Customer Value-in-Experience:
Theoretical foundation and research agenda

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Abstract

The perception of value is central to the satisfaction and loyalty of customers, and is therefore of great importance to organisations. Recent focus on the customer experience has led to the recognition that value, in its broadest sense, can be thought of as something experienced by customers rather than packaged and sold by companies. Customer perception of value over the entire course of the customer experience, or “value-in-experience”, is a relatively new concept that has received little research to date. This paper presents a theoretical foundation and proposed research agenda for this concept.

Keywords: customer experience, customer value, consumer behaviour, customer perceived value, value in experience
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Introduction

Customers, not marketers, decide whether value has been created by a product or service. A new DVD player does not “contain” value; value is only realised by consumers if they are able to install, program and use the device in a satisfactory way. In this sense, the traditional view that value is exchanged during purchase is being challenged by new academic perspectives such as Service Dominant Logic and recent managerial emphasis on the customer experience.

Furthermore, customers may derive value (or lose value) at any time during the customer experience. Pleasure – and hence hedonic value – may be realised in looking forward to a night at the theatre. Fond memories and nostalgia may continue to provide value long after a cherished possession is gone. These perspectives give rise to an extended view of customer value beyond the narrower perspectives of value-in-exchange, value-in-possession and value-in-use.

This article explores academic discourse on value with a view to providing a more complete understanding of the concept. The stages of customer experience are used as a foundation to explore different perspectives on customer value, highlighting gaps particularly relating to anticipated and remembered consumption. These gaps provide the basis for a proposed research agenda focusing on understanding value-in-experience as a holistic gestalt across a range of product/service categories and contexts.

The focus in this article is on value as perceived by customers rather than economic / financial value or the value of a customer to the organisation. “Customers” are taken to be individual consumers rather than organisations in order to avoid the complexity of business-to-business relationships.

The Evolution of Customer Value-in-Experience

Customer Experience

Customers, as human beings functioning in a wider environment, have always had experiences or “direct, observational knowledge of the world” (Honderich 1995 p. 261). As early as the seventeenth century, coffee houses appeared in London in a style similar to taverns; a businessman’s second home and a centre of London social life (Pelzer and Pelzer 1982). Even then coffee was consumed as an experience, not as a commodity or product. In the retail sector in the early twentieth century, the UK department store Selfridges claimed "Shopping at Selfridges'; a pleasure - a pastime - a recreation…We like to think that everyone who spends an hour or day beneath our roof is better for the experience" (Rappaport 2000 Fig. 14).

More recently, customer experience has become a focus in managerial texts and found a place on the academic agenda (Frow and Payne 2007; Patricio, Fisk, and Cunha 2008). Pine and Gilmore describe the evolution of economic offerings from commodities to products to services to experiences (1999). Customer experience is “the next business tsunami… the next competitive battleground” (Shaw and Ivens 2002 p. 1).
So – what comprises the customer experience? A variety of perspectives have been proposed ranging from experience as an outcome of a single service episode (Bitner et al. 1997) to a persistent presence over time (McKenna 2002). Several multi-stage models have been proposed to represent customer experience. Table 1 presents two such models, showing alignment between the stages. It is noted that these two models represent experience with a physical product, as purchase and consumption are shown as separate stages. In the case of services or experiences as an economic offering, purchase and consumption may occur simultaneously or their sequence may be reversed.

Table 1 - Multi-stage models of customer experience

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<tr>
<td>Stages of customer experience</td>
<td>Classification of consumer experiences</td>
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<tr>
<td>1. Expectation setting</td>
<td>1. Anticipated consumption</td>
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<td>2. Pre-purchase interactions</td>
<td>2. Purchase experience</td>
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<td>3. Purchase interaction</td>
<td>3. Consumption experience</td>
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<tr>
<td>4. Product / service consumption</td>
<td>4. Remembered consumption and nostalgia</td>
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<td>5. Post-experience review</td>
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It is clear from these models that the customer experience extends beyond the core marketing process of exchange, and the consumption of products and services, to encompass antecedents such as exploration, planning and anticipation, and post-consumption activities such as remembering, story telling and reminiscing. This perspective was first proposed by Holbrook and Hirschman (1982) when they extended the traditional information processing model of consumer behaviour to incorporate a hedonic component including exploratory behaviour, daydreams, fun and learning by association. Most recently, Carù and Cova (2003) reinforce the extension of customer experience beyond the consumer / marketing context, recognising the importance of consumption-related experience that take place with family, friends and the wider community.

Customer Value

According to Gale (1994 p. 26), “companies succeed by providing superior customer value” - yet the nature of customer value remains a topic of debate. Various authors have sought to enumerate the categories of customer value. These include Zeithaml (1988) who describes four forms of value – (1) low price; (2) whatever the consumer wants in a product; (3) the quality I get for the price I pay; and (4) what I get for what I give. Woodall’s comprehensive deconstruction of the concept of “value for the customer” outlines five primary forms of customer value: net value, marketing value, sale value, rational value and derived value (2003 p. 7). Woodall also provides a longitudinal perspective on value which highlights the temporal, cumulative nature of the concept over four stages that loosely correspond with Arnould’s four stages of experience – ex ante (anticipated) value, transaction (purchase) value, ex post (consumption) value and disposition (remembered) value.

Whilst many definitions and categories of value have been proposed, three perspectives dominate recent academic literature:

   Value in exchange – customers perceive value in the exchange of a product for the price paid (Zeithaml 1988),

   Value in possession – customers perceive value in the public and private meanings of possessions (Richins 1994)
Value in use – customers perceive value through the use or consumption of a product or service (Woodruff 1997).

Value-in-exchange is the earliest and most widespread view, and continues to dominate today as evidenced by leading texts such as Kotler and Keller (2006). Value-in-exchange is challenged by a new logic of marketing - Service Dominant Logic - that advocates the value-in-use perspective (Vargo and Lusch 2004). Despite its emphasis on value-in-use, Service Dominant Logic elaborates on customer value in much broader terms: “Value is idiosyncratic, experiential, contextual, and meaning laden” (Vargo and Lusch 2008 p. 7).

The differences between these perspectives emerge more clearly when aligned with Arnould’s four stages of customer experience. As table 2 illustrates, none of the three dominant perspectives adequately address the full scope of the customer experience:

<table>
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<tr>
<th>Stage of customer experience</th>
<th>Value in exchange</th>
<th>Value in possession</th>
<th>Value in use</th>
<th>Proposed: value in experience</th>
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<tbody>
<tr>
<td>1. Anticipated experience</td>
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<td>2. Purchase experience</td>
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<td>3. Consumption experience</td>
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<td>4. Remembered experience</td>
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In particular, none of these dominant perspectives account for the value perceived by customers in anticipating and remembering their purchase and consumption experiences. Furthermore, the traditional emphases on exchange, possession or use fall short of addressing the gestalt of the customer experience. A more holistic perspective on value, “value-in-experience”, is therefore proposed. Customer value-in-experience is defined here as the customer’s perception of value over the entire course of the customer experience.

Customer Value-in-Experience

The proposition that value is essentially experiential in nature is not new. Retailers have, for many years, understood that value is the result of all factors, both subjective and objective, that make up the complete shopping experience (Schechter 1984). More than a decade ago, Holbrook (1994 p. 27) asserted “Value is an interactive relativistic preference experience”. Holbrook proposed a typology of consumer value with three dimensions:

- *Extrinsic / intrinsic* – the consumer perceives value in using or owning a product or service as a means to an end versus an end in itself
- *Self- / Other-oriented* – the consumer perceives value for the consumer’s own benefit versus for the benefit of others
- *Active / reactive* – the consumer perceives value through direct use of an object versus apprehending, appreciating or otherwise responding to an object.

These three dimensions give rise to eight types of customer value, shown in table 3:
The types of value proposed by Holbrook are variously supported in a number of other studies. Sheth et al. (1991) present a theory of consumption value that encompasses functional, social, emotional, epistemic and conditional value. Sweeney and Soutar (2001) propose the “PERVAL” multiple item scale with four dimensions – emotional, social, quality/performance and price/value. Social value aligns with status and esteem, emotional value aligns with play and aesthetics, quality/performance aligns with excellence and price/value aligns with efficiency.

One recent review of these the different models of customer-perceived value concludes that Holbrook’s typology is the most comprehensive (Sánchez-Fernández and Iniesta-Bonillo 2007). These researchers observe that customer value may be positive or negative (valenced), personal, situational and context-dependent, exhibiting a dynamic nature that “has been alluded to by many authors”. Customer value “must be seen as an ongoing assessment within an evolving consumer relationship” (p. 443).

In the broader experiential perspective, value may vary across evaluation contexts such as point of purchase, preparation and consumption in the home (Zeithaml 1988). According to Flint (2006), customers may initially perceive value in the idea of a product or service. Perception of value may then change as customers anticipate and explore a potential purchase, undergo the purchase transaction, use the product or service and finally reflect on the experience alone or with others.

Juxtaposing Holbrook’s eight types of customer value with Arnould et al.’s four stages of customer experience gives rise to a number of unresolved questions. For example, which stages of the experience are more important to the customer’s perception of value across a range of contexts? One would expect anticipated and remembered consumption to be more important in experiential purchases such as a night at the rugby, whilst purchase and consumption experience would be more important with utilitarian items such as stationery. In terms of the eight types of value, questions arise as to which types occur in which stages of the customer experience. One would expect active types, such as efficiency and status to occur in the consumption stage as they arise from direct use of an object. On the other hand, reactive types such as aesthetics and excellence may be experienced in anticipated consumption as they do not require direct use.

Research Agenda

Despite its theoretical treatment, experiential customer value has received little empirical research (Sandstrom et al. 2008). Even less has been done to explore Holbrook’s typology in its entirety. The small number of empirical studies that have been done, such as Mathwick et al. (2001) and Gallarza and Gil (2006) have focused on a given context and stage of the experience. Holbrook’s four “other-oriented” types of value have been at best partially covered, and at worst entirely omitted from the research that has been done.
To date, little has been done to develop a holistic, empirically-grounded understanding of customer value across the four stages of customer experience described in this paper, and in particular anticipated and remembered consumption. This is despite the opportunity presented by Zeithaml’s assertion over twenty years ago that “no empirical studies have been conducted to investigate the variation in value perceptions across evaluation contexts” (1988 p. 15).

Further research is justified in order to increase generalisability across contexts and to extend coverage over multiple stages of experience and categories of value (Sánchez-Fernández, Iniesta-Bonillo, and Holbrook 2009). A blend of qualitative and quantitative methods is suitable for research into customer experiences, with particular emphasis on customer narratives or stories as raw data (Arnould and Price 1993). With regard to customer value, further empirical research using grounded theory or ethnography is considered to be appropriate (Flint 2006).

Initial efforts could focus on exploring and comparing the nature of customer value-in-experience across a range of contexts, categories and stages. Research into the various types of value, including their valence and prevalence in each stage of the customer experience is warranted. A number of propositions are therefore advanced here:

P1: Customers perceive value over the four stages of the customer experience.

P2: Perception of value changes over the course of the customer experience in both composition and valence.

P3: Different types of value dominate in different stages of the customer experience.

P4: Customer value-in-experience varies across categories and contexts.

A number of further questions arise from these propositions. Is value-in-experience cumulative over the course of one experience or over several experiences? What role do antecedent conditions such as expectations and mood play? What is the relationship between value-in-experience, satisfaction and loyalty? How do environmental factors such as co-consumers and servicescape affect value-in-experience? How can organisations better understand value in order to present superior value propositions over the entire customer experience?

Conclusion

A holistic view of customer value, encompassing the full spectrum of the customer experience and all types of value would be of significant worth to organisations. Value propositions could be extended to address anticipated and remembered consumption. In understanding the types of value that dominate different stages and contexts, organisations could fine tune their offerings to increase value whilst removing unnecessary costs. Customers could engage in more rewarding relationships with product and service providers. Ultimately, organisations that develop a better understanding of value-in-experience may develop a significant competitive advantage.

Customer value-in-experience warrants further empirical research, particularly relating to how customers perceive value over the entire customer experience. Such research should take an exploratory, holistic perspective across all stages of the experience, across categories and contexts. The knowledge that arises from this research is expected to have both managerial and academic relevance.
References


