



Customer Experience Driven Expectations- A Cognitive Process

KEYWORDS

customer experience, customer expectations, cognition, mental accounting

Tarak Paul

Assistant professor, Royal School of Business, Betkuchi, Opposite Balaji Temple, NH-37, Guwahati-35, ASSAM

ABSTRACT *Customer expectations are the key for success in a market which comes from meeting or exceeding their expectation. Understanding the expectations of the customers is of utmost important to serve the customers better. Several literatures have clearly identified the influence of customers' past experience on their future expectation. This paper examines the involvement of experience driven mental process in the creation of customers' future expectations by explaining the role of mental component while processing information. This paper provides a conceptual framework of customer experience driven expectation by integrating the concept of customer experience, customer expectation and cognitive psychology. The paper also explains how the concept of mental accounting can be applied to explain the customer expectation and positioning of products.*

Introduction

The concept of customer satisfaction is always considered as an important area in marketing. Meeting or exceeding the expectations leads to a high degree of satisfaction and failure to do so leads to dissatisfaction (Walker, 1995; Paul, 2012). Managing expectations of the customers is the key for success in any market (Paul, 2012). Meeting expectation increases the probability of success of an enterprise (Schurter & Towers, 2006). Zeithaml & Bitner (1996) stressed that the marketers need to continuously consider the expectation of the customers to avoid dissatisfaction. On the other hand, satisfactory experiences provide good memories to the customers and increase customer level of satisfaction which results in increasing customer loyalty and service providers' profitability. Experiences are personal in nature and indicate customers' involvement at various levels (Gentile, et al., 2007). Customer experience always receives greater attention among academics and business. Understanding the role of a customer experience in his expectation is necessity of developing a customer centric marketing strategy (Bhowal & Paul, 2013; Paul, 2012). Past experience acts as main source of customers' expectation (Anderson & Sullivan, 1993; Robledo (2001). The organizations need to understand how customer experience affects their behaviour (Klaus & Maklan, 2011). This paper attempted to highlight the mental operation driven by customers' past experience for shaping their expectations .

Objective

The objective of the paper is to develop a theoretical framework for customers' experience driven expectation by integrating the concept of customer experience, customer expectation and mental accounting.

Methodology

The study is conceptual in nature. The study is based on the survey of literature available in the areas of customer expectation, customer experience and cognitive psychology. For this purpose, past studies relevant to the study were reviewed. An attempt is made to develop a conceptual framework through the integration of the literatures.

Customer Experience

Customer experience is the customers' internal and subjective response that they have with the company. Several scholars termed experience as the 'take-away' impression or perception created during the process of using, maintaining, and disposing of a product or service (Berry, et al., 2002; Lweis & Heackel, 1999). Chodchuang & Haron (2012) defined customer experience as "a psychological feeling ex-

isting in the mind of the customer". Customers' experience comes from the feeling that they have while interacting with companies (Leanard & Carbonate, 2009). Customer experience originates from the interfaces between a customer and a company, a product which provoke reactions. Customers' always have an experience whenever they come across a product or services (Berry, et al., 2002). Consumption always carries an experiential effect (Holbrook & Hirschman, 1982). Such experience may be good, bad or indifferent depending on the customers' own interpretation. Thus, customer experience, being a psychological process, has a strong relationship with the cognitive psychology relating to information processing.

Customer Expectation

Customer expectations are the customer wants i.e. what customers feel that a firm should offer over and above what they actually offer (Hsiehy & Yuan, 2010). According to Tyron (1994) expectations are the "anticipations of future consequences based on prior experience, current circumstances, or some other source of information". "Customer expectations are the inner standard beliefs and attitude by which customers judge the products and services" (Arnold & Reynolds, 2003). Expectation changes with time with the experience. Past experience acts as the important source of expectation (Anderson & Sullivan, 1993). Robledo (2001) has also identified past experience as main source of expectation. Experience plays a crucial role in customers' expectation formation (Bhowal, A. & Paul, T., 2014). Customer without previous experience has unrealistic and less refined expectation (Higgs, et al., 2005). Thus, expectations of the customers are outcome of the experience driven by a psychological process.

Experience-Cognition-Expectation

Expectations are not constant and as and when customers receive new information expectations are reformed (Parasuraman, et al., 1994; Coye, 2004). From the definition of experience and expectation, it is observed that both experience and expectation involves human cognitive process. The theory of cognitive psychology is predominant in shaping the expectations. Cognitive psychology focuses on how people acquire, process and store information. The cognitive theory deals with the interaction between the mental component and the information that is processed in human mind (Neisser, 1967). Cognitive theories are based on integration of events into an active storage system comprised of organizational structures termed schemata (Baron & Byrne, 1987). Schemata formulate frameworks in which new information must fit in order to be understood (Bell-Gredler, 1986). The human mind processes all additional information,

as and when it is obtained, by matching it with the existing information stored in the memory and reacts accordingly. This indicates the existence of a strong connection among experience, cognition and expectation [i.e. EXPERIENCE -> COGNITION -> EXPECTATION]. Past experience influences the mental state of the customers which in turn influences the expectation. On this ground, it can be said that level of expectation is the outcome of experience processed in the mind of the customers.

Thaler (1990) mentioned about the involvement mental operation involved in categorisation economic outcome while defining mental accounting. Mental accounting draws attention about how economic outcomes are perceived and experienced and subsequently evaluated. Mental accounting involves the assignment of activities to specific mental accounts (Thaler, 1990). Thaler's (1990) concept of mental accounting can be applied to explain the customer experienced driven expectation in same sense where a customer's perceived experience goes through a mental operation which categorizes the perceived experience into separate mental accounts. These mental accounts determine how companies have been able to position their products in the minds of the customers. As customer expectations are influenced by past experience, therefore, it can be said that positioning of products lead by mental accounting of the customer have a strong impact on their level of desire.

Conclusion

From the above discussion, it can be concluded that the customer experience has strong impact on their level of expectation. Experience influences the mental process of interpretation. Even though the Thaler's concept of mental accounting belongs to the area of behavioral finance, it can be applied to the study of customer behaviour. Bhowal & Paul (2012) has used the concept of mental accounting to study the influence of marketing mix on customers' behaviour. Thus, by incorporating the Thaler's concept of mental accounting, creation of mental accounts that determines the product positioning in the customers mind can be well understood. The positioning of products determines the level of expectation of the customers. In other words, customers' level of expectation is determined by their level of experience through categorisation process called mental accounting [i.e. Mental Accounting = f(Customers' past experience) and Future Expectation = f(Mental Accounting)].

REFERENCE

- Anerson, E. W., & Sullivan, M. W. (1993). The Antecedent and Consequence of customer satisfactions for Firms. *Marketing Science*, 12(2), 125-138. | Arnold, M. J., & Reynolds, K. E. (2003). Hedonic shopping motivation. *Journal of Retailing*, 79, 77-95. | Baron, R. A., & Byrne, D. (1987). *Social Psychology: Understanding Human Interactions* (5th ed.). Boston: Allyn and Bacon. | Bell-Gradier, M. E. (1986). Learning and Instruction: Theory into Practice. New York: MacMillan. | Berry, L. L., Carbonate, L. P., & Hackel, S. H. (2002). Managing Total Customer Experience. *MIT Sloan Review*, 43(Spring), 85-91. Retrieved 12 10, 2012, from MIT Sloan Review 43(3): http://www.expeng.com/articles/EE_Sloan_%20Mgt_%20RevAPRO_MITsloan.pdf | Bhowal, A., & Paul, T. (2012). Mental Accounting of Retail Investor and Marketing Mix- A Tango. *Reflection*, 1(1), 39-48. | Bhowal, A., & Paul, T. (2013). Gaps in Customer Solution - A case study of Mutual funds in India. *The SAMS Journal*, 7(1), 33-41. | Bhowal, A., & Paul, T. (2014). Mutual Fund Investors' Expectation and Experience Gap A study from the 'Customer Convenience' Dimension of 4C marketing mix. *Asian Journal of Research in Marketing*, 3(1), 183-194. | Chodchuan, S., & Haron, M. S. (2012). Cognitive Customer Experience of Woman Shopper in Personal Interaction in Thailand's Departmental Store: An Examination of The Influence of Previous Experience. *Business Management Dynamics*, 10(1), 10-21. | Coyle, R. W. (2004). International Journal of Service Industry Management . Managing customer expectation in the service encounter. 9(2), 54-71. | Gentile, C., Spiller, N., & Giuliano, N. (2007). How to Sustain the Customer Experience: An Overview of Experience Components that Co-create Value with the customer. *European Management Journal*, 25(5), 395-410. | Higgs, B., Polonsky, M. J., & Hollick, M. (2005). Measuring Expectations: forecast vs idea. Expectation, Does it really matter? . *Journal of Retailing and Consumer services*, 12(1), 49-64. | Holbrook, M. B., & Hirschman, E. C. (1982). The Experiential Aspects of Consumption: Consumers fantasies, feelings, and Fun. *Journal of Consumer Research*, 9(2), 132-140. | Hsieh, Y. H., & Yuan, S. T. (2010). Design of Customer Expectation Measurement Model in Dynamic Experience Delivery. *Pacific Asia Journal of the Association for Information System*, 2(3), 1-19. | Klaus, P., & Maklan, S. (2011). Bridging the gap for estintion extreme sports: A model of sports tourism customer experience . *Journal of Marketing Management*, 27(13-14), 1341-1365. | Leonard, L. B., & Carbonate, L. P. (2009). Building Loyalty through Experience Management. Retrieved 3 3, 2010, from http://www.experienceengineering.com/pdf/Quality_ProgressCustomerLoyalSep.2007.pdf | Lweis, P. C., & Heackel, S. H. (1999). Engineering Customers Experiences. Retrieved 12 2012, 14, from http://www-935.ibm.com/services/in/igs/pdf/engineering_customer_experiences.pdf | Neisser, U. (1967). *Cognitive Psychology*. New York: Appleton-Century-Crofts. | Parasuraman, A., Zeithaml, V. A., & Berry, L. L. (1994). Reassessment of Expectations as a Comparison Standard in Measuring Service Quality. *Journal of Marketing*, 58(1), 111-125. | Paul, T. (2012). A Study on level of Expectation of Mutual Fund Investors and the Impact of Demographic profile on Period of Investment . *International Journal of research in Commerce and Management*, 3(7), 136-139. | Paul, T. (2012). An Assessment of Gap Between Expectation an Experience of Mutual Fund Investors. *International Journal of Marketing, Financial Services an Management Research*, 1(7), 10-21. | Paul, T. (2014). Retail Investors Participation in Indian Mutual Fund Industry -- A Matter of Concern. Retrieved 2 21, 2014, from <http://ssrn.com/abstract=2395728> | Paul, T., & Bajaj, S. (2012). A Study on level of Expectation of Mutual Fund Investors & Impact of Demographic Profile on Period of Investment in Mutual Fund. *International Journal of Research in Commerce & Management*, 3(7), 136-139. | Robledo, M. A. (2001). Measuring and Managing service quality: integrating customer expectations. *Managing Service 'quality'*, 11(1), 22-31. | Schurter, T., & Towers, S. (2006). *Customer Expectation Management: Success without Exception*. Florida: Meghan-Kiffer Press. | Thaler, R. H. (1990). *Mental Accounting Matters*. *Journal of Behavioural Decision Making*, 12, 183-206. | Tyrone, W. W. (1994). Expectations. In V. S. Ramcharan (Ed.), *Encyclopedia of Human Behaviour*. San Diego: CA Acaemia. | Walker, J. L. (1995). Service encounter satisfaction: conceptualized. *Journal of Services Marketing*, 9(1), 5-14. | Zeithaml, V. A., & Bitner, M. A. (1996). *Services Marketing*. US: McGraw Hill. |