

# Customer Experience Model: Social Environment, Retail Brand and Positive WOM

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## Abstract

Competitive advantage today can be achieved not only through selling the products or services to consumers, but also emphasizing the creation of customer experience. On the other hand, the company does not merely orient to customer satisfaction as customer satisfaction will stagnate at some points. Companies need to find new formulations to retain their customers by creating customer experience. The customer experience can occur through the stimulations which some are controllable whereas some others are uncontrollable by the company. Social environment and retail brand image can influence the creation of customer experience. Unpleasant emotions experienced by customers will support their positive WOM. Customers who spread positive WOM tend to be loyal to the company. This article provides some ideas related to retail companies in retaining their customers through the creation of customer experience.

**Keyword:** customer experience, social environment, retail brand, positive WOM

## 1. Introduction

In facing increasing competition, every company should try to find the right business strategy to win the competition. In this case, marketing strategy is the focal point of the company's business strategy. All companies utilize marketing strategy in delivering their products (goods and services) offering to meet what consumers demand and expect. Marketing strategy development today requires companies to create a unique characteristic of the products and services offered to its customers. According to Kotler (2002) distinctive factor or differentiation factor can be a tool for the company to win the competition as well as a source of competitive advantage. Through the differentiation factor, customers will get easier to recognize and remember the products and services offered by the company.

Marketing strategy for the service product is different from goods. Service characteristics which are intangible and perishable make service difficult to be evaluated before consumers consume (Lovelock & Wirtz, 2010). Lovelock and Wirtz (2010) state that determining the quality of service is more difficult, both before and after purchase since service is intangible. In the process of service delivery, service providers and buyers must meet which then the service delivery process occurs. There are three things to be considered in marketing strategy including process of services delivery, reliability of service providers during service delivery, and tangible facilities that come along with the service delivery process. Therefore, the process of delivering service products is more complex than tangible goods.

Pine and Gilmore (1999) demonstrate (see the appendix, Table 1.1) that changes in the characteristics of products and services occur in line with the growth of the economy over time. Starting from the type of commodities in the era of agricultural economy during XVII to XVIII centuries, the characteristics of product and service during that time are: commodities were offered were based on the basic functions of the goods, it could not be distinguished from one to another, merchants sold goods in large packs, and the prices depended on the demand and supply of the market. In the industrial era during the middle of 19<sup>th</sup> century, factories used machinery to increase productivity. This utilization of machinery caused those factories capable of producing more goods in particular standard as well as they started to build their inventory.

Technological innovation that occurred gradually during production process resulted in greater efficiency of goods production since it was replaced by better machinery. This phenomenon led to the reduction on the number of labor force that was needed in the production process. Along with the decrease on the needs of labor force in the manufacturing sector, there was an increase on the service market (during late 19th century); thus, it

enhanced the need on the workers for service sector. Companies used service as the differentiating factor in facing and winning the competition during that era. Service is intangible activity and tailored to meet customer's wants. Service providers deliver services when customer needs. Several companies combined between products and services in their offering. Later on, more and more companies are doing similar things so that the distinguishing factor among companies becomes less distinct.

In twentieth century, it emerges different output requirement from prior era. The differentiating factor by combining goods and services is no longer applicable for XX century. Companies should look for other type of distinctive factors that are difficult for competitors to imitate. The recent identification to distinguish one firm from another is by offering an experience. Experience occurs when a company uses its services as a mean of delivering products and goods to bond individual customers. Commodities are seen as the basic function of the product; yet goods and service are compared based on their tangibility and intangibility; and, experience is a memory (memorable). Buyers will gain experience, for instance, when they enjoy a game at Disneyland. Pine and Gilmore (1999) state that two people at the same moment will not acquire similar experience, since every experience that occurs derived from the interaction between the company and each individual.

Company's competitive advantage derived from differentiating factor by creating a delightful experience for the customer is one of the powerful marketing strategies nowadays. Shaw (2007) mentions that the creation of customer experience gets more and more advanced and become the standard in business. According to Consumer Experience survey by Temkin Group in Q1 of 2011 in the United States, it showed that there were 27 American companies which had conducted survey on customer experience. Amazon.com company is able to achieve the highest customer experience score by attaining 81% (excellent). There are 16 American companies (Kohl's, Costco, Lowe's, Sam's Club, BJ's Wholesale Club, Walgreen's, Old Navy, Target, Rite Aid, JC Penney, Wal-Mart, CVS, Macy's, Home Depot, Sears) that get customer experience creation score higher than 70% ([experiencematters.wordpress.com](http://experiencematters.wordpress.com)). This suggests that experience creates a unique value to the customer, difficult to be imitated by competitors, and provide a strong effect on satisfaction, loyalty and recommendations behavior of the consumers (Berry, Carbone, & Haeckel, 2002; Pine & Gilmore, 1999).

The concept of customer experience emerged in several disciplines (Wall et al., 2011:11). In the perspective of sociology and psychology, peak experience is a real subjectivity, very attractive, rich and complete experience that has been experienced by a person (Thorne, quoted in Wall et al., 2011:11). From the perspective of anthropology and ethnology, experience means a medium to deliver culture on individuals through an event that is realized by those individuals themselves (Caru & Cova, 2003) and others, society and the world (Abrahams, quoted in Wall et al., 2011:11). Pine and Gilmore (1999) states that successful experience occurs when consumers get something unique, memorable, continuous, eager to repeat and build upon, as well as make consumers enthusiastic to do WOM. Schmitt (1999) perceives from economic and marketing perspective that experience is personal; it is an individual response that occurs to some stimuli and involvement in particular setting or background. Marketers should offer facilities and environment in order to create the desired customer experience. Lewis and Chambers (2000) quoted in Wall et al. (2011:11) define customer experience as the total implication of the combination of environmental, goods and services bought by the customer.

The concept of customer experience itself has been discussed in several studies. Holbrook & Hirschmann (1982) and Babin et al. (1994) have stated that consumption has experiential aspect. Schmitt (1999) in his book describes how companies create experiential marketing so

that customers can recognize through their senses, feeling, thinking, action, and correlate those things to the company and the brand. Berry, Carbone, and Haeckel (2002) show in handling competition, a firm should provide complete facilities to encourage purchasing process to occur so that the customers get satisfying experience. Puccinelli et al. (2008) mention that experience occurs at the every stage of the consumer decision process. Palmer (2010) exhibits a conceptual framework that can shape customer experience. Customer experience management is the key to create a successful customer relationship management.

Verhoef et al. (2009:31) state that there are several publications in journals and books on customer experience realm in the context of managerial actions and its practical implication (Berry, Carbone, & Haeckel, 2002; Meyer & Schwager, 2007; Shaw & Ivens, 2005); yet, theoretical review which underlies the supporting factor and the consequence of experience customer itself is not yet widely explored.

The description of the following studies indicates the contributing factors and consequences of customer experience as stated by Verhoef et al. (2009:31). Gentile et al. (2007); Sheng and Teo (2012) explain that hedonic value and utilitarian value are the antecedents of customer experience. Sheng and Teo (2012) conclude that customer experience results in brand equity. Naylor et al. (2008) demonstrate the influence of advertising on hedonic experiences, symbolic and functional functions. Grewal et al. (2009) present a research conceptual framework which experience becomes the antecedents and consequences. The antecedents intended by the research framework of Grewal et al. (2009) consist of promotion, price, merchandise, supply chain, place, and macro environment. The result of the Grewal's et al. research framework (2009) finds that customer experience is derived from marketing performance and financial performance. Hsu and Tsou (2011) state that the factor which contributes to the consumer experience is the credibility of information. Nasermodeli et al. (2013) mention that social environment affects the sensory experience, emotional experience and societal experience. Gopalan and Narayan (2010), Klaus and Maklan (2011) and Ferguson et al. (2012) emphasize on the consequences of customer experience to WOM.

Verhoef et al. (2009) present a model related to how to create customer experience (see Fig.1) based on a literature review of previous studies. Contributing factors in the model of customer experience creation from Verhoef et al. (2009) includes the supporting factors that can be controlled and cannot be controlled company. The model of customer experience creation by Verhoef et al. (2009) consists of 9 contributing factors suitable for retail. The nine variables are: the social environment, self-service technology, retail atmosphere, assortment, price, customer experience in alternative channels, retail brand and customer experience (t-1) and two moderating variables including situation and consumer. The concept of customer experience creation model combines controllable contributing factors such as self-service technology, retail atmosphere, assortment, price, customer experience in alternative channels, retail brand, and customer experience (t-1) as well as uncontrollable contributing factor which is social environment factor.

Consumer experience creation model by Verhoef et al. (2009) exhibits a complete comparison among the contributing factors compared to Gentile et al. (2007), Naylor et al. (2008), Grewal et al. (2009), Hsu and Tsou (2011), Sheng and Teo (2012), Nasermodeli et al. (2013) models which have been described above. Verhoef et al. (2009) proposes a holistic customer experience construct and involves cognitive, affective, emotional and physical response aspects for retail business. Verhoef et al. (2009) also present a gap for further research to empirically examine the two variables, namely social environment and the retail brand variables. The other variables such as self-service technology, retail atmosphere, assortment, price, customer experience in alternative channels, customer experience (t-1) and customer

experience management strategy are not recommended for further study because those have been explored in prior studies (Neslin et al., 2006; Dorotic, Verhoef, & Bijmolt, 2008, Ailawadi et al., 2009; Kopalle et al., 2009; Mantrala et al., 2009 as adapted from Verhoef et al., 2009).

Based on the description above, there is an interesting theme to be explored regarding to customer experience. This study examines the contributing factors and consequences of customer experience that is not yet widely discussed. The contributing factors to customer experience are researched and empirically tested a model by referring to the model of customer experience creation by Verhoef et al. (2009), particularly for the recommended variables: social environment variables and retail brand variables. Customer experience creation model by Verhoef et al. (2009) does not discuss the consequences of the customer experience itself. This study also modifies Verhoef's et al. (2009) model of customer experience creation by adding customer experience's consequence namely WOM variable.

The social environment described by Verhoef et al. (2009) includes the interaction between consumers and employees, as well as the interactions among consumers in a community. Verhoef et al. (2009) state that the interaction between consumers influences the experience of each consumer. For instance, when a consumer A feels annoyed by the loud voice of consumer B at a cinema, consumer C asks B to calm down his voice. It will affect the experience of each consumer. Employee interaction with customers occurs when a transaction takes place. The attitude of employees in delivering services will have an impact on the customer experience. A community or a group in a society can provide information to members of the group /the community which then have an impact on the experience attained by its members.

Nasermoadeli et al. (2013) analyze the direct relationship between the social environment with customer experience as sensory experience, emotional experience and societal experience. The results show that social environment significantly influences the sensory experience. Nasermoadeli et al. (2013) research supports the concept of customer experience creation model by Verhoef et al. (2009) regarding the relationship between social environment and customer experience.

Retail brand variable is interesting to study because each retailer has a unique retail brand or the private label. Ailawadi and Keller (2004) state that retail is an ideal place to create customer experience. Customer experience not only involves the retailer brand or trademarks of the manufacturers but the whole of retail. Retail brand will also describe the significance of the retail brand meaning in the mind of consumers be able to create customer experience. Fitzsimons et al. (2008) conclude that exposure to brand influences consumer perceptions on the brand. Consumer perception will influence consumer behavior. Consumer behavior reflects the experience received and perceived by the consumers. Fitzsimons et al. (2008) give an example of Apple brand exposure which is perceived to be more creative than IBM brand exposure. Therefore, it concludes that consumer perception of a brand will affect the experience that will be gained. Based on this description, the Verhoef's et al. (2009) model concludes that retail brand is the factors which contributes the creation of customer experience.

Retail with famous brand has an advantage every day from its loyal consumers as those consumers go shopping for goods and services at the retail store. Consumers expect that they will be better served than in particular store compared to the competitor. The value-added perception of the customers is attained through brand image which is offered and this becomes a tool to win the competition nowadays. Martenson (2007) proposes that consumers

who have tried the store brand will result in potential effect on store image; but it is more likely that the store image affects the willingness of consumers to try the store brand. It means store image can affect a consumer to visit the store.

Measurements retail brands used in this study is based on the brand image concept. Consumers will achieve the description of the consumer product when it is initialized by the brand image. This study uses retail brand image measurement concept (Ailawadi & Keller, 2004) since it is explicitly adjusted to Verhoef's et al. (2009) the concept of customer experience creation model for retail.

Wardah Fazriyati (2012) explains mall reflects the lifestyle among urban society as well as a place to shop; further, mall is also a gathering, meeting, and recreation place with mates, friends, family, relatives, and colleagues. Several activities can also be held at a mall such as exhibitions, competitions, fashion shows, and so on (Kompas.com). Markplus Insight survey on malls in 2012 emphasizes on the two main points, namely physical facilities and hospitality (non-physical aspect) of the mall's staffs when they interact with visitors. The physical aspect includes the conditions around the shopping mall, work environment at the helpdesk (customer service), parking lot, atrium, visual merchandising, elevators and escalators for visitors, ATM centers, green areas, signage, room for nursing mothers, places of worship, toilet, children's playground, and a food court area. For hospitality aspect, it includes the evaluation of mall visitors on the safety, customer service counters, janitors, elevator attendants, parking attendants, toilet attendants, and food court attendants. Based on the description above, it shows that customers who visit the mall will get a number of benefits and involved in physical activities that will build an experience during spending their time at the mall. Those aspects do not exist in a self-service technology.

Service marketing strategy will be more effective if it is done through WOM communication. Consumers who have experienced the service will be easier to do WOM communication. Consumers will have a greater trust when the service information is delivered by other consumers who have got the services from former experience. Based on previous research, there are a lot of factors that influence WOM such as trusts (Augustus and Rossi, 2008), loyalty (Augustus & Rossi, 2008; Roy, Butaney, & Bhutaney, 2009; Sohail, 2012; Bahri-Ammari, 2012), quality (Ennew, Banerjee, & Li, 2000; Augustus & Rosii, 2008; Ng, David, & Dagger, 2011), customer satisfaction (Augustus & Rosii, 2008; Lang, 2011; Komunda & Osarekhoe, 2012; Ha & Im, 2012; Bahri-Ammari, 2012), customer relationship (Ennew, Banerjee, & Li, 2000; Dithan, 2009), service recovery (Komunda & Osarekhoe, 2012), as well as commitment and perceived value (Augustus & Rosii, 2008). Research which uses experience as the antecedent of WOM is still a few; therefore, it is interesting to observe further.

Gopalan and Narayan (2010), Klaus and Maklan (2011) and Ferguson et al. (2012) observe different research object but similar service sector – hospital - conclude that experience significantly influences WOM. The results of those studies confirm the importance of the consumer experience to encourage WOM in the service sector. Customer experience is an event which is individual and natural that directly occurs to the customer; thus, experience is highly possible to influence WOM. Customers will share their experience either intentionally or unintentionally to others. Affirmed by Solomon (2011), word-of-mouth communication (WOM) is a powerful tool to be used when consumers are not familiar with the product category.

WOM is an interpersonal communication between two or more individuals such as among the members of a reference group or between consumers and sales force (Assael, 1995). A

positive WOM phenomenon that occurs among consumers cannot happen inevitably without the role of the company or service provider. The company provides all facilities and products which meet the needs and expectation of consumers. The company expects that by offering better product and services, it will result in positive WOM communication among consumers. Katz and Lazarsfeld in Assael (1995:635) state that WOM is two-times more effective than radio advertising. WOM is four-times more effective than sales force. WOM also is seven-times more effective than newspapers and magazines. Satisfied consumers will do positive WOM (Sweeney et al., 2012; Ha & Im, 2012). When positive WOM happens, the company will attain greater benefits. The Company will acquire new customers without going establishing costly marketing communication effort. The product image of the company gets increased through positive WOM. The company also will get greater revenue from its new consumers. Further, consumers will have higher trust become loyal due to positive WOM (Zeithaml, 2009: 550).

Kasali (2003), says that Indonesian society is in habit of spreading news by WOM; Indonesian uses their verbal communication more frequent than use their hands to write or use their sight to read. The form of word of mouth communication which comes from satisfied customer can be a recommendation for other potential consumers, an encouragement to other consumers to do business with particular service providers (Zeithaml, 1996).

Marketers can encourage positive WOM communication of a product through new product information and positive publicity about the product. Positive WOM can occur through personal joyful experience of consumers (Assael, 1998). WOM communication is mostly important for the reference group since it can be a source of information and an influence. WOM communication is very important for a product that can be identified through style, taste and other norms. WOM can occur for products that have been introduced already by company but not yet got consumer's attention.

The purpose of this study refine the research gap which is suggested by Verhoef et al. (2009) for making empirical testing on customer experience creation model. Empirical test is conducted on the contributing factors which cannot be controlled by company namely social environment variables with customer experience. Empirical test is also run to the contributing factors that can be controlled namely retail brand company. Social environment and retail brand variables are still rarely explored; further, it also aims to prove and support the concept of Verhoef's et al. (2009) customer experience creation model. This study also modifies Verhoef's et al. (2009) customer experience creation model by adding positive WOM variable. .

Theoretically, this research can enrich knowledge, especially in marketing realm regarding consumer decision-making concept. The topic of customer experience has not been widely discussed as a research topic, particularly in Indonesia which has different characteristics of consumers compared to consumers in other countries. The selected research object of retail business is based on the Verhoef's et al., (2009) research recommendation.

## **2. Literature Review**

Levy et al. (2012) define retailing as a set of business activities that add value to the products and services sold to consumers for personal or family use. Based on the definition of retailing above, it can be concluded that the concept of mall is a group of retails in a single building unit. The group of retail can be a set of retails which sell products in store, services, sales via the internet, direct selling, and sales via catalog.

In general, shopping center, or shopping mall can be described as a collection of diverse

varieties of goods and services and are arranged strategically to draw the attention of consumers (Agustina, 2005). The shopping mall is a place where there are various shops that can meet all the needs of society, ranging from the primary, secondary, and tertiary needs. At shopping mall, people can shop, walk around, and enjoy the entertainment, banking, dining, and various other activities. Shopping mall becomes a place of recreation and a place to spend leisure time which is important for today's society, especially for those living in big cities.

Mall in such description is known as "one-stop shopping mall", which is a mall that provides everything so that visitors do not need to go anywhere else. Visitors can shop, play, and spend leisure time; thus, mall becomes an important element in modern urban society lifestyle labeled as "a cultural phenomenon" (Agustina, 2005).

### *2.1 Customer Experience*

The concept of customer experience was initially emerged in the middle of 1980's, along with the mainstream of consumer behavior literature that considers customer as rational decision makers. A new approach explains that experience as the origin of consumer behavior (Holbrook & Hirschman, 1982).

Hedonic term implies that customer experience focuses on customer attitudes such as surprise, delight, and excitement (Oliver et al., 1997). In the hedonistic perspective, customer implies a non-linear effect when the first stimulus is much perceived for its to-date or first impression; however, the next stimulus is less perceived for lack of to-date impression. The role of emotion as a distinguishing feature of customer experience and the stimuli which generate positive effect to a consumer may generate negative affect for other consumers (Oliver et al., 1997).

The concept of customer experience is more relevant Experiential Economics by Pine and Gilmore (1999). The authors present experience as an offering on the new economy which emerges after commodity. Experience is called as economic value development. In this case, it arises emerges a term namely 'memorable' in every stage of the event. Company does not sell experience (Pine & Gilmore, 1999); yet, company gives artifacts and acceptable experience context that can be done well by consumers to make their experience and uniqueness.

Broader definition of customer experience is emphasized on the hedonic aspect which is more varied. The definition of hedonic in customer experience means various stimuli to create value for customers. The stimulating effect may be in the form of physical control when having an interaction during delivering service (Grove et al., 1992; Gupta & Vajic, 2000), focusing on customers and expected product design quality (Price, Arnould and Tierney, 1995), service delivery process (Harris et al., 2001), aspiration and brand utilitarian (Chernatony & McDonald, 2003), as well as relationship support (Gummesson, 1997). O'Shaughnessy and O'Shaughnessy (2003) note that what can make a person get emotional is an indication of what they perceive as a very important thing. A new way to approach customer experience is by considering the concept of consumption as holistic experience which involves others in every interaction among people and between a person and a company or a company's offer (LaSalle and Britton, 2003). Contributions that is provided to create values which exceeds consumer expectations in a good way will result in memorable experience of the customer with the company (LaSalle & Britton, 2003); in other words, according to Prahalad and Ramaswamy viewpoint (2004) it will create a unique experience of the customer with the company.

The various scientific contributions with different interpretations and conceptualizations of the customer experience offered by several authors results in different perspectives and numerous proposed models. In general, the core characteristics of the customer experience



derived from those concepts are:

1. Customer experience has temporal dimension derived from the overall contact points between customers and a company or between customers and the company's offering (Addis & Holbrook, 2001; Caru & Cova, 2003, LaSalle & Britton, 2003).
2. Customers experience is very personal and involves different customers regarding their level of rational, emotional, sensory, physical and spiritual well so that it creates a holistic *gestalt* (Schmitt, 1999).

## 2.2 Social Environment

In a broad definition, social environment includes all of the social interaction between and around the people (Peter & Olson, 2008, p.258). Consumers can directly interact with others or observing people or something. Social environment consists of macro and micro social environment. Macro social environment will influence micro social environment influence which then affects individual consumer. Macro social environment refers to the indirect interaction and represent social environment in a very large group of people. Macro social environment includes culture, sub-culture and social class. All of those three aspects have major impact on the values, beliefs, attitudes, emotions and behavior of individuals in the group. Differences that occur in the macro social environment are useful for segmenting the market.

The micro social environment includes face-to-face social interaction among smaller groups such as family and reference group. Direct social interaction can provide a substantial influence on consumer knowledge and impressions around a product, store or advertising and consumption behavior. For example, the influence of the family is continuous and sustained over several years to adult consumers since they were little will have an impact on purchasing the same brand, subscribing to the same store and shopping in the same manner as their parents.

The indicators of social environment include: consumer interaction with employees (Baker et al., 2002), education group and shopping companions (Haytko & Baker, 2004), peer group, family and group cohesiveness (Lou, 2005), age and reference group (White & Dahl, 2006), expression of employee's emotion and customer climate (Lin & Liang, 2011), and a social community around, friends and acquaintances as well as media instruments (Nasermoadeli et al., 2013).

## 2.3 Retail Brand

Brand is name, term, sign, symbol or design, or a combination there of, which is intended to identify the goods and services of a seller or group of sellers and to differentiate those goods and services from competitors (Keller, 2008). Based on these definitions, the keys to create brand is based on the choices of names, logos, symbols, packaging design or other characteristics that can identify and differentiate the product from other products.

Retail brand is measured by using brand image measurement. Keller (1993) states that brand image is consumer's perception and preference for particular brand, which is measured by a variety of brand associations that are remembered by consumers. Associations are all forms that reflect the characteristics of the product. Consumers can establish brand associations in a various ways, such as through direct experience, information, WOM, consumers's own assumptions or conclusions about the stigma. Imagery refers to the intangibility aspect of the brand. Customers may establish imagery directly from the customer experience or indirectly through advertising or from multiple sources of information such as word of mouth (WOM).

According to the American Marketing Association's definition of a brand Associations in Ailawadi and Keller (2004), retail brand retailers identify the goods and services and

distinguish it from competitors. Retail brand, in practice, is different from product brand. Consumers who utilize the retail brand will take a full and deep experience as retail brand is more touching to the multi-sensory of the consumers naturally than product brand. Retailers can also create retail brand image in different ways, such as through a unique association for service quality, diversity of products, pricing and payment policies and etc.

Perceptions and preferences of consumers in the retail brand image are obtained from retail brand associations remembered by consumers. Based on the research discussing retail brand image, retail brand associations can be described through retail environment. Retail environment includes physical environment, price (Ailawadi & Keller, 2004; Martenson, 2007; Jara & Cliquet, 2012), promotion (Ailawadi & Keller, 2004), merchandise (Semeijn et al., 2004; Ailawadi & Keller, 2004; Martenson, 2007; DA Silva & Syed Alwi, 2008) and services (Semeijn et al., 2004; Ailawadi & Keller, 2004; Martenson, 2007; Jara & Cliquet, 2012). The physical environment includes physical layout (Semeijn et al., 2004; Da Silva and Syed Alwi, 2008), access, store atmosphere (Ailawadi & Keller, 2004), and neat (Martenson, 2007).

#### 2.4 Word-of-Mouth

Word of mouth is an interpersonal communication between two or more individuals as a reference group member or between customers and sales force (Assael, 1995). Recommendation from word of mouth is one of the important factors that influence a person's decision to buy a product. In the study of Richins and Root-Shaffer in Assael (1995), they describe three types of WOM communication, among others, due to new products, the provision of news (response or opinion), and personal experience (comments about the performance of the product or reasons why consumers buy). WOM communication can be either significantly positive or negative.

There are several researches which examine WOM variable as the dependent variable. Ferguson and Paulin (2009), Gopalan and Narayan (2010), Bell et al. (2005) adapted in Ng et al. (2011), Klaus and Maklan (2011) and Cetin and Dincer (2013) examine the relationship between experience as the independent variable and WOM as the dependent variable. This indicates that there is still a few of research which explore the relationship between experience and WOM. WOM variable that will be examined in this study is the consequence of the of the customer experience creation model (Verhoef et al., 2009).

### 3. Proposed Framework

The conceptual framework in this study is based on theoretical studies and empirical studies on the relationship among social environment, retail brand, customer experience and positive WOM. The creation of customer experience becomes the attention of many companies nowadays to win the competition. The customer experience can be created through social environment and retail brand. A pleasant customer experience will have an impact on the emergence of positive WOM. Positive WOM will benefit both company and its customers.

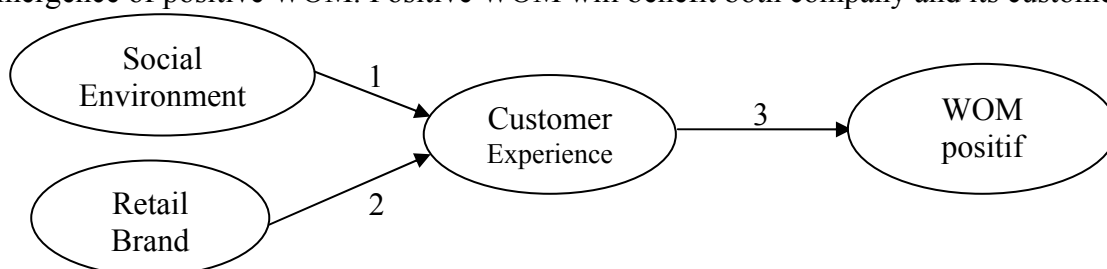


Figure 2. Proposed Framework

The direction of the relationship on the research framework is cited from the following references:

1. Verhoef et al. (2009), Nasermoadeli et al. (2013).
2. Verhoef et al. (2009), Mitchell et al. (2012).
3. Ferguson and Paulin (2009), Gopalan and Narayan (2010), Klaus and Maklan (2012), Cetin and Dincer (2013).

In the conceptual framework of the relationship between social environment and customer experience proposed by Verhoef et al. (2009), social environment is not interpreted as role of the marketer to create a relationship with customers but it is about the strength of the bond among consumers in a group or family. Social environment is expressed as the interaction among consumers, between consumer and the employee of a firm, and consumers observation on advertising or information media of a company. Consumer interactions can affect other consumers both directly and indirectly. Direct interaction occurs, for example, when there are customers who talk to other customers or to the employees of a company. Indirect interaction occurs through the observation of consumers on something, through observation on attitudes, behavior (gesture) of other consumers or employees of the company on particular event. The observation will build particular impression which influences the experience that a consumer receives.. Either positive or negative impression that occurs depends on the behavioral observations. Observations and interactions that happen during the process of service delivery will affect consumer experience.

Verhoef et al. (2009) also state that social environment is built from company's information addressed to consumers. Company information can be obtained from the mass media (electronic/non-electronic), group/family and consumer communities to where a consumer joins. Peter and Olson (2008) also assert that the media includes TV programs, newspapers, magazines, movies, literature and music. Information can be distributed by consumers through virtual communities and through face-to-face meeting. Information received by consumers builds consumer perception which then affects consumer experience.

Nasermoadeli (2013) states that \social environment affects the sensory experience of customers; further, social environment also affects the emotional feedback on the customer experience. Measurement of social environment variables according to Nasermoadeli (2013) views, are measured from the surrounding social community, friends and acquaintances as well as the media instruments (Verhoef et al., 2009). The interaction that occurs in a social community, friends and acquaintances is an interaction among consumers which will influence the sensory experience of the consumers. Sensory experience of the customers is the experience that can be perceived through the five senses (sight, smell, hearing, taste and touch). Consumers in social communities and observation of consumers in this media will affect consumers' sensory to achieve their sensory experience. Through the strength of consumer's sensory, it will build the experience of the consumer. Based on the description above, it leads to the following hypothesis:

**Hypothesis 1:** Social environment significantly influences customer experience.

Keller (1993:48) states that the basic model of customer-based brand equity (CBBE) concept proposes that the strength of the brand lies on what customers have learned, felt, seen and heard about particular brand as the result of customer knowledge from time to time. CBBE occurs when customers have a high level of awareness and familiarity with the brand. Customers have the memory of a strong brand association, suitability and uniqueness (Keller, 1993:53). CBBE model is used as a reference for building a strong brand. Building strong

brand is done through 4 stages. In phase 1, it discusses brand salience to measure brand awareness. Phase 2 is related to brand performance and brand imagery to measure product performance and brand image associations based on customer experience of the brand. Phase 3 consists of brand judgments and brand feelings that discuss the personal opinions and feelings of consumers toward the brand. The last stage is brand resonance which illustrates the psychological aspects of consumer on a brand which encourage brand engagement and loyalty. Building a brand (Keller, 1993) is a reflection of Aaker's (1991) brand equity consisting of 5 components: brand loyalty brand awareness, perceived quality, brand associations, and other proprietary brand assets.

Grewal, Levy, and Lehmann (2004) say that to understand the role of retail brands on creating customer experience is important. The use of a brand in a certain period of time will cause emotional engagement to the brand that a consumer uses. The stronger the emotional bond formed with the consumer results in stronger perception of the consumer on the brand (Keller, 2008). Victoria's Secret, Wal-Mart and Best Buy brands are the brands which have strong emotional bond with their customers. Customers who use the product of the retail brand will feel that they get something different, proud and excitement. Ambler et al. (2002) suggest the relationship between brand and experience. The experience is gained when consumers buy and use the brand. The use of the brand in a certain period of time will encourage brand equity on the consumers. Brand equity should be managed by a company through its marketing channels.

The role of a brand to shape brand experience is not only in the form of brand use. Retail brand implementation can be achieved by arranging customer experience management (Mitchell et al., 2012). Retail brand can describe the direction and uniqueness that consumers will obtain. In retail business, retail brand image is built through consumers experience as they visit and shop at the retail store. The tangibility aspect of retail greatly influences retail brand image. Physical environment, service, merchandise and price are able to describe retail brand image (Semeijn et al., 2004; Da Silva and Syed Alwi, 2008; Jara and Cliquet, 2012). Physical environment aspect includes the tangible facilities in the retail store which affect the transaction process. Service occurs when consumers visit and make direct transactions. Retail brand image can be perceived and received through the experience of the consumer himself. In the model of customer experience creation by Verhoef et al. (2009), it is stated that retail brand is the antecedent of experience creation. The description above underlies the following hypothesis:

**Hypothesis 2:** retail brand significantly influences customer experience

Gopalan and Narayan (2010) mention that customer experience will cause positive consumer behavior if the experience attained by the customer is delighting; on the contrary, it will result in negative behavior when consumer has unpleasant experience. Positive behavior becomes as the promoter of positive customer experience with positive WOM communication. Ferguson et al. (2009) state that the sum of service experience has a positive significant effect on positive WOM. Klaus and Maklan (2012) find that service experience significantly affects WOM intentions. Cetin and Dincer (2013) conducted a research on a five-star hotel in Istanbul found that customer experience has a significant positive effect on customer loyalty and WOM both partially and simultaneously. It can be concluded that the impact of experience is WOM. The model of this research framework only discusses the emergence of WOM. According to Zeithaml (2009:550), the effect of positive WOM is customer loyalty. This study only discusses the impact of a pleasant experience on the occurrence of positive WOM. Regarding the description above, it leads to the following hypothesis:

**Hypothesis 3:** customer experience significant affects positive WOM.

Tabel 1. Economic Distinctions

Economy Offering	Commodities	Goods	Services	Experiences
Economic	Agrarian	Industrial	Service	Experience
Economic Function	Extract	Make	Deliver	Stage
Nature of Offering	Fungible	Tangible	Intangible	Memorable
Key Attribute	Natural	Standardized	Customized	Personal
Method of Supply	Stored in Bulk	Inventoried after production	Delivered on demand	Revealed over a duration
Seller	Trader	Manufacturer	Provider	Stager
Buyer	Market	User	Client	Guest
Factors of demands	Characteristics	Features	Benefits	Sensations

Source: Pine and Gilmore (1999:6).

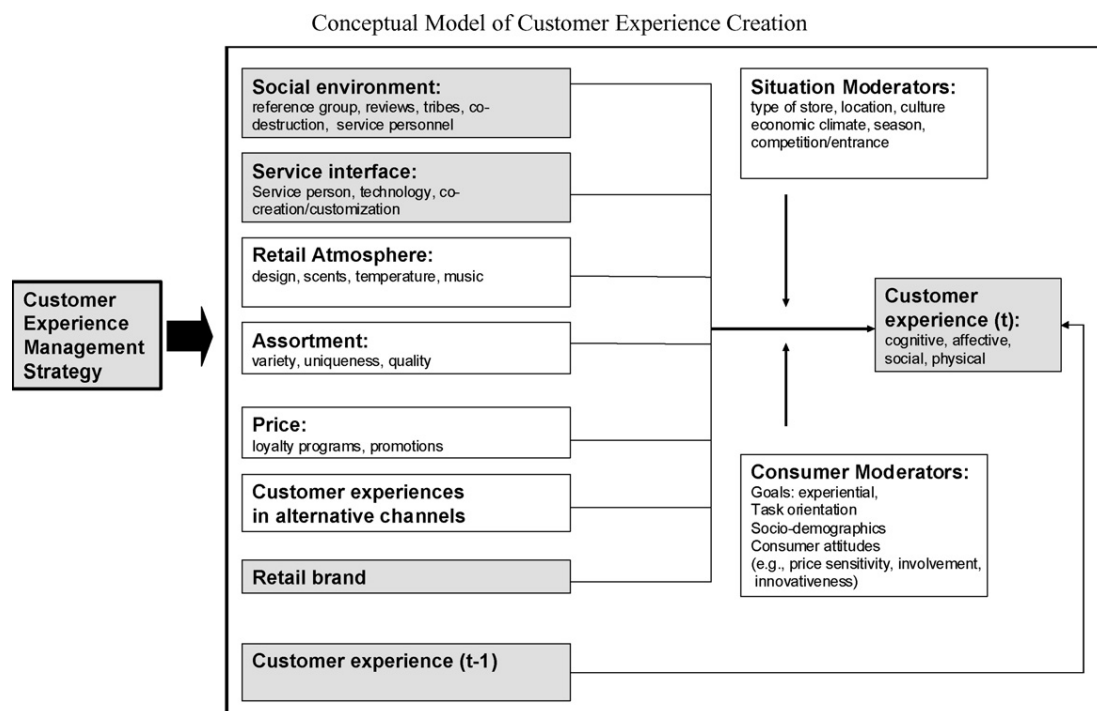


Figure 2. Conceptual Model of Customer Experience Creation

Source: Verhoef et al. (2009).

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