

**Title: A Structural Model to Examine the Antecedents and Consequences of Customer Experience with Experiential Brands**

**Abstract**

Despite the increasing attention towards customer experience, empirical research to explain this notion, its antecedents and its consequences is still limited. Hence, this research aims to develop a framework of customer experience based on a number of antecedents that influence customer experience in the service sector. This paper presents the first part of the study which includes the review of literature, the application of netnography method to the development of customer experience construct, the development of the research measures and the hypotheses development for the structural model. The second part of the study, which is presented in another paper, provides the results of the empirical study and discusses the findings of the structural model.

**Key words:** Customer experience, experiential brands, brand loyalty

## **Introduction**

Businesses face the challenge of creating an outstanding customer experience to drive brand awareness, secure customer loyalty and ultimately increase profits. In a brief history of customer experience, Pine and Gilmore (1999) claimed that experiences are the new economic offerings. As a consequence of the emergence of customer experience concept, limited contributions from scholars focusing on customer experience were made (Schmitt, 1999; Forlizzi and Ford, 2000; Addis and Holbrook, 2001; Smith and Wheeler, 2002; Milligan and Smith, 2002; Caru` and Cova, 2003; LaSalle and Britton, 2003; Schmitt, 2003; Prahalad and Ramaswamy, 2004; Shaw and Ivens, 2005; Ponsonby-McCabe and Boyle, 2006). This phenomenon is an essential ingredient of the economy in the present time. Therefore, this study will address the re-emergence of experience and aims to uncover the concept of customer experience and explore what are the antecedents of customer experience and how customer experience contributes to building brand loyalty within the context of the hotel industry. To satisfy these overall goals, the following list of more specific objectives is addressed: Firstly, to explore the concept of customer experience and its dimensions. Secondly, to identify the antecedents of customer experience, this involves identifying factors that most likely have a significance influence on customer experience. Finally, to develop and empirically assess a conceptual framework concerning the relationships between customer experience, its antecedents and its consequences. The outcomes of the final objective will be presented in the paper entitled '*A Structural Model to Examine the Antecedents and Consequences of Customer Experience (Part 2 of 2): The Empirical Study and Results*'.

## **Literature Review**

For decades, service managers have strived to develop long term relationships with their customers and provide good service to delight their customers with the ultimate goal of sustaining brand loyalty. Unfortunately, in this new market place, good service is taken for granted but is still expected. Good service also is no longer sufficient as an effective differentiator for companies to remain competitive (MacMillan and McGrath, 1997; Prahalad and Ramaswamy, 2004; Berry et al., 2002; Schembri, 2006). This void leaves managers and researchers alike with insufficient information to answer the question of what truly drive brand loyalty. In an effort to answer this question, it is claimed that customer experience affects loyalty behaviours (Barsky and Nash, 2002; Berry et al., 2002). As a consequence, the interest in customer experience has increased at a phenomenal rate. However, so far, limited empirical research to capture the true meaning of the concept has been carried out in this area (e.g.; Arnould and Price, 1993; Jones, 1999; Barsky and Nash, 2002; Gentile et al., 2007) and most of the research in this area of study is mainly conceptual (MacMillan and McGrath, 1997; Berry et al., 2002).

Holbrook and Hirschman (1982) described an experience as an individual's consumption and interaction of products or services that involve significance affection. This personal occurrence may lead to a transformation of the individual in the experiences defined as extraordinary experience which is characterized by a high level of emotional intensity, and is triggered by an unusual event (Arnould and Price, 1993). One can also experience something extraordinary when it offers absorption, joy and value, a spontaneous letting-be and a newness of perception and process (Czikszentmihalyi, 1990). Additionally, experience is defined as "the take-away impression formed by people's encounters with products, services, and businesses- a perception produced when humans consolidate sensory information" (Carbone and Haeckel, 1994, p. 8). Figure 1 shows the research model and the key constructs:

### **Antecedents to Customer Experience in Services**

Consumers are more likely to use cues to reduce risk of purchasing services and infer service quality since services are intangible (Olson, 1977; Murray and Schlacter, 1990). A cue is encoded and used to categorize a stimulus object, a characteristic event or quality (Crane and Clarke, 1988) and is usually classified as intrinsic cue or extrinsic cue, which the latter can be changed with less difficulty because of its indirect aspects surrounding the object (Olson and Jacoby, 1972). Some important cues consumers use to judge the quality of a service prior to consumption include price, brand name, advertising and word-of-mouth. The construct of service quality as conceptualized in the service marketing literature centres on perceived quality, which defined as a consumer's judgement about an entity's overall excellence or superiority (Zeithmal, 1987). In other word, perceived service quality is the disparity between the consumer's expectations and their experiences. Service quality has directional relationship to the overall experience as an input to the real-time experience (Knutson and Beck, 2003). Consequently, the following hypothesis is made, *H1: Perceived service quality will have a significant effect on customer experience.*

For companies, brand name is a valuable asset that helps communicate quality and evoke specific knowledge structures associated with the brand (Hoyer and Brown, 1990; Keller, 1993), and plays a significant role in the decision making process of choosing the most preferred product or service (Jacoby et. al, 1977). Moreover, brand name is considered as one of the service brand dimensions (O'Cass and Grace, 2004) and its nature is the available attributes (Jiang, 2004). Therefore, the argument here is that brand name is a key factor that influences the perception of the experience, the feelings, the value perceived and, in turn, the attitudinal behaviour. Thus, *H2a: Brand name will have a significant effect on customer experience during the service consumption.H2b: The relationship between brand name and customer experience will be partially mediated by perceived service quality.*

The price of the service has shown to have a significant effect on buyer's perception of quality (Rao and Monroe, 1989). In fact, the findings of a considerable number of studies suggest that consumers most often rely on price to evaluate products or services (Kurtz and Clow, 1991; Dodds, et al. 1991; Zeithaml et al., 1993). Following the line of thinking, price perception is a mean through which a customer set a bundle of expectations he/she needs to be fulfilled. Therefore, *H3a: Price of services will have a significant effect on customer experience during the service consumption.H3b: The relationship between price of services and customer experience will be partially mediated by perceived service quality.*

Advertising, as one of the principal components of image creation (Meenaghan, 1995), is a critical component of the marketing mix for any service provider. Consumers treat advertisements as tentative hypotheses that can be tested through product experience (Hoch and Won, 1986). Advertisements raise customers' expectations by making promises about a product or service. When those promises are not kept, customers have a poor experience. Therefore, when advertising raises customer expectations the customer experience must go beyond expectations in order to deliver a great customer experience. Good experience offers a brilliantly simple summary of the relationship between advertising and customer experience. Thus, the following propositions are formulated: *H4a: Advertising will have a significant effect on customer experience during the service consumption.H4b: The relationship between the advertising and customer experience is partially mediated by perceived service quality.*

Customer-contact personnel influence the customer's mood state through their presence, message content, attractiveness, status, and interpersonal relationships with customers

(Kraiger et al., 1989), and have been a contributing factor to experiences especially when the staff has the ability to provide extraordinary service experience (Jones, 1999). Thus employees are often pointed out as being a major determinant of the customer's experience in services, and are often associated with the consistency of the service quality delivered (de Chernatony and McDonald, 1998; Grönroos, 2000). Their behaviour would affect customers in terms of interaction with the firm (Winsted, 1997 and 1999 and 2000). Therefore: *H5a: Employees or service personnel will have a significant effect on customer experience during service consumption. H5b: The impact of employees on customer experience will be partially mediated by the perceived service quality.*

Servicescape may have either a positive or negative influence on the experience outcome. The importance of the setting in a broader sense is extensively discussed in marketing, particularly services marketing (Kotler, 1973; Donovan and Rossier, 1982; Bitner 1990 and 1992; Wakefield and Blodget, 1996; McGoldrick and Pieros 1998; Turley and Chebat, 2002; Hoffman and Turley, 2002). A positive atmosphere can lead to approach behaviours, which implies that consumers stay longer in the store, spends more money or that the propensity for impulse buying increases (Donovan and Rossiter, 1982; Sherman et al., 1997; Spies et al., 1997). Conversely, a negative atmosphere has been argued to lead to avoidance behaviour, such as a desire to leave the store or a sense of dissatisfaction (Donovan and Rossiter, 1982; Turley and Milliman, 2000). As the results of these previously indicated studies, we hypothesized that, *H6a: Servicescape or setting will have a significant effect on customer experience during service consumption. H6b: The impact of servicescape on customer experience will be partially mediated by perceived service quality.*

Word-of-Mouth communications are the primary means by which consumers search, evaluate and gather information about services (George and Berry, 1981; Grönroos, 1990b; Murray, 1991; Zeithaml et al., 1993). Grönroos (1990a; 1990b, p.158) described WOM as “the message about an organisation, its credibility and trustworthiness, its way of operating and its services, communicated from one person to another”. Content of WOM has also been shown to have an effect on purchase decisions either positively (Richins, 1983) or negatively (Bolting, 1989). In sum, word-of-mouth is a powerful source of influence assist the customer to predict the consumption experience. Therefore, it has been proposed that: *H7a: Word of mouth will positively influence customer experience during the service consumption. H7b: The relationship between word of mouth and customer experience will be partially mediated by perceived service quality.*

Other factors that may increase or decrease the likelihood of perceiving an outstanding experience are: core service, pre consumption mood and past experience. Core service is the reason for why the service firm exists in the market. Sasser et al. (1978) as cited in (Palmer, 1994) called it substantive service which means the essential function of a service. Core service quality across different types of services such as dental services, auto services, restaurants and hairstylists were found to directly affect customer satisfaction (McDougall and Levesque, 2000) cited in (Grace and O’Cass, 2004). Therefore, it can be assumed that: *H8a: Core service will have a significant effect on customer experience during service consumption. H8b: The impact of core service on customer experience will be partially mediated by perceived service quality.*

Pre-consumption mood, the affect, is not only an important dimension of the customer experience, but also a determinant of customer satisfaction (Westbrook, 1987; Westbrook and Oliver, 1991). Several studies have fundamentally recognized that consumers' mood states

have an impact on their immediate product evaluations (Isen et al., 1978; Clark and Isen, 1982; Gardner, 1985). Customers enter the service environment in a positive, negative, or neutral mood, and this will subsequently affect the evaluation of the experience. The customer is likely to utilize his or her mood state as an antecedent to the evaluation process (Mattila and Wirtz, 2000). Consequently, we hypothesized that: *H9a: Customer pre-consumption mood will positively influence customer experience during the service consumption. H9b: The relationship between pre-consumption mood and customer experience will be partially mediated by perceived service quality.*

Past experiences shape the customer's brand norm (Cadotte, et al, 1987) and predictive expectations (Grönroos, 1990a), both of which can be used as comparison standards and inputs into overall evaluations of service quality and satisfaction. A customer's last experience with a firm therefore should have a positive effect on his or her expectations for the next service experience (Bitner, 1990). Customers are likely to return to service providers that have the relationship performance has been found to be good predictors of service repurchase intentions (Strandvik and Liljander, 1995). For example, Houston, et al. (1998) reported a direct positive effect of past experiences on service-encounter quality. Therefore: *H10a: Customer past experience with the company will positively influence customer experience during the service consumption. H10b: The relationship between customer past experience and his/her current experience will be partially mediated by his/her perceived service quality.*

### **Consequences of Customer Experience**

In essence, an outstanding customer experience will certainly lead to brand loyalty. Brand loyalty as defined by Chaudhari and Holbrook (2001, p.28) is "a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behaviour". Intuitively, brand loyal consumers may be willing to pay more for brand because they perceive some unique value in the brand that no alternative can provide (Pessemier, 1959; Jacoby and Chestnut, 1978; Reichheld, 1996). According to existing customer experience literature, customer experience affects loyalty behaviours (Berry et al., 2002; Barsky and Nash, 2002). The researchers argued that well-orchestrated experience by companies deemed to be a major contribution to creating brand loyalty. In other words, positive experience will be translated into a brand loyal customer. Therefore; *H11: customer experience will positively contribute to brand loyalty*

In the marketing literature service quality has been identified as an antecedent to brand loyalty (Zeithaml et al., 1996). Zeithaml et al. (1996, pg.42) asserted that "with few exceptions, the better the company's service quality scores, the higher are its score on loyalty and willingness to pay more". Perceived service quality is often viewed as a prerequisite for loyalty. Boulding et al. (1993) found positive relationship between service quality and repurchase intention and willingness to recommend. Similarly, Zeithaml et al. (1990) reported a positive relationship between service quality and the willingness to pay a higher price and the intention to remain loyal in case of a price increase. Service quality is an attitude based on cognitive perception whereas, satisfaction is considered as part of the actual experience (Oliver, 1993; Taylor and Baker, 1994). Therefore, in accordance with Zeithaml et al. (1996), we hypothesize a positive relationship between service quality and brand loyalty, *H12: perceived service quality will positively contribute to brand loyalty.*

### **Methodology and Setting for Study One**

This study therefore employed experiential brands that focus on consumer interaction with a company's product or services (Dea and Hemerling, 1998). Specifically, the service sector was considered a good place to undertake the current study because of the close relationship between the customers and the brand exists in the service sector (Franzen, 1999). Al Batros hotel brands in Egypt particularly in Sharm El Sheikh thus were chosen as a context for this study because of the fact that hotels provide vast array of opportunities for customer interaction that provoke emotions and determine customers' feelings towards the services being offered (MacMillan and MacGrath, 1997).

The netnography method (Kozinets, 2002) is utilized to validate *a priori* concepts and identify the additional relevant constructs that might not be identified in the literature. Netnography is defined as "new qualitative research methodology that adapts ethnographic research techniques to study the cultures and communities that are emerging through computer-mediated communications" (Kozinets, 2002, p. 62). Netnography was conducted entirely unobtrusively (Kozinets, 2002) in the form of non-participant observation (Elliott and Jankel-Elliott, 2003) which allowed the researchers to gain access to consumer discussions by observing communications on publicly available online forums' (Nelson and Otnes, 2005, p. 90). According to Kozinets (2002) Entrée is the first step which involves identifying the online communities most relevant to a researcher's particular research interest which is customer reviews published on the internet that contained detailed information about their experiences in Sharm El Sheikh Hotels. The search for the convenient websites resulted in two websites that were found to be more relevant to this study; [www.holidaywatchdog.com](http://www.holidaywatchdog.com), [www.tripadvisor.com](http://www.tripadvisor.com). The second step involves direct copy of the text from the computer-mediated communications of the online community members. Some aspects were considered when choosing the customer messages: Firstly, overwhelming amounts of data was anticipated, therefore, all messages were examined and disqualified reviews were discarded; Secondly, the intention of sampling strategy not to offer representativeness or transferability, but to focus on analytic depth of the topic (See Brown et al., 2003). The selection process resulted in more than thousand messages but the qualified messages were 98 that were posted between August 2007 and August 2008. The content analysis of the informants' experiences followed the principles for the analysis and interpretation of qualitative data as recommended by Spiggle, 1994; Strauss and Corbin, 1990; Arnould and Wallendorf, 1994. The data coding process proceeded through a number of steps as explained by Esterberg (2002) and Huberman and Miles (1994). To determine the reliability of the coding through content analysis, stability was ascertained when the content was coded more than once by the researchers (Weber, 1985).

### **Results from Study One**

The content analysis has identified eight dimensions of customer experience applicable to customers visiting Sharm El Sheikh Resorts. This study uncovered the following dimensions: Comfort, educational, hedonic, novelty, recognition, safety, sense of beauty, and relational dimension. Additionally, the qualitative study showed significant evidence supporting the study hypotheses, with an exception of brand name, whereby customer narratives reveal no evidence about using brand name as a cue to predict or assess the experience. Therefore, this hypothesized relationship between brand name and customer experience was not considered in the framework.

Based on items used in the literature and the qualitative netnography study, this study generated a pool of sample measures. All items were measured on a 7-point Likert scale. To establish content validity, the researcher asked some faculty members in the department of

marketing at Brunel University who are familiar with the topic area to evaluate the measurement items for content and face validity. This process ensured that the items represented the scale's domains. The first step in the development of measures involved specifying the domain of the constructs (Churchill, 1979). The initial item-generation produced 59 items. Items from the literature besides items produced from the qualitative study were used to develop the questionnaire that will ask customer about their post-evaluation of the experience. Items from the literature were firstly screened out and refined against the netnographic study and items on each concept were kept to a minimum to avoid a lengthy questionnaire.

## **Study Two**

### Sample

Firstly, the questionnaire was developed in English, then, translation and back-translation of the instrument was undertaken. Methodological authors such as Brislin et al. (1973), Malhotra et al. (1996), Temple (1997), Frazer and Lawley (2000), Mallinckrodt and Wang (2004), and Salciuviene et al. (2005) asserted that this procedure is important because cultural differences could result in non-equivalence, which may confound results. Two steps were conducted in translating the current instrument. First, after the original questionnaire (English version) was developed, it was translated into German and Russian by two expert translators who are native Russian and German and fluent in both languages. Second, another two bilingual translators back translated the two translated versions into English. This is to ensure equivalence of the questionnaire translations, and adjust inconsistencies. Information was collected from British, German and Russian customers. This survey is not based on probability sampling but on "convenience" sampling. To control the sample distribution, this study specified two weeks time interval for the pilot study and one month time to collect data for the main survey. Using the sample design stated above, questionnaires were administered at three different hotels (Beach Albatros, Aqua Park, and Royal Moderna) in Sharm El Sheikh Egypt. A total of 150 questionnaires were distributed to customer in the pilot study. Invalid samples were eliminated, leading to a final survey size of 119. The demographic characteristics of the sample are as follows: gender (male: 41%, female: 59%), age (less than 19 years: 5.1%, 20–29 years: 25.4%, 30–39 years: 28.8%, 40–49 years: 14.4%, 50–59 years: 17.8%, 60 years or more: 8.5%), and nationality (British: 18.1%, German: 29.8%, Russian: 29.6 %, Other nationalities: 25.5%).

### Results

The study followed a two-step approach as recommended by Anderson and Gerbing (1988). The first step in this approach is to develop an acceptable measurement model before building on this model to predict causal relationships among the study variables.

### Measurement Model Evaluation

The measurement model used three methods to select and assess the final items that would be used for further hypotheses testing:

1. Reliability check: Cronbach's alpha was used. Notably, Nunnally and Bernstein (1994) suggested that 0.7 should be used as the cut-off point for reliability with items that did not significantly contribute to the reliability (item to total coefficient < 0.5) being deleted for the purpose of parsimony. As a result, 51 items were retained for eleven variables (See table 1).

INSERT TABLE 1

2. Exploratory factor analysis (EFA): EFA was then performed to examine whether individual items were loaded on corresponding factors as intended. This study conducted varimax rotation on all measured items. Items that were inconsistent (i.e., low loadings, multiple loadings, low communalities) with the hypothesized factor structure were considered for removal from the scale prior to assessing the measurement model with CFA in the second study. Because past experience construct was to be measured as single-item indicators, it was not included in this analysis. Items which had communalities less than 0.60 as well as the ones with less than 0.50 factor loadings were deleted in each run. Typically, indicators that highly cross-loaded on two or more factors were deleted, except when such cross-loadings could be justified conceptually. As a result, 47 items were retained. Confirmatory factor analysis (CFA), based on the covariance matrix of the items, was used to assess the items of the research construct.

### **Study Three**

This study used a self administered questionnaire to collect data for the main survey from guests who visiting Egypt and stayed in Albatros hotels (Beach Albatros, Aqua Park, and Royal Moderna) in Sharm El Sheikh between 1st April 2009 and 30th April 2009. A total of 500 questionnaires were distributed to customer in main survey. The demographic characteristics of the sample are as follows: gender (male: 38.7%, female: 61.3%), age (less than 19 years: 5.8%, 20–29 years: 25.2%, 30–39 years: 19.7%, 40-49 years: 21.6%, 50-59 years: 19.7%, 60 years or more: 7.9%), and nationality (British: 53%, German: 11.6%, Russian: 18.3 %, Other nationalities: 17.1%). Invalid samples were eliminated, leading to a final survey size of 417. For each of the constructs included in the study, their unidimensionality was asserted using confirmatory factor analysis (CFA). The  $\chi^2$ , goodness of fit indices (GFI), CFI and RMSEA measures were employed to examine the integrity of the constructs. In all occasions, the measures employed well exceeded their recommended levels (Joreskog and Sorbom, 1989).

#### INSERT TABLE 2

The ratios of the chi square to the degrees of freedom were 2.21, which mean that it is within the acceptable range of 2 to 5 (Marsh and Hovecar, 1985). Moreover, the value of CFI was 0.97 which was within the good level, and the value of RMSEA was 0.066 which indicated a good fit (Hair et al., 2006). GFI was 0.77 which means a good fit, as the possible range of GFI values is 0 to 1 with higher values indicating better fit (Hair et al., 2006). The adjusted goodness-of-fit index (AGFI) was 0.73 which takes into account different degrees of model complexity. The fact that the overall goodness-of-fit indices were good, that the model had a firm theoretical basis and that there was a good level of consistency in this study to proceed with evaluating the measurement model and structural models. This study assessed the quality of the measurement models by investigating unidimensionality, composite reliability, variance-extracted estimates, convergent validity, and discriminant validity. Table 2 shows that the overall goodness of fit supports unidimensionality (Steenkamp and van Trijp, 1991). For a construct to have a good reliability, its composite reliability should be between 0.60 and 0.80, and the variance-extracted estimates should exceed 0.50 (e.g., Bagozzi and Yi, 1988; Fornell and Larcker, 1981). Table 4 shows that all scales demonstrate good reliability. Convergent validity is assessed by reviewing the T tests for the factor loadings. The *t* values for the factor loading ranged from 10.62 to 21.70. The fact that all *t* tests were significant ( $p < .05$ ) demonstrates that the convergent validity is adequate. The discriminant validity was assessed based on the basis of the criteria recommended by Anderson and Gerbing (1988). The models were estimated twice for every possible pair of constructs in the measurement model. In the first model, the phi correlation between the constructs was set to vary

(unconstrained model) and in the second the phi was constrained to 1.00 (constrained model) (Anderson and Gerbing, 1988). The  $\chi^2$  difference and the degrees of freedom were computed for both constrained and unconstrained models. The results showed that all models in which the phi was set unity displayed worse fit (All  $\chi^2$  difference > 3.841, df=1 and p=0.05).

INSERT TABLE 3

### Structural Model Evaluation

For the final model (standardized path coefficient) shown in Figures 2: The model was defined by 43 items that identified the ten factors. The variance/covariance matrix among the variables was used to test the model. Table 3 reveals the acceptable goodness-of-fit statistics, indicating the overall acceptability of the structural model analyzed. CFI value (0.97) was accepted within the thresholds for indicating a good fit, and RMSEA value (0.066) also within the thresholds for indicating a good fit (Hair et al., 2006). To supplement these findings, the chi-square ratio index (2.27) was also found to match the requirements set by academicians (e.g., Carmines and McIver, 1981; Marsh and Hovecar, 1985). Furthermore, most path coefficients (unstandardized) were significant ( $P < .05$ ).

INSERT FIGURE 1

### Results

The causal relationships among advertising, employees, word of mouth, pre-consumption mood and customer experience are not significant. The findings provide strong empirical evidence for H1, H2a, H2b, H4b, H5a, H7a, H9 and H10. Additionally, the positive paths from perceived service quality to customer experience and from customer experience to brand loyalty were confirmed. For testing the mediating role of perceived service quality and as recommended by Diamantopoulos and Siguaw (2000), two models were estimated. First, the direct links between the antecedents set and the customer experience construct were excluded by setting the gamma coefficient to zero for those relationships (i.e. model one). Second, the gamma coefficients for direct relationships were estimated freely (i.e. model two). The improvement of the model was assessed by the chi-square difference test ( $D^2$ ). The difference between the chi-square values for the two models was computed and the results was compared with the chi-square value within one degree of freedom ( $\chi^2_{critical} = 3.841$ ). The model with smaller chi-square was considered a better model (Diamantopoulos and Siguaw, 2000).

INSERT TABLE 4

### **Discussion**

The sustainability of brand loyalty has become increasingly difficult to obtain. Customer experience is critical to the building of brand loyalty (e.g Berry et al., 2002; Barsky and Nash, 2002). This study takes an experiential view to explore the effects of a number of intrinsic and extrinsic cues on customer experience. In reference to the effect of customer experience on brand loyalty, this study has also found support. As for the effect of advertising, employees, word of mouth, pre-consumption mood on customer experience, no significant relationship was found. A probable explanation for those findings is that experience is less likely to be predicted through advertising or word of mouth, and because of the long duration of the stay in the resorts, the pre-consumption mood effect is diminished. Similarly, the employees have no impact on the subjective experience customers live in the place, unless this relationship is mediated by perceived service quality. On the contrary, price of service, servicescape and

core service have an impact on customer experience. A possible reason could be that, the higher the prices the less enjoyable experience the customer will have. With regard to servicescape, music, the design and the natural environment have triggered positive emotions which enabled customers to live a great hedonic experience. In reference to core service provided such as accommodation, food ...etc, are vital component that contributes to a great customer experience. Additionally, it was found that perceived service quality mediate the relationships between the price of service and employees performance on customer experience. Also, perceived service quality significantly influenced brand loyalty.

### **Managerial Implications**

Based on the study's findings, brand marketers must carefully develop an experiential plan in order to create a positive customer experience. Thus, brand managers ought to focus more on designing experiential plans to create the best experiences. Core services provided are considered among the important factors that affect consumer's experiences. Also servicescape plays an important role in, enhancing customer experience, also price of service helps in forming a positive customer experience. Therefore, it is important for brand marketers to manage those factors in order to provide a holistic experience.

### **Conclusion**

The outcomes from the netnographic study leads to the development of the research instrument which was also translated into relevant languages for administration in the pilot study (Study Two) and the main study (Study Three). The qualitative study using netnography method showed significant evidence supporting the study hypotheses, with an exception of brand name, whereby customer narratives reveal no evidence about using brand name as a cue to predict or assess the experience. Therefore, this hypothesized relationship between brand name and customer experience was not considered in the framework. The results of the Study Two and Study Three, which are presented in our second paper, show strong empirical evidence and most of the paths although the causal relationships among some factors and customer experience are not significant.

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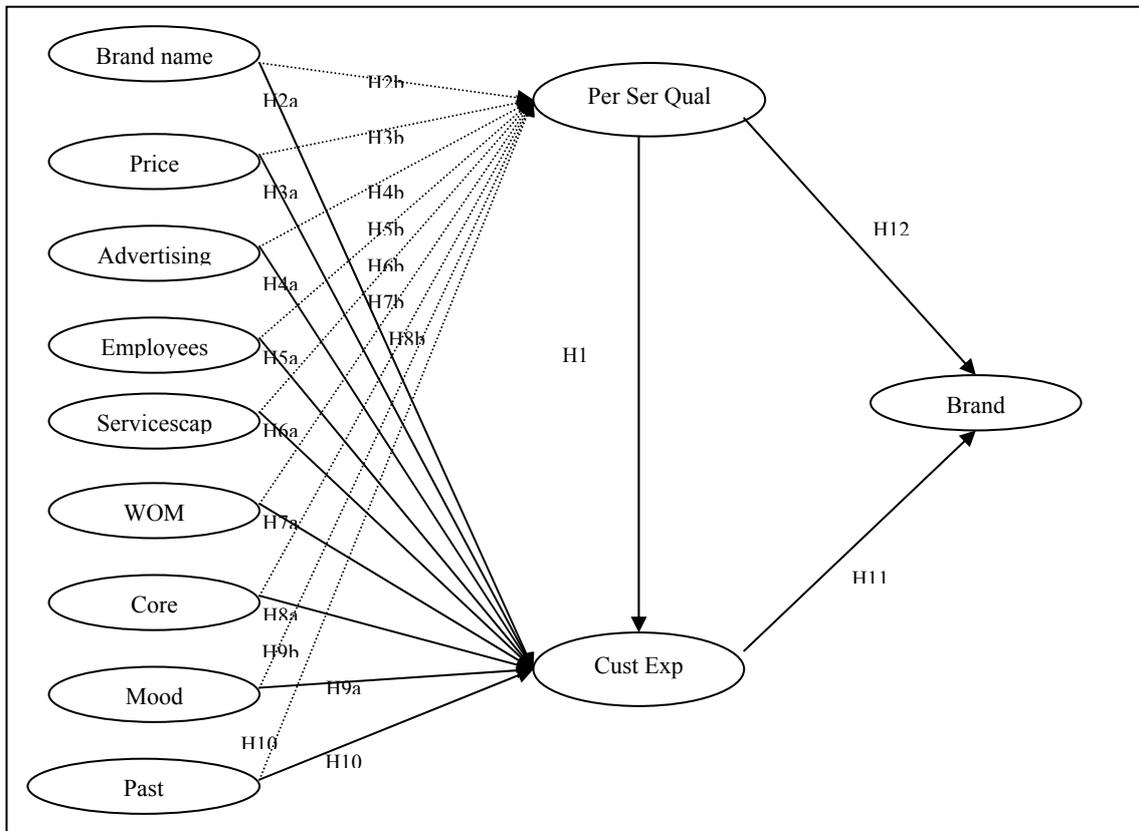


Figure 1: The research conceptual framework

Table 1: Note: ITT: Item-to-total coefficient; CB's: Cronbach's; \* ITT > 0.5.

Advertisement	I reacted favourably to the advertisements.	.86	.92
	I felt positive towards the advertisements.	.80	
	The advertisements motivated me to make the holiday decision.	.75	
	The advertisements led me to infer what the experience will be like	.83	
Price perception	Was reasonable.	.71	.85
	Helped me make my decision.	.59	
	Led me to infer what the experience will be like.	.64	
	The price was still reasonable.	.72	
	I was pleased with the price I paid.	.57	
Atmosphere	The price provided value for money.	.34 *	.82
	The background music was appropriate.	.62	
	The temperature was comfortable.	.56	
	The lighting was appropriate.	.56	
	The aroma was enticing.	.72	
	The natural environment (such as, sea and gardens) was attractive.	.68	
	The overall design of this hotel was interesting.	.61	
	The other customers that were present during my stay positively affect my experience	.41 *	
Employees performance	Employees were well dressed and appear neat.	.58	.91
	Employees were always willing to help.	.84	
	Employees were polite and courteous.	.85	
	Employees gave me personal attention.	.80	
	Employees were friendly and pleasant.	.82	
Core services	Employees took the time to get to know me personally	.67	.80
	The food and beverage were of poor quality	.41 *	
	Leisure services (swimming pool, fitness and healthcare centre and sauna) were pleasant.	.65	
	Accommodation was comfortable.	.51	
Past experience	Excursions and trips offered were exciting.	.70	.60
	Educational services (diving, yoga, cooking, and belly dance classes) were pleasant and thought-provoking.	.64	
	My past experience with this hotel has in general been excellent	.50	
	Based on my last visit, I had a low expectation of this hotel.	.27 *	
Word of mouth	My decision to visit this place again was based on my last visit to the hotel.	.56	.87
	The reviews I read online influenced my view about the hotel.	.49 *	
	My friends provided some different ideas about the hotel.	.68	
Pre-consumption mood	The word-of-mouth helped me make a decision.	.76	.94
	The word-of-mouth influenced my evaluation.	.76	
	Sad.....Happy	.80	
	Bad mood.....Good mood	.86	
Customer experience	Irritable.....Pleased	.90	.93
	Depressed.....Cheerful	.88	
	My experience was entertaining	.69	
	My experience was a memorable experience	.76	
	My experience was exciting	.84	
	I felt like I was doing something new and different.	.82	
	I felt a sense of comfort	.73	
	The experience was highly educational to me	.77	
	I felt a sense of beauty.	.79	
	I made new acquaintances and friends.	.60	
I felt safe.	.57		
Perceived service quality	I felt that I am important, respected and welcomed	.72	.91
	I would say that this hotel provides superior service.	.84	
	I believe this hotel offers excellent service.	.82	
	This is the best hotel I have ever stayed in	.79	
Brand loyalty	This hotel was a place that worth staying in.	.74	.78
	I am very loyal to this hotel.	.46	
	I would continue to come to this hotel even if the price was higher.	.49	
	I would highly recommend this hotel to my friends.	.62	
	For me, the hotel brand is the same as other hotels.	.08 *	

Table 2: Fit statistics

Chi-Square	Df	Chi-square/df	CFI	GFI	AGFI	RMSEA
1940.87	857	2.21	0.97	0.77	0.73	0.066

Table 3:

Constructs	Composite reliability	Variance extracted
Advertisement	0.84	0.76
Price perception	0.81	0.62
Atmosphere	0.76	0.54
Employees performance	0.83	0.74
Core services	0.78	0.55*
Word of mouth	0.85	0.69
Pre-consumption mood	0.95	0.84
Customer experience	0.92	0.59
Perceived service quality	0.74	0.70
Brand loyalty	0.81	0.61

\*Note: The Variance Extracted of the Core service was .49, therefore, the item of educational service was dropped and VE was calculated and it became 0.56 and the composite reliability again and it became 0.78.

Table 4:

Hypotheses	Path estimates	T value	Test results
H1: Perceived service quality will have a significant effect on customer experience	0.42	5.32	Accepted
H2a: Price of services will have a significant effect on customer experience during the service consumption.	-0.09	-1.48*	Accepted
H2b: The relationship between price of services and customer experience will be partially mediated by perceived service quality.			Accepted
H3a: Advertising will have a significant effect on customer experience during the service consumption.	-0.00	-0.02	Rejected
H3b: The relationship between the advertising and customer experience is partially mediated by perceived service quality.			Rejected
H4a: Employees or service personnel will have a significant effect on customer experience during service consumption.	0.06	0.97	Rejected
H4b: The impact of employees on customer experience will be partially mediated by the perceived service quality.			Accepted
H5a: Servicescape or setting will have a significant effect on customer experience during service consumption	0.18	2.62	Accepted
H5b: The impact of servicescape on customer experience will be partially mediated by perceived service quality.			Rejected
H6a: Word of mouth will positively influence customer experience during the service consumption	0.04	0.91	Rejected
H6b: The relationship between word of mouth and customer experience will be partially mediated by perceived service quality.			Rejected
H7a: Core service will have a significant effect on customer experience during service consumption.	0.31	3.21	Accepted
H7b: The impact of core service on customer experience will be partially mediated by perceived service quality.			Rejected
H8a: Customer pre-consumption mood will positively influence customer experience during the service consumption.	0.04	0.89	Rejected
H8b: The relationship between pre-consumption mood and customer experience will be partially mediated by perceived service quality.			Rejected
H9: customer experience will positively contribute to brand loyalty	0.22	3.25	Accepted
H10: perceived service quality will positively contribute to brand loyalty	0.74	9.13	Accepted
Goodness-of-fit statistics of the model	$\chi^2$	1862.74	
	Df	822	
	$\chi^2/df$	2.27	
	CFI	0.97	
	GFI	0.77	
	AGFI	0.74	
	RMSEA	0.066	

Note. \*  $p < 0.1$ .

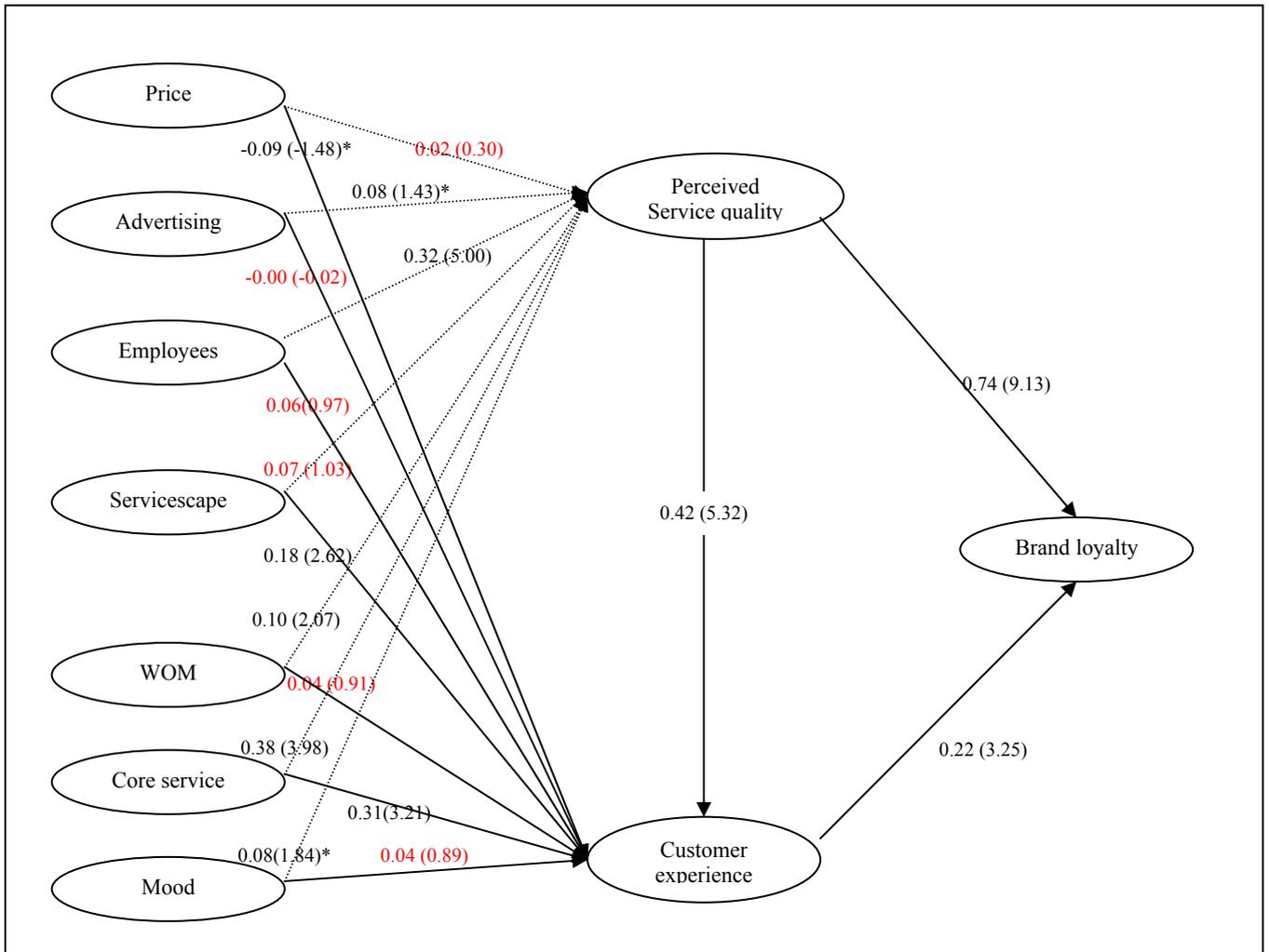


Figure 1: Validated structural model