CHAPTER II

CONCEPTUAL FRAMEWORK

2.1 Literature Review

2.1.1 Customer Experience

Jain et al. (2017) described customer experience as the accumulation of customer perception created during learning, acquiring, using, maintaining, and disposing of a product or service directly or indirectly. Experience can occur due to encountering things through sensory, cognitive, emotional, behavioral, and relational value. In this manner, the company needs to build a cohesive, authentic, and sensory-stimulating total customer experience to evolve an emotional relationship with customers.

According to Febriani & Ardani (2021), one of the factors of customer repurchase intention is customer experience. The customer is stimulated with knowledge or sensation from several methods provided by the seller. As the competition in the market increases, service providers need extra effort to maintain customer experience; thus, customers will still be interested and make a repurchase.

Before purchasing a product or service, the direct or indirect contact incudes the marketing communication experiences, the experience of other customers through word of mouth, customer journey to the store (contextual experience in approaching the organization), and encounter the company's website. Those physical contact mentioned previously are also provided by the company as part of the customer journey and expand the tangibility of service quality. On the other hand, indirect contact includes when the customer consumes the product, whether the product or service they are purchased meets their goal or not (Lemke et al., 2011).

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2.1.2 Customer Experience Dimension

2.1.2.1 Sensory Dimension

The sensory dimension defines as the ability of a customer to utilize the service of a product by using their sense of smell, taste, touch, sight, and sound. Individuals interpret sensorial variables through their experience, which means that the current understanding is assessed with the help of their experience (Greus et al., 2019).

2.1.2.2 Emotional Dimension

The emotional dimension is when customers develop feelings and emotions for a brand or organization based on their experience. Emotion can also influence customer journey, which will affect attitude towards a brand or product. One example in the B2B industry is when the company can guarantee that the customers get a welcoming and relaxed impression of the company through the entire process. The customer is willing to establish an emotional bond and trust towards the company (Greus et al., 2019).

2.1.2.3 Behavioral Dimension

The behavioral dimension is a strategic experience model which encourages the organization to impact the customer's behavior through emotional motivation or rational arguments. It means the organization's environment can influence customers' behavior. For instance, the office environment can impress the customer when they come for the sales meeting. A warm and welcoming atmosphere will leave a good impression and influence the customer to feel relaxed and comfortable, and they will be open to establishing a relationship (Greus et al., 2019).

2.1.2.4 Intellectual Dimension

The intellectual dimension refers to the cognitive decision-making connected to buying problems based on reasonable goals. Usually, the B2B buying process is influenced by rational processing criteria such as product price and lead time before making a purchasing decision. An example of intellectual dimension experience is when the organization can provide much information regarding the products and

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delivery details, which means the company is truthful and reliable (Greus et al., 2019).

2.1.2.5 Relational Dimension

The relational dimension has the goal of creating a social-identity experience towards the brand. One of Customer Experience Management's (CEM) intention is to grow and sustain long-lasting loyal customers. The relationship between customers and organizations in the B2B industry is the most important and valuable. An example of a relational dimension is when the organization invites the customer into events that align with the customer's company culture value (Greus et al., 2019).

2.1.3 Customer Experience in B2B

2.1.3.1 Buying Process in B2B

The buying process in B2B has been seen as a highly rational purchase, which contrasts with B2C markets. Although B2B and B2C are categorized as buyer decision-making, the B2B process involves more parties such as multiple stakeholders, a long negotiation process, and bulk transactions. The transaction is made based on cognitive, rational, and objective thinking of profit. Generally, the buyer decision process is seen as a set of events of (1) need identification; (2) specification establishment; (3) sourcing for alternatives; (4) alternatives evaluation; and (5) suppliers' selection. Some researchers also include the post-purchase stage, in which customers evaluate their decision based on the buying process experience and satisfaction (Greus et al., 2019).

The buying process in B2B involves four variables categorized into task-related and non-task-related motives: environmental, organizational, social, and individual influences. Task-related reasons are directly connected to the buying problems; it is more rational and has cognitive nature. On the other hand, non-task-related is beyond the buying problems and is more emotional and personal (Greus et al., 2019). Further explanation regarding the variables of the B2B buying process can be seen in Table 2.1. To sum up, those B2B buying process variables are crucial for an organization to consider before forming their marketing strategies.

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Table 2.1 Variables of Buying Process

Variables	Explanation
Environmental Influences	Includes marketing activities, culture, economics, and market competitors
Organizational Influences	Organizational Influences defines as the guidance for the buyer based on organizational goals. For instance: budget limitations and technologies
Social Influences	Social Influences are associated with buying center and the actors involved in the buying process. Those actors need to be acknowledged because they contribute and bring subjective expectations and emotions to the buying process.
Individual Influences	Individual Influence is the core of buying process. It includes the decision-making process. Thus, marketing should aim directly at the personal level.

Source: Greus et al., (2019)

As mentioned previously, an individual is a core of buying process, which means the buying process in an organization involves individual decision modes that are categorized into three variables: (1) rational, (2) emotional, and (3) experience-based processing. In order to make a rational decision, the process in the information or data collecting, analysis, and evaluation is part of a rational variable. The emotional process refers to the intuitive feeling towards the supplier. An experience-based process is the usage of the individual experience to evaluate the present occasion. Analytical processing can be complicated for most buyers; thus, emotional and experience-based processes have more influence on purchasing decisions. Combining the emotional and experience-based process has more advantages on buyers, simplifying the buying process and enabling buyers to make decisions faster (Greus et al., 2019).

2.1.3.2   Customer Experience Management in B2B Sector

Conventionally, B2B contexts follow rational and economic-based decision making. The B2B interactions are more complex and complicated to understand since many parties involved. The interaction can be collectives between functional units or individuals operating at different hierarchical levels (Witell et al., 2020).

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Most Customer Experience Management (CEM) research on B2C companies proposed that B2C organizations should identify the method in designing and managing the interaction between organization and customers. The organization also needs to analyze how customer experiences influence the employees and servicescape. However, it is different for B2B company which cannot be measured the same way with the B2C industry. B2B customer experience is more complex; it emphasizes understanding and delivering the value of suppliers, partners, and customer organization (Witell et al., 2020). The Customer Experience Management for the B2B model can be seen in Figure 2.1.
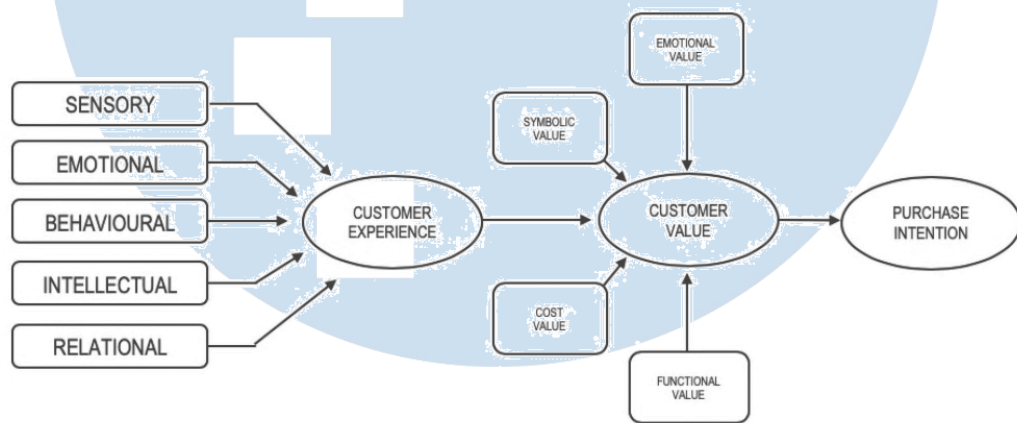

Figure 2.1 Customer Experience Management for B2B Model
Source: Greus et al., (2019)

2.1.4 Customer Loyalty

According to Huang et al. (2019), loyalty means regular purchasing certain products and services, recommending to others, and being immune to promotion from similar brands and competitors' products. It is evaluated by repurchase intention, price tolerance, willingness to recommend the product or service to others, and cross-buying intention. Leninkumar (2017) explained that customer loyalty is built on attitude and trust and is crucial in gaining competitive advantages in a highly competitive market and dynamic environment. Customer loyalty can also be defined as the promise that a customer made to purchase products or services consistently, does not bother a competitor's innovation, and has no intention of

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switching—those actions resulting in the development of a continuous relationship between customer and organization. Customers will also endorse the organization, give a positive review, and engage in the repurchase.

2.1.5 Customer Satisfaction

Customer satisfaction is when customer demand and goal have been completed with a high-quality product or service. Customer satisfaction can be seen after the usage of the product. Generally, a satisfied customer will repurchase the product, and on the other hand, they will not use or even repurchase if they are not happy. In this globalization era, customer satisfaction is one key driver to win the market competition (Harahap, 2018).

In the point of view of marketing, customer satisfaction is a determinant of a successful business. It involves what customers think and feels regarding service or goods' performance, whether it is a pleasant or disappointing experience. Customer satisfaction is crucial because it supports business owners with information that they can utilize to improve and expand their business. Customer satisfaction can be measured through the perspective of Functional Customer Satisfaction (FCS), Technical Customer Satisfaction (TCS), and Overall Customer Satisfaction (OCS) (Hassan et al., 2020).

2.1.6 Customer Repurchase Intention

Back then, marketing practices focused on selling the product or service and not considering customer retention. This practice is not applicable in the present time because the intense market competition and the cost of attracting new customers are expensive. Customer is the precious asset; customers can gain maximum profit and market share (Sohaib et al., 2016). According to Anh et al. (2020), repurchase intention is defined as an individual's judgment in obtaining a product or service again from the first time. There are three factors affecting customer repurchase intention: service quality, perceived value, and customer

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satisfaction. These factors will be discussed in more detail in the following paragraphs.

Quality assessment is crucial for the customer decision process, and it plays a significant role in the organization's competitive advantages. Some dimensions such as reliability, responsiveness, assurance, empathy, tangibles are assessed to reflect customer perception. Reliability is measuring the organization's ability to perform guaranteed service faithfully and accurately. Responsiveness assessed the preparedness and willingness of the employees in assisting customers by providing time-efficient services. Assurance means the employees have specific knowledge, sympathy, and the ability to bring up trust and confidence. Tangible defines as the presence of physical assets such as facilities, equipment, personnel, and communication material. Empathy is the ability of the employee to provide care and attention to each customer (Anh et al., 2020).

Evaluation of a product or service users based on the perception of received and given is called perceived value. Each customer has a different opinion on the products' value. For instance, one customer perceived a low-cost product as more valuable, while the others didn't. Most customers considered price and quality when they hit the value (Anh et al., 2020).

Most researchers believe that customer satisfaction is related and can predict repurchase intention and customer loyalty (Anh et al., 2020). Nhĩ (2019) defines customer satisfaction as an overall evaluation of an organization's post-purchase performance or utilization of a product or service. It shows how the product or services are bought to meet customer satisfaction. Customer satisfaction can increase the profitability of organization by developing customer retention and affect directly the repurchase intention.

2.2 Previous Research

Some works of literature from previous research are explored and used as a reference to support this study. The previous research can be seen in Table 2.2.

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Table 2.2 Previous Research

No	Author (s)	Title	Journal Name	Research Findings
1	Zolkiewski et al. (2017)	Strategic B2B customer experience management: the importance of outcomes-based measures	Journal of Services Marketing	In the B2B concept, capturing customer experience is complicated since the experience arises from interactions between suppliers, clients, and end-user.
2	Ceesay (2020)	Building a High Customer Experience Management Organization: Toward Customer-Centricity	Jindal Journal of Business Research	An organization uses customer journey to evaluate customer experience and, subsequently, customer behavior. Understanding customer experience should become managers' top priority because the time has come when maintaining customer relationships is more important than making sales.
3	Witell et al. (2020)	Characterizing Customer Experience Management in Business Markets	Journal of Business Research	Managing customer experience has become the managers' and researchers' top priority. Customer experience in B2B cannot be compared with B2C since it has a different focus.
4	Anh et al. (2020)	Exploring Factors Influencing on Organizational Repurchases Intention in B2B Tourism Context	Management Science Letters	Assessing product or service quality is critical in the customer decision process. Customer satisfaction which is a valuable outcome of marketing, can predict customer repurchase intention and loyalty.

2.3   Conceptual Framework

The conceptual framework for this research is adapted from the study by Anh et al. (2020), Greus et al. (2019), Harahap (2018), Huang et al. (2019) with modification. The modification is by altering purchase intention to re-purchase intention. The mediation effect through customer loyalty and customer satisfaction will also be analyzed. Besides, the current research will be done in a beverages manufacturing company. The proposed research model can be seen in Figure 2.2.
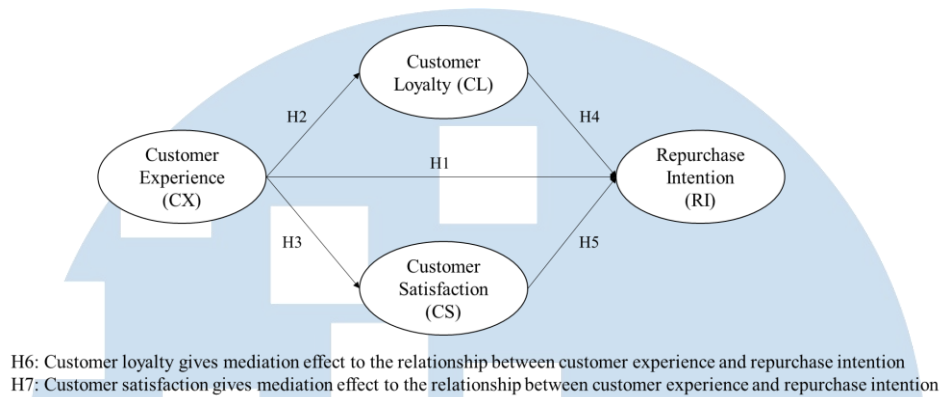
H6: Customer loyalty gives mediation effect to the relationship between customer experience and repurchase intention
H7: Customer satisfaction gives mediation effect to the relationship between customer experience and repurchase intention

Figure 2.2 Proposed Research Model

2.4 Hypothesis

2.4.1 Effect of Customer Experience to Repurchase Intention (H1)

Customer experience is defined as the feeling and consciousness of customers after purchase and uses a particular product or service. Whether it is a good or bad experience, it will always be remembered by the customer. From the literature studied by Prastyaningsih et al. (2014), repurchase intention is influenced by the levels of consumer experience. Therefore, the hypothesis proposed will be:

H1: Customer experience has a significant effect on repurchase intention

2.4.2 Effect of Customer Experience to Customer Loyalty (H2)

Every business wants to have a loyal customer. It is much easier to retain a loyal customer than to get a new one. The organization needs to create a unique customer experience to keep customers (Harahap, 2018). Therefore, the hypothesis proposed will be:

H2: Customer experience has a significant effect on customer loyalty.

2.4.3 Effect of Customer Experience to Customer Satisfaction (H3)

According to Harahap (2018), Customer experience is a part of experiential marketing where it can gain customer attention because it involves customers' emotions. It also gives a unique differentiation of an unforgettable experience. When an organization can provide a superior customer experience, the results will

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be a positive relationship and higher customer satisfaction. Therefore, the hypothesis proposed will be:

H3: Customer experience has a significant effect on customer satisfaction.

2.4.4 Effect of Customer Loyalty to Repurchase Intention (H4)

According to Huang et al. (2019), getting a new customer is five times higher than maintaining the existing customer. Thus, customer loyalty can be measured using customer repurchase intention. Therefore, the hypothesis proposed will be:

H4: Customer loyalty has a significant effect on repurchase intention.

2.4.5 Effect of Customer Satisfaction to Repurchase Intention (H5)

According to Anh et al. (2020), satisfaction is a critical factor of repurchase intention. Sohaib et al. (2016) added satisfaction and commitment are significantly contribute to customer repurchase intention decision-making. Therefore, the hypothesis proposed will be:

H5: Customer satisfaction has a significant effect on repurchase intention.

2.4.6 Mediation Analysis Between Customer Experience and Repurchase Intention through Customer Loyalty (H6)
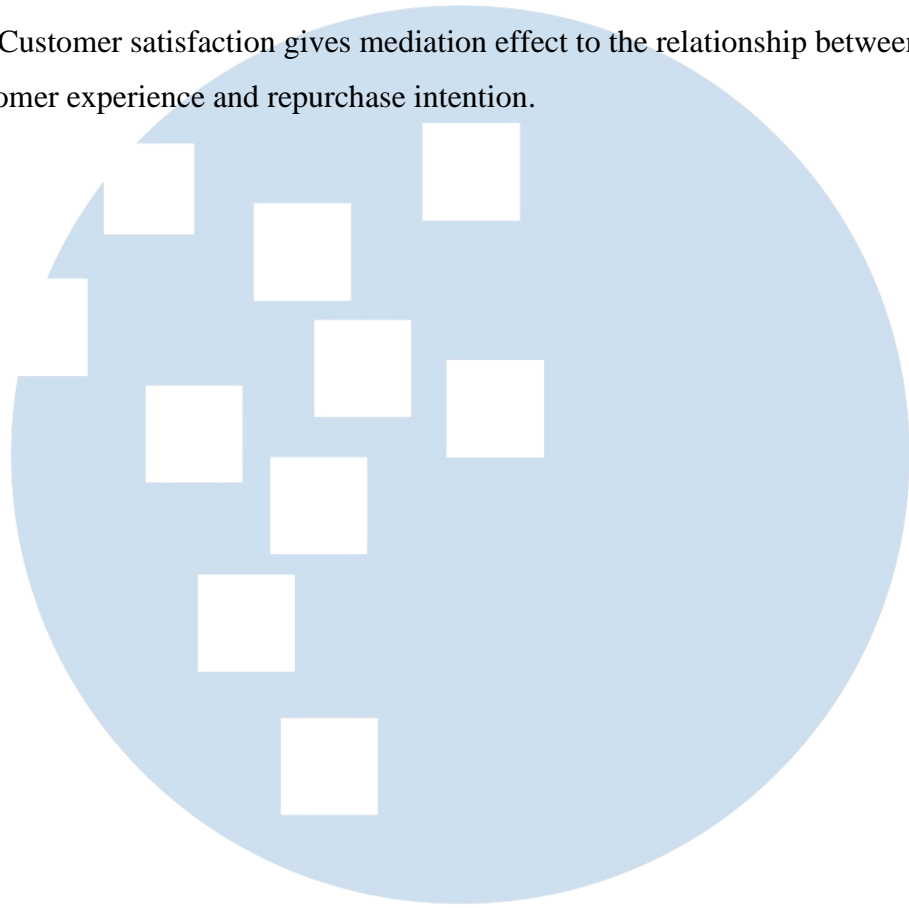
According to (Liu et al., 2016), organizations need to be aware of differentiation in customer experience and understand the customers' feelings to build up some preferences. Thus, managers can set up a selection in each experience, which leads to a satisfied customer and a chance for the customer to be loyal. Therefore, the hypothesis will be:

H6: Customer loyalty gives mediation effect to the relationship between customer experience and repurchase intention.

2.4.7 Mediation Analysis Between Customer Experience and Repurchase Intention through Customer Satisfaction (H7)

According to Trivedi & Yadav (2020), there is no standard to measure customer satisfaction. Customers can determine if the product or service is worthy enough to be purchased in the future. Therefore, the hypothesis proposed will be:

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H7: Customer satisfaction gives mediation effect to the relationship between customer experience and repurchase intention.