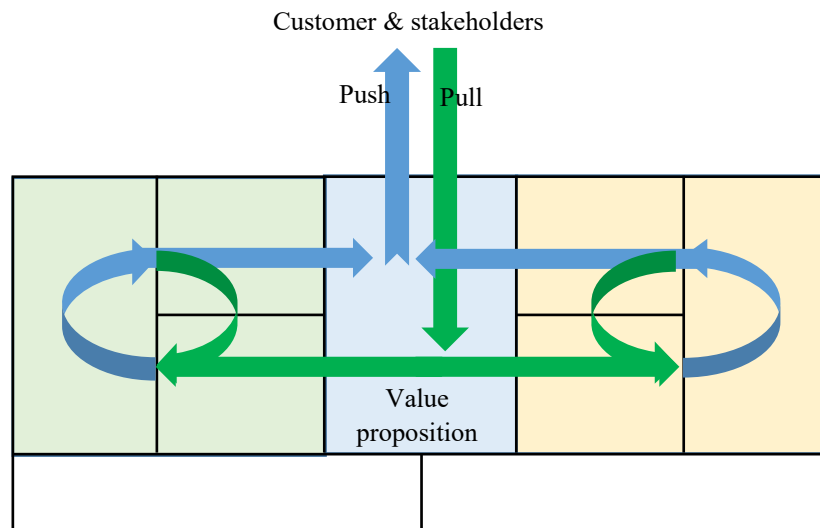


Source: Author’s own research

Figure 1 Value transcendence

Multiple customer value is an incremental and differentiating part of the value proposition. It is manifested in business decision leading to the satisfaction of environmental and social expectations of both customers as well as the stakeholders partaking in the company’s success. In this respect, partaking stakeholders aid the understanding of customer expectations. Sustainable multiple customer value supposes a long-term relationship emphasizing mainly customers and other stakeholders. The relationship is described by two trends which are heavily supported by technology (Le Vely, 2015). The first trend (push strategy) integrates sustainable multiple customer value creation in regard to market differentiation in developing and pushing products/services aiding the customer’s eco-

efficiency (water usage, energy storage, etc.). In the context of Industry 4.0 the exchange of information is reliant on information technologies. This sets the business model into a context described by its customer and stakeholders (the collected) and their expectations which will impact its business model configuration and thus its performance. On the other hand, a pull strategy aids the understating of customer expectations which leads to lowering opportunity costs (Scheme 2). This relationship serves to contribute to the company's success economic success, such as cost savings, competitiveness or sales increase, risk reduction, improved profitability, customer retention, reputation, etc. (Schaltegger et al., 2012).



Source: Author's own research

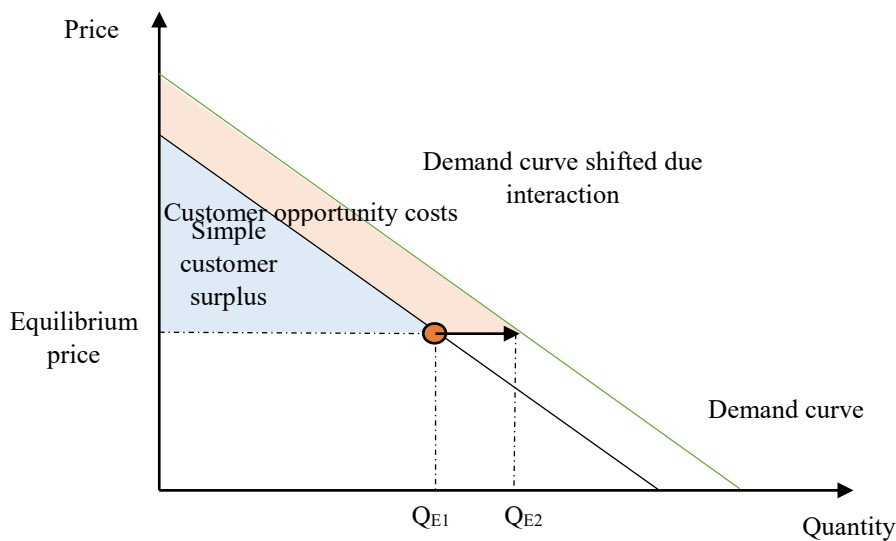
Figure 2 Sustainable multiple customer value creation

3 Customer Experience and sustainable customer value creation

McColl-Kennedy et al. (2012) claim that customers can't be seen any more passive recipients of the value proposition but as co-creators and defining factors of outcoming values. Frow and Payne (2007) support this with statement that co-creation has a significant role in creation of perfect customer experience and highlight the importance of the state where customer is always a co-creator of value and the whole becomes the experience. Moreover, Klaus (2014b) finds that companies, that are most effectively using customer experience management, involve customers in value creation through activities like collecting feedback from complaints, suggestions, contributions, or open two-way communication on social media.

Frow and Payne (2007) suggest that organizations should consider following points for being able to create as perfect customer experience as possible:

1. undergoing detailed analysis of customer's perceptions of experience and identifying opportunities for improvement;
2. identification of the opportunities for co-creation;
3. usage of the mapping tools for understanding shortcomings in the customer experience;
4. managing customer touch points;
5. considering appropriate metrics for measurement of the customer experience;
6. providing a consistent customer experience inside and across multiple channels;
7. finding out how customer requirements differ across the customer journey;
8. ensuring collaboration across all staff and departments;
9. understanding economics and different desired experiences of customer segments;
10. ensuring the brand consistency within communication and services - emphasizing rational or emotional experiential perspectives intensifying employee motivation to deliver as perfect customer experience as possible.



Source: Author's own research

Figure 3 Effects of sustainable multiple customer value creation

By tailoring the customer experience towards sustainable multiple customer value creation the value proposition meets the environmental and social expectations of the customer and the partaking stakeholder. Due to the value proposition's nature and the transcending value resulting from the interaction between the customer and company the customer's opportunity costs are mitigated which causes a shift in the demand curve, moving it to the right (Figure 3). This extra customer surplus is composed of the environmental and social value provided by the value proposition. By mitigating opportunity costs the customer is able to consume more in the outcome ($QE1 \rightarrow QE2$). Pairing customer experience with the business model provides space to better understand how the business chooses (Ben Romdhane, 2016):

- which technologies are used in the offered products/services;
- how to structure or restructure the financial model (or social and environmental impact model) to better answer consumer needs;
- how to assemble the technological process;
- the targeted segments (customers and final consumers);
- value capture mechanisms.

Discussion and Conclusion

Customer experience and sustainable customer value creation are complementary concepts aimed at creating value for the customer, revealing success factors through their similarities, for example the focus on stake-holders' expectations and their exceeding, strengthening relationships with stakeholders, authenticity of actions, customer centricity and long-term orientation through customer involvement in the value creation process (Raj Adhikari, Hirasawa, 2010; Maklan, Klaus, 2011). Both are focused on creating long-term competitive advantages for the company through the long-term investments and are prerequisites for sustainable growth. The main outcomes of the customer experience management are increased customer satisfaction, loyalty, retention and strengthened emotional bonds between customer and company (Kumar et al., 2013). While on one hand sustainable customer value creation ensures sufficient resources for growth through its eco-efficient activities and target on societal issues, both leading to the rise in brand value. On the other hand, it focuses on understanding customers' expectations which is the most significant touch point with customer experience management where understanding customers' expectations is crucial part of the management process and whole approach.

As sustainable multiple customer value evaluates and considers customer expectations from higher level point of view (the business model), customer experience management goes hand in hand, but is placed much closer to the customer, mapping his whole customer journey, collecting expectations of customers, based on that information improving the full product and customer lifecycle; customer-product interaction; and even influencing future customers' expectations (Verhoef et al., 2009).

Both approaches share the mandatory part which is shift in thinking of the management and following cultural shift to ensure authenticity of the environmental, social and customer experience related actions (Giesen et al., 2010). Customer experience management along with sustainable customer value are guaranteeing enough resources to create value from and for long-term point of view (Krathu et al., 2015). They are customer centric and heavily focused on maintaining relationships leading to high customer retention rate. Both are based on awareness of expectations and minimum requirements and are trying to provide surplus value which effectively exceeds what is taken as standard leading to differentiation and enhance wellbeing. Thus, further research combining the two theoretical bodies should revolve around the following questions:

- How do the facilitating technologies used to provide multiple customer value through the respective customer experience influence the cycle described in figure 2?
- How does the speed of the cycle influence the value proposition and thus the dynamics of the rigid structure of the business model?
- How does CX and CXM play a role in the environmental and social aspects of sustainable multiple customer value creation to provoke the effect displayed in figure 3?
- What are the relevant metrics to measure the environmental and social impact of customer experience creation?

The digital age presupposes that the global market stays open, in this case, where everyone has unlimited access to everything – companies have access to resources and all the customers in the world, this blurs product and service advantages and customers have access to a plethora of products they can choose from (Reinartz, Ulaga, 2008; Meyer and Schwager, 2007). Furthermore, if resource consumption and resource requirements and waste production will continue at the same rate as in recent years; and lastly if the focus on solving social problems will continue to be enhanced by the voice of media and in combination with current trends such as sustainability, responsibility, transparency, socialization, healthy lifestyle and hedonic enjoyment. There will be space for differentiation and deepening of relationships with the customers through changes leading to sharing of same values and supply of products, services, and experiences to enhance these values and to let customers identify with company.

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