Executive Summary

In the dynamic scenario of a fragmented market place, proliferation of traditional and new media, increased choice and offerings, increased levels of disposable income and a time compressed customer have all led to companies trying to look at not just new but also differentiated means of reaching out to the customers. All approaches have been tried however one approach that will always remain unique will be the Experiential approach because each individual and the situation of consumption is different every time. This is because the combination of situational and psychological factors leads to a unique event every time and therefore has the power to give competitive differentiation. This approach moves the focus to customer dominant logic and lays emphasis on uniquely co-created customer value (Prahalad and Ramaswamy).

The Experiential Marketing concept has, since its advent, seen a lot of interest and has led researchers to feel that it may eventually improve involvement and engagement levels with a product/service. The Customer Engagement concept, though, is a recent phenomenon and owes its emergence to new media which are interactive and live. Through this study one has tried to show that the new age phenomenon of Customer Engagement can well be achieved very effectively using the Experiential Marketing approach in a real world, bricks and mortar scenario. Sashi, as recently as 2012, has opined that Satisfaction, Loyalty and Advocacy are antecedents of Customer Engagement. This research has attempted to connect the Experiential Marketing approach to effectively achieving Customer Engagement in the service industry. Customer Engagement is considered to be achieved if the antecedents of Satisfaction, Loyalty and Word of mouth Advocacy are scored high on account on the 4 key variables of Relevance, Ease/Convenience of use, Value-in-use and Trust. The Service Experience Context has also been broadly defined to understand the context and sphere of operation.
The conceptual gap in terms of the Experiential Marketing Approach and link with Customer Engagement is attempted to be mapped and closed. Key variables and constructs have been defined in the utilitarian context by way of the ‘Experience Engagement Model’.

This research attempts to connect the Experiential Marketing approach, which is based on actual in-store consumption experience to real time Customer Engagement which will improve attitudinal loyalty and thereby possibly create positive word of mouth advocacy. The actual construct of creating fans and advocates has not been investigated in this research and is an area of future research.

The industry also requires to understand how to evolve sustainable strategies that can lead to competitive differentiation and therefore better return on marketing investment. This study will help managers get an understanding of the metrics to evaluate a successful experience using the variables and constructs of the model rather than only ‘Satisfaction’ and ‘Loyalty’ which can be misleading.

A ‘Service Experience Framework’ was developed as part of this research. This framework demonstrated the cycle of the consumption experience starting from the ‘Service Encounter’ which enabled a customer to derive value based on the kind of experience they went through and this experience impacted their future purchase behavior. The customer’s behavior was in turn influenced by intrinsic (personal factors like personality) and extrinsic factors (situational variables).

This research further developed the ‘Experience to Engagement Model’ which concentrated more on the utilitarian benefits derived by customers from an experience. The proposition was that the consumption process, the actual product/service trial and the opportunity to interact with the ‘experienced’ customers strongly influenced the experience components of trust, relevance,
convenience/ease of use and value-in-use. These components were the variables that impacted the key constructs of satisfaction, loyalty and word of mouth advocacy. Sashi (2012) had proposed that, all the three constructs together are antecedents of customer engagement. This model was proposed to be tested in this research.

The Indian retail industry, was the key focus area for this research. The link between experiential marketing and customer engagement was studied by interviewing customers who had gone through the consumption experience of using their loyalty card in a retail environment. The concentration was on live environment. Even though the digital media were popular especially since they were considered more interactive and customizable, this study concentrated more on the actual and live environment of a modern retail format.

All four zones of the country were represented and the study was conducted only among the urban population as usage of cards in a modern retail format were a more prevalent phenomenon here. Data collection was done primarily via face-to-face interviews. A total of 1499 responses were collected from eight urban cities in India.

This study was done in two stages the first stage checked the connect between Experiential Marketing and Customer Engagement. The second stage helped to prove or disprove the hypothesis among customers of the loyalty card industry in India.

Stage one clearly indicated the connect between experiential marketing and customer engagement. The findings of this stage suggested that experiential marketing efforts could positively impact and improve customer engagement. This stage indicated that experiential marketing improved the willingness of the customers to try out the product/service however it also showed that if the experience was not managed well it could not lead to positive word of mouth advocacy.
In the second and main phase of study, 1449 respondents were questioned in 8 urban cities of India. The study was done mostly with customers of loyalty cards in modern retail formats and belonged to the higher socio-economic strata of society. Most of the customers who were interviewed carried between 2-4 cards with them regularly.

The customers who were not redeeming the points on their loyalty card cited inconvenience, time wastage and perceived difficulty to be the reasons. These reasons tie in with the variables of, ease of use, convenience and time value as specified in the ‘Experience to Engagement Model’. Consistently it was established that customers value ease of use, value in use, trust and relevance if the consumption experience has to lead to customer engagement. Experiential marketing therefore needs to ensure that these four variables or attributes are delivered to customers. The metrics to measure could be satisfaction, loyalty and word of mouth advocacy and the customer perceptions with respect to the four key variables. Value in use and Relevance followed by Convenience and Trust were clearly important variables or attributes associated with a good consumption experience that lead to customer engagement. The Indian customers clearly showed an inclination towards utilitarian benefits rather than hedonic while considering a consumption experience. The marketers therefore need to focus on utilitarian benefits for Indian customers while designing the experiential marketing strategies to improve customer engagement and thereby profitability, to begin with. Thereafter emotional benefits could be considered and further research needs to be done in that area to be able to make tangible suggestions.

However, it would be practical to keep checking if the variables change or alter as per the customer’s new and evolving needs. Even though Indian customers tend to value utilitarian benefits as per this research, it is likely that with due exposure to evolved economies and their service climate, these preferences may gradually change. Tracking and uncovering these shifting preferences could be an area of future research.
Each of the variables were checked to find out if they delivered on the three constructs of satisfaction, loyalty and word of mouth advocacy by way of hypothesis testing. The analysis showed that customers were very value conscious and this value could be in terms of variety, less complication, price economy and all this in one card. This clearly made the case of coalition loyalty cards strong in urban India.

Simplicity and ease of enrolment were perceived as “the service wants me to enroll” and thus ‘welcoming’. Ease of earning points and satisfaction with number of partners were seen as measures to unlock the true value implicit in the use of the card via a service experience. Ease of redemption, ability to earn frequently and value of rewards was seen by customers as ‘promises kept’ and this was perceived to positively impact satisfaction and loyalty. Partner reputation was opined to impact the variable of trust and customers felt that it was an extremely important criteria.

Adequacy of communication and in-store visibility was opined to impact increased usage amongst existing customers and also new customer acquisition. Both these were seen as important variables in improving the consumption experience. Both the aspects of communication directly impacted experiential marketing and overtly affected customer engagement. Though value in use was more important in terms of ranking, it was the communication visibility that helped to improve the actual consumption experience and therefore indirectly impacted value in use as a variable. Advertisement about programmes and offers was also seen to be a linked variable in communications and was perceived to impact value in use in the same way as the others in that group.

Relevance of offers, offer frequency and offer attractiveness had a direct bearing on the variable of relevance and were considered very important by customers in improving the satisfaction derived at the end of the consumption experience.
Customers who were highly satisfied with the consumption experience exhibited a higher probability of recommending the service experience. Only if the customer had himself gone through the experience and been highly satisfied, was he more likely to recommend the service to others. It was obvious that the customer wanted to recommend a service that made him seem like an expert in front of his peers.

The fact that ‘value in use’ was the most important criteria was borne out by the factor analysis which threw up only one factor of ‘value’. This also showed that the customers who were interviewed for this research linked everything to value. When the factor analysis was done by the different demographics it showed some interesting results. Apart from value in use, women considered ‘trust and reliability’ also as an important factor. An additional factor of ‘ease’ was seen as important in the lower income group segment as also the lower SEC B. The higher income group considered ‘trust and reliability’ as the most important factor after ‘value in use’. The older age groups considered value in combination with ease as a factor and also ‘relevance’ as important.

The hypothesis testing done, by chi-square to validate the model developed basis the literature review, was seen to show high significance and also implied a high level of correlation between the different variables being tested. The model was proven to be correct and the variables of trust, relevance, value in use, and ease were seen to positively impact the constructs of satisfaction, loyalty and word of mouth advocacy. Since all these were antecedents of customer engagement the model was proven to be correct based on the instrument used and the responses received.
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