

## Welcome to Your Experience: Where You Can Check Out Anytime You'd Like, But You Can Never Leave

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*Experience design, or efforts to create emotional connection with guests or customers through careful planning of tangible and intangible service elements, has gained popularity in many hospitality and retail businesses. With ever-increasing competition, service providers seek to develop loyalty by aggressively designing, continuously innovating, and managing their customer experiences. This paper explores the relationship between different service elements designed to create enhanced experience and customer loyalty. In addition, it looks at emotional responses as mediating factors between the physical, relational, and time designed elements and loyalty behavior. A model is proposed and tested with a VIP hospitality tent for an internationally renowned performance company. Results of the study indicate that while a few design elements directly affect loyalty, the relationship between most design elements and loyalty is strongly mediated by eliciting certain types of emotional behavior. This connection has implications for the focus of service managers' efforts in different environments.*

"I want the experience of staying at one of my hotels to be more like seeing a great movie, reading a wonderful book, or watching a memorable play—not just a place to sleep, but a place where you feel an honest, emotional connection—where you feel like you are an integral part of the story unfolding around you—because you are" (Schrager, 2002).

Over the last few years, there has been an increasing trend towards creating "experiences" for customers, particularly for those in the service sector. Because of this trend, a number of authors argue that the service economy has been transformed into an attention economy (Davenport & Beck, 2002), entertainment economy (Wolf, 1999), a dream society (Jensen, 2001), emotion economy (Gobé & Zyman, 2001) or an experience economy (Pine & Gilmore, 1998, 1999; Schmitt, 1999). Generally, these authors indicate that as commoditization of many service offerings continues, companies must find new ways to achieve a competitive advantage particularly by focusing on design and management of customers' experiences. Typical examples of new service experience concepts are the following: boutique hotels, such as Ian Schrager's properties in New York (the Hudson and Morgans) or London (Sanderson and St. Martins); "Try and Buy" retail concepts, such as Van's Skate-park/Store Concepts or Case Tomahawk Customer Experience Center; theme park retail, such as Toys R US New York City flagship store or Xscape, UK, and full experience portfolios, such as those provided by Lego International through their theme parks, websites and user groups, and extensive products.

While experience design authors argue that well-designed experiences build loyalty (Davenport & Beck, 2002; Gobé & Zyman, 2001; Pine & Gilmore, 1998, 1999; Reichheld, 1996; Schmitt, 1999), the relationship between different service design elements and loyalty behavior is not fully understood or tested. Experiences are inherently emotional and personal; many factors are beyond the control of management such as personal interpretation of a situation based on cultural background, prior experience, mood, sensation seeking personality traits, and many other factors (Belk, 1975; Gardner, 1985; Hirschman & Holbrook, 1984; Zuckerman, 1971). Nevertheless, within management's domain, the service designer can design *for* experience and operations manager can facilitate an environment *for* experience by manipulating key elements. A considerable amount of marketing research has examined how brands create experiences (Gobé & Zyman, 2001; Schmitt, 1999; Wolf, 1999; Zaltman, 2003). The impact of experience design and management on service operations management has been the focus of only limited research. A major contribution of our study is to show that understanding the relationship between different elements of experience design and loyalty provides a useful framework for service operations design and management. The purpose of the article is to improve management understanding of experience design by addressing the following questions:

- How do services create an experience that can influence loyalty?
- What role do emotions play?
- What specific service elements influence emotional connection and loyalty behavior?
- What are the implications for service managers?
- Can lessons be learned in one service sector and then translated to other sectors?

To address these questions, we first look at definitions of experience and the current literature on designing and managing experiences. Next, we develop an exploratory framework to integrate the vital pieces of experience design with customer loyalty behavior. The proposed framework is tested with VIP hospitality treatments for an internationally renowned performance company. The results are analyzed and the managerial and research implications of the model and experimental results are discussed. In addition, suggestions for future research are drawn.

## CONCEPTS

### Experience Design

While operations management research has focused on service design, the area of experience design has been largely ignored. To see what it takes to create a service "experience," we first look at definitions of experience. Early research by Dewey (1963) focused on the event qualities of an experience. According to this work, engaging in an experience involves progression over time, anticipation, emotional involvement, a uniqueness that makes it stand out from the ordinary, and it reaches some sort of completion. More recently, Gupta and Vajic (1999) state that an experience occurs when a customer has any sensation or knowledge acquisition resulting from some level of interaction with different elements of a context created by a service provider. Successful experiences are those that the customer finds unique, memorable and sustainable over time, would want to repeat and build upon, and enthusiastically promotes via word of mouth (Pine & Gilmore, 1998, 1999).

Several researchers have focused on extraordinary or optimal experiences. The leading researcher in this area, Csikszentmihalyi (1991, 1997), refers to optimal experiences as "flow." Flow experiences offer absorption, personal control, joy, values, a spontaneous letting-be, and a newness of perception and process. A person's attention is completely absorbed by the activity or goal object and the experience has a level of skill and challenge. Building on that work, Arnould and Price (1993) define extraordinary experiences as those characterized by high levels of emotional intensity (usually triggered by an unusual event) and that the experience is revealed over time. The customer is never sure what the exact outcome will be due to the context, behavior of other customers, and unclear expectations.

Within a service manager's control, there are several common themes found in these definitions relating to the design and management of customer experiences. These themes indicate that good experiences build loyalty behavior through some kind of emotional connection and customer perceptions of time structure and context. In the next section, we will explore the conceptual definitions.

### **Loyalty and Emotions**

Typically, service operations research has considered customer satisfaction as the key outcome measurement of service design (e.g., Johnston, 1995; Kellogg, Youngdahl, & Bowen, 1997). Satisfaction depends on perception of the customer of what was delivered and how and the expectation that the customer has of the service and company delivering the service (Zeithaml, Parasuraman, & Berry, 1990). Although satisfaction is important, it does not necessarily indicate that the customer will be loyal to the company (Gitomer, 1998). Loyal customers have behaviors such as repeat business and promotion of the company through word of mouth to others (Godin, 2001; Heskett, Reichheld, & Sasser, 1990; Heskett, Sasser, & Schlesinger, 1997). Return or loyal customers are key to the success of many services particularly those in the hospitality, insurance, and financial sectors. A small increase in the percentage of loyal customer can amount to a much higher increase in profits and overall value to the firm (Heskett et al., 1990; Heskett et al., 1997; Holbrook, 1994). Many authors stress that well designed and managed experiences create loyalty behavior through emotional connection during the service process (Davenport & Beck, 2001; Gobé & Zyman, 2001; Pine & Gilmore, 1998, 1999; Schmitt, 1999; Zaltman, 2003).

Several recent authors have examined how emotional connection relates to customer loyalty behavior. According to Pine and Gilmore (1998, 1999), the best relationships with customers are affective or emotional in nature. When companies succeed in not only satisfying certain needs but also making the interactions pleasurable, people are more inclined to stay loyal, even when a mistake takes place. Zaltman (2003) indicates that the tangible attributes of a product or service have far less influence on consumer preference than the subconscious sensory and emotional elements derived from the total experience. Different emotions have been shown to play a strong role in the decision-making process regarding loyalty behavior at various hotel segments (Barksy & Nash, 2002), in predicting frequency of blood donation behavior (Allen, Machleit, & Kleine, 1992) and in outcome assessments measures such as best experience, price-worthy, and unique for multi-day river trips (Arnould & Price, 1993; Price, Arnould, & Tierney, 1995).

## Context

According to Carbone and Haeckel (1994), experience design and management is primarily concerned with the context clues or design elements emitted by the service and the environment rather than just the service's performance. Gupta and Vajic (1999) define context as the physical and relational setting, particular selection and arrangement of products, the world of objects and social actors, and the rules and procedures for social interactions with other customers and service facilitators. In a service setting, context refers to the place where the customer consumes the service and everything that the customer interacts with in that setting. According to Bitner (1990, 1992), context is the "servicescape" and dictates what the organization should consider in terms of environmental dimensions, participant mediating responses (cognitive, emotional, and physiological) and employee and customer behaviors. She proposed that the physical surroundings or context influence all interactions between employees and customers and their approach or avoidance behavior including staying longer, expressing commitment and loyalty, spending money, and carrying out the purpose of the organization (Bitner, 1992).

There are two primary components to context: physical and relational. Carbone and Haeckel (1994) refer to physical context as "mechanics clues" for sights, smells, sounds, and textures generated by things. They refer to relational context as "humanics clues" for those behaviors emanated from people. From this perspective, managing customer experience means orchestrating all the "clues" that people detect so that they collectively meet or exceed people's emotional needs and expectations in addition to functional expectations (Berry, Carbone, & Haeckel, 2002). From a service operations design perspective, both context elements are effected by the service design factors such as location, facility layout, product design, scheduling, worker skills, quality control and measures, time standards, demand and capacity planning, industrialization level, standardization of service offering, customer contact level, front line personnel discretion, sales opportunity, and customer participation (Metters, King-Metters, & Pullman, 2003).

Generally, relational context refers to interaction: (1) between the guest and service provider, and (2) between the guest and the other guests. This interaction is important to experience design because it fosters identification with the service provider and with the other guests. Identification is the perception of oneness with or belongingness to a collective, where the individual defines him or herself in terms of the collective in which he or she is a member (Mael & Ashforth, 1992). When a guest identifies with the service provider and other guests, the guest takes on the interests of the service provider and accepts those interests as his or her own thus creating loyalty behavior. A successful service experience provider such as Disney spends many months training employees on relational methods to connect emotionally with guests during social interactions (Rubis, 1998).

Several previous researchers have examined the implications of relational context design factors. The well-known customer contact approach (Chase, 1981) outlined the implications of different degrees of customer to server contact for sales opportunity, production efficiency, and technology use. Lynn (1996) illustrated how the design of different employee interactive behavior could affect tipping in restaurants. In their study of customers' participation, Kellogg,

Youngdahl, and Bowen (1997) found that customers experience higher frequency of satisfactory service outcomes when allowed to engage in relationship building behaviors.

Physical context applies to the tangible aspects of service design. Analogous to the customer benefit package (Collier, 1994), physical context design addresses the supporting facility, facilitating goods, and sensual and psychological benefits associated with the services that emanate from things. These benefits could include sensory things like sights, smells, and sounds or feelings of status, privacy, or security. Evaluations of physical context play a significant role in customer's evaluation of satisfaction, loyalty, and length of stay in service settings (Bitner, 1990, 1992; Wakefield & Blodgett, 1996).

### **Time**

Perceptions of experience depend on how the experience is structured over time and reinforced afterwards (Chase & Dasu, 2001; Pine & Gilmore, 1998, 1999). According to Pine and Gilmore (1998, 1999), experiences are an emergent phenomenon and if designed for enhancement over time, they provide new and constant learning, are hard to copy, and discourage switching. It is crucial that the experience stays in the customer's memory, that the customer has a way of building on their experience(s) with the organization, and that all activities within the timeframe of the experience are carefully orchestrated.

Chase and Dasu (2001) indicate that key time elements of service design are sequence and duration. The sequence of events in an experience design should improve over time and end on a positive note because an unpleasant ending dominates the memory of the entire experience. According to Chatman (1978), experiences should have a sequence structure or narrative with a story and discourse structured in a specific pattern similar to pieces in theatre, movies, and musical pieces. Creating a story-like time pattern in an experience design can provide sequences of emotions similar to those provided by episodes in human life (Deighton, 1992).

Similarly, duration or the length of time spent in the service encounter affects peoples' overall assessments of an experience. People judge time differently and when mentally engaged, they do not notice time's passing (Csikszentmihalyi, 1991, 1997). The greater the number of segments in the pleasant encounter, the longer and more enjoyable the encounter feels (Chase & Dasu, 2001). Another method for extending the duration of the service encounter is the use of memorabilia. Memorabilia serves several purposes for experience design. First, a physical reminder of an experience extends the memory of it for a long time after the actual encounter occurred. Second, it generates dialogue about the experience encouraging word-of-mouth. Third, it provides additional revenue to the organization and free advertising (Pine & Gilmore, 1998, 1999).

### **A MODEL OF EXPERIENCE DESIGN AND LOYALTY**

Figure 1 represents a general model of the antecedents and outcomes of customer loyalty behavior in experience design. The first part of the model suggests that customer perceptions of key experience design elements (created and managed by the service provider) will influence the level and type of emotions generated in a particular service setting. The second phase of the model suggests that the level and type of emotional connection will mediate customer

loyalty behaviors. That is, perceptions of the experience design can both directly and indirectly (through emotional connection) influence loyalty behaviors.

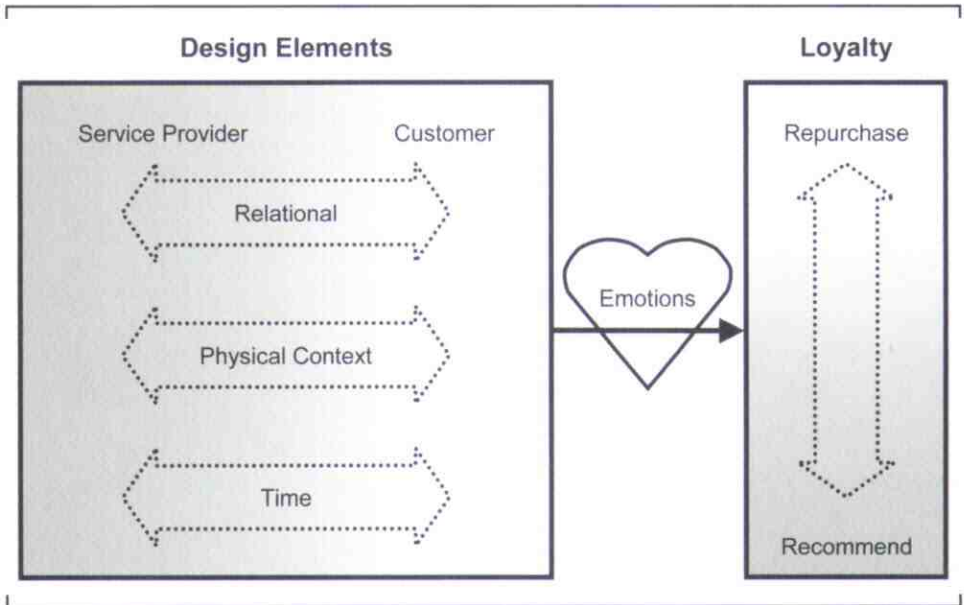


Figure 1. A model of experience design and loyalty.

## HYPOTHESES

The model provides a broad framework for programmatic research in experience design research for services. For the first phase of this research program, hypotheses are developed and tested for the relationships between the three different design elements, emotions, and loyalty measures.

### Context, Emotions, and Loyalty Behaviors

Several authors have emphasized the emotion-eliciting or affective qualities of physical context (Mehrabian & Russell, 1974; Nasar, 1988; Stasis, 1999). In their seminal research, Mehrabian and Russell (1974) found that peoples' emotional response to a place could be captured on two dimensions, pleasure-displeasure and degree of stimulation or excitement. In particular, environments that elicit feelings of pleasure are likely to be ones where people want to spend time and money. Wasserman, Rafaei, and Kluger (2000) found that different restaurant layouts and interior design influenced behavior and emotion. By altering aesthetic physical cues or symbols, they could generate a predictable pattern of emotional scripts along the dimensions of pleasantness, arousal, and power.

Previous empirical research suggests that context also plays a strong role in predicting loyalty behaviors. In a study of travel agency service failures, the appearance of physical surroundings was positively related to service encounter evaluations and customer loyalty

behaviors (Bitner, 1990). Wakefield and Blodgett (1996) found that facility aesthetics, layout, seating comfort, electronic equipment, and cleanliness positively influenced repatronage intentions and desire to stay in casinos and sports venues. Similarly, in empirical studies by Price, Arnould, and Tierney (1995) perceptions of positive relational context (duration, affective content, and proxemic intimacy between client and service providers) played a significant role in customer's positive affect and satisfaction in service encounter evaluations. This previous research suggests the following hypotheses:

**H1:** *Customers' better perceptions of physical context will influence better emotional connection and loyalty behavior.*

**H2:** *Customers' better perceptions of relational context will influence better emotional connection and loyalty behavior.*

### **Time, Emotional Connection, and Loyalty Behaviors**

Perceptions of time elements are hypothesized to influence customer's emotional connection and loyalty behaviors for an experience. For example, not having enough time is generally better than having too much time in a service encounter. Wakefield and Blodgett (1996) found that customers focus on tangible factors such as aesthetics in long duration encounters compared to short duration encounters where intangible factors such as reliability and responsiveness dominate. Longer duration encounters also contribute toward interpersonal exchange and displays of positive emotions (Nisbett & Ross, 1980; Price, Arnould, & Tierney, 1995; Sutton & Rafaeli, 1988). As mentioned previously, memorabilia is used to extend the experience in time so one would expect positive perceptions of memorabilia to be related to loyalty behavior.

**H3:** *Customers' better perceptions of time elements will positively influence emotional connection and loyalty behavior.*

### **Emotional Connection and Loyalty**

While several empirical researchers have found significant relationships between evoking different emotions and customer satisfaction (Arnould & Price, 1993; Westbrook, 1987; Westbrook & Oliver, 1991; Oliver, 1993) or repeat donation behavior (Allen, Machleit, & Kleine, 1992), there are limited studies linking emotions and loyalty behaviors in services. The noted exception, Barsky and Nash's (2002) study, demonstrated that different emotions played a strong role in explaining willingness to pay and return to certain hotel segments. Therefore, the following hypothesis is advanced:

**H4:** *Customers' better perceptions of evoked emotion will positively influence loyalty behaviors.*

## METHOD

### Sample

This study was conducted in the context of VIP hospitality tents for an international touring performance company. VIP experiences are key revenue generators for many performance arts and sports venues due to limited perishable capacity, competition from alternative entertainment options, and ticket price sensitivity. The performance company had recently introduced a new tent concept with many experiential elements that increased the cost and complexity of service delivery reducing profit margins considerably. For example, large themed props, special effects, and lounge seating required additional semi-trucks and set-up time to move the materials between cities; special interactive entertainers created additional cost through costumes, salaries, and yearly living/touring expenses; and carefully designed food and beverages created increased management costs for selection, materials, labor, quality control and training costs of touring city caterers. The company was considering an international roll out of the new tent but needed to know what to eliminate or modify and where to focus managerial attention to enhance loyalty behavior.

This service setting was appropriate for the study because the context elements were intentionally designed to create a positive experience for the guests. The VIP guests paid a premium of at least \$100 for the tent experience. They arrived at the tent no more than an hour before the show. Inside the tent, gourmet food and beverages were served while entertainers performed skits and interacted with the guests. Additionally, the tent was colorfully decorated and filled with specially designed couches and bar stools, lighting and music, a variety of themed attractions such as displays of show costumes and photographs, videos of show performers "behind the scenes," hologram special effects, and other electronic animations such as moving high-wire toys. During the show intermission, guests returned to the tent for desserts, coffee, and a special themed gift.

The data was collected from guests who purchased their tickets on the internet and visited the VIP tent in either of two cities during the fall of 2002 (35% of all VIP tent customers purchased their tickets on-line). An email was sent to all customers who purchased their VIP ticket on-line requesting that they go to an internet survey link. By the survey closing date, 47% of these customers responded to the survey. The organization provided demographic data from previous phone surveys and there were no significant differences found between respondents in the internet and phone purchase ticket groups. The total sample is 640 respondents.

### Measurement

To measure the context variables, respondents were asked to evaluate on a 5-point scale (1 = poor to 5 = outstanding) how well each item contributed to their VIP tent experience. The instrument measured 30 context items for six physical context factors (*food, standard beverages, bar beverages, special effects, tent ambiance, and seating*) and two relational context factors (*interaction with entertainer and interaction with other employees*). The items are shown in Appendix A.



Three time related variables were measured with the following items. First, respondents were asked to evaluate the *memorabilia* or gift using a 5-point scale (1 = poor to 5 = outstanding). Second, they were asked their time in the tent prior to the show or *duration* (1 = less than 15 minutes to 5 = more than 60 minutes). Third, they were asked about the amount of time in the tent (1 = not enough time to 5 = too much time).

The emotion variables were measured using a slightly modified version of Barsky and Nash's (2002) hotel loyalty emotion scale. The instrument measured 14 emotion items relevant to the VIP tent context (comfortable, relaxed, content, important, pampered, entertained, excited, amused, sophisticated, inspired, curious, privileged, hip or cool, and "part of the performance"). The hotel loyalty items of secure, welcome, practical, and respected (Barsky & Nash, 2002), were replaced with amused, curious, privileged, and "part of the performance" to fit the setting. In this case, respondents were asked to express their level of agreement on a 5-point scale (1 = strongly disagree to 5 = strongly agree) to statement such as "Overall, the VIP experience made me feel comfortable." Additionally, respondents could explain what contributed to the specific feeling in open-ended responses. It is expected that the emotion measures will not form a unidimensional factor since most people interpret the emotion words in different ways. In her work on measuring emotions, Richins (1997) illustrates the complexity of determining appropriate emotional measures for different products and stresses that measures used in prior research do not represent the diversity of emotions. This issue is particularly true when theory offers little prior information about the kinds of emotional states that may be relevant to the behavior under investigation.

The loyalty behavior variables were measure with two items. Respondents were asked to express their level of agreement on a 5-point scale (1 = strongly disagree to 5 = strongly agree) to statements of repurchase intent and recommend to others (Godin & Gladwell, 2001).

## RESULTS

The summary statistics for the multi-item dimensions are provided in Table 1. An unconstrained principal components analysis yielded 11 separate factors with eigen values > 1. The emotion measures split into two separate factors while the remaining factors were unidimensional (See Appendix A). The first emotion factor, henceforth known as *basic emotion*, includes seven measures and deals with the standard emotions of a fun hospitality environment such as comfort, happy, and entertained. The second emotion factor, henceforth known as *VIP emotion*, includes seven measures which hint at the higher level or more special aspects of being a VIP (hip or cool, sophisticated, privilege, and important) and particularly for this performance group (inspired, curious, and part of the show). The reliability alphas for the two factors are .94 and .90 respectively. The remaining alphas range between .74 and .95 giving solid support for reliability and construct validity through confirmatory factor analysis.

**TABLE 1**  
**Model Dimensions: Descriptive Statistics and Reliabilities**  
 (N = 640)

Measure	M	SD	$\alpha$	Percentage of Variance Explained
Basic Emotion	4.39	0.154	0.94	72.60
VIP Emotion	3.80	0.235	0.90	61.52
Food	4.15	0.158	0.95	72.03
Beverage Std	4.28	0.135	0.91	74.11
Beverage Bar	3.70	0.112	0.90	86.17
Special Effects	4.22	0.156	0.93	61.92
Ambiance	4.37	0.118	0.89	81.17
Interaction Entertainers	4.40	0.098	0.85	85.00
Interaction Others	4.18	0.272	0.74	54.82
Seating	3.37	0.169	0.90	88.48
Loyalty	4.46	0.052	0.94	93.89

The descriptive statistics show that loyalty and emotion basic have the highest scores (4.46 and 4.39, respectively) followed closely by ambiance and interaction with entertainers (4.37 and 4.40, respectively). The availability of seating and full bar received the lowest scores of 3.37 and 3.7, respectively. The unidimensional measure statistics are duration (3.55), adequacy of time (2.75), and gift/memorabilia (3.35).

### Structural Relationships

LISREL 8 was used to examine the relationships between the experience design elements (physical and relational context, and time measures), emotions, and loyalty behavior as shown in Figure 2. The constructs for each variable in the model were represented as single indicators using summated scales. This single indicator method is similar to several past efforts, yields an acceptable variable/sample size ratio, and reduces the model's complexity (Homer & Yoon, 1992). There are no *a priori* fixed elements among the proposed linkages (all possible  $\gamma$ s and  $\beta$ s are tested); the model is just identified and fits the data perfectly (Jöreskog & Sörbom, 1989).

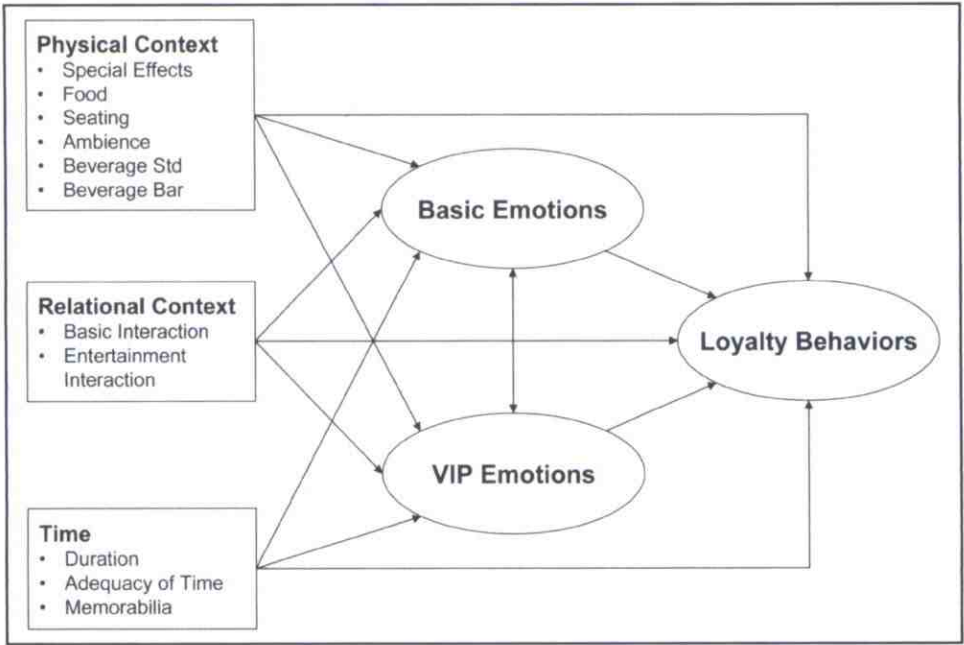


Figure 2. Path analysis model of VIP tent experience.

The *g* path coefficients in Table 2 show that the majority of experience design variables contribute directly and significantly ( $p < .01$ ) to basic emotion. The exceptions were three physical context variables, special effects, ambience, and beverage bar, which did not have significant path coefficients. The time *g* coefficients have the appropriate directions, i.e. as duration increases basic emotion increases and as perception of adequate time decreases (not enough time in tent) basic emotion increases (i.e., it is better to have not enough time than too much time). Finally, memorabilia contributes positively and directly to Basic Emotion. The data did not support a significant path between the majority design variables and VIP emotion. The exceptions here were the seating and memorabilia that did have significant *g* path coefficients. Interestingly, only special effects contributed directly and significantly to loyalty. Table 2 also shows the path estimates for all *b* coefficients (proposed links between emotions and loyalty behaviors). Here the basic emotion contributes directly and significantly to VIP emotion and Loyalty. The data does not support a relationship between VIP emotion and Loyalty.

**TABLE 2**  
**Path Coefficient Estimates for Model**  
 All significant path coefficients with  $p < .01$  (t- value in parentheses)

Measures	Basic Emotion	VIP Emotion	Loyalty	Basic Emotion	VIP Emotion	Loyalty
X	y		Total Effect (X on Y)			
Special Effects	ns	ns	.08 (2.32)	ns	ns	ns
Food	.18 (4.57)	ns	ns	.18 (4.57)	.14 (3.10)	.18 (3.69)
Seating	.14 (4.64)	.08 (2.69)	ns	.14 (4.64)	.17 (4.87)	ns
Ambience	ns	ns	ns	ns	ns	ns
Beverage Std	.18 (4.73)	ns	ns	.18 (4.73)	ns	ns
Beverage Bar	ns	ns	ns	ns	ns	ns
Interact Basic	.25 (6.55)	ns	ns	.25 (6.55)	.22 (4.87)	.18 (3.78)
Interact Entertain	.14 (4.31)	ns	ns	.14 (4.31)	.08 (2.06)	.14 (3.44)
Duration	.13 (4.76)	ns	ns	.13 (4.76)	.11 (3.45)	.15 (4.32)
Adequate Time	-.08 (-3.09)	ns	ns	-.08 (-3.09)	-.08 (2.50)	-.07 (-2.22)
Memorabilia	.06 (2.12)	.12 (4.05)	ns	.06 (2.12)	.16 (4.55)	ns

Measures	Basic Emotion	VIP Emotion	Loyalty	Basic Emotion	VIP Emotion	Loyalty
Y	β		Total Effect (Y on Y)			
Basic Emotion	—	.65 (17.08)	.70 (14.24)		.65 (17.08)	.72 (17.80)
VIP Emotion	—	—	ns			ns
Loyalty	—	—	—			

ns = not significant

Looking at the total effect of the independent variables on the dependent variables, clearly the strong relationship between basic emotion and VIP emotion creates significant total effects between the design elements, VIP emotions and Loyalty. Food, both relational context and time measures, have significant total effects, while special effects no longer contributes significantly to loyalty.

Thus, it appears  $H_1$ ,  $H_2$  and  $H_3$  are supported for only relationship between the design elements and one of the emotion factors, basic emotion. Basic emotion plays a strong mediating role in the model according to the criteria outlined by Baron and Kenny (1996). Their criteria suggest that mediation is demonstrated when the predictor (food, seating, beverage standard, and all time and relational measures) is statistically related to the mediator (basic emotion) and the mediator is statistically related to the dependent variable (loyalty). According to these criteria, VIP emotion is a mediator only for seating and memorabilia variables.

In most cases, design elements only indirectly affect loyalty through the emotions, particularly basic emotion.  $H_1$ , the proposed relationships between physical context and emotions and loyalty is only partially supported because: a) special effects, ambiance, and beverage bar did not support a significant path to either emotion; b) food and standard beverages did not support a significant path to VIP emotion or loyalty; and c) seating did support a significant path to both emotions but not to loyalty.

$H_2$ , the proposed relationships between relational context and emotions and loyalty, was supported through total effects. Similarly,  $H_3$ , the proposed relationships between time elements and emotions and loyalty, was supported through total effects with the exception of memorabilia, which did not have a significant direct or total effect on loyalty. Finally,  $H_4$ , the proposed relationship between emotions and loyalty, was supported for only one of the emotion measures, basic emotion.

## DISCUSSION AND IMPLICATIONS

This purpose of this paper was to explore the relationship between different service elements designed to create enhanced experience and customer loyalty. A model was proposed and tested in a specific service setting. In this particular case, each of the hypotheses was only partially supported. However, as an exploratory exercise, many interesting results emerged that have implications for service operations researchers. First, much of the previous empirical service operations research has focused on relating functional and attribute levels to overall assessments of customer satisfaction. For many services, loyalty behavior measures are more significant and meaningful indicators of a firm's future performance. Consistent with Barsky and Nash's (2002) research, this study shows that loyalty measures are strongly influenced by the type of customer emotions that are evoked. Only one of the design variables directly effected loyalty behavior (special effects); for most other variables, basic emotion played a strong mediating role.

Clearly, these results have implications for any type of services that wants to build customer loyalty. For any service, there are particular emotions that will drive loyalty behavior but the desired emotions may not be the ones that the company is currently evoking in customers through their service design. For example, the VIP tent designers believed that customer loyalty behavior was a function of customers' feeling special and part of the show (VIP emotion). Thus, they invested in expensive "view behind the scenes" special effects. As it turned out, these guests care more about comfort and amusement (basic emotion), such as food, seating, beverages, and interaction with people.

From a service operations perspective, this study has implications for determining how management focuses resources. Once an organization determines which emotions drive loyalty, they can design and manage service processes that positively effect key emotions. In the VIP tent, the priority of management would be toward developing their relational context through hiring and training for all employees that can interact with the guests. Equally important is the consistent delivery of high quality food and beverages and adequate guest seating. The more costly aspects of special effects, adding a full bar, and the tent ambience were much less important because they did not contribute to key basic emotion. In addition, time variables need to be monitored and controlled so that guests' time in the tent never exceeds "just enough".

In the data collection reported here, the emotion response scales were very simplistic and of an exploratory nature. This method was chosen because subjects were responding to a lengthy survey and the task was less burdensome with a simple five-point scale. Respondents could elaborate on what in particular made them feel a certain way through open-ended responses. Future research will analyze these results for additional rich details. In addition, there were no negative emotions included for this context. Different services evoke different ranges of emotions (Richins, 1997). For example, the use of recreational services or products is usually pleasurable but medical services evoke both positive (i.e. comfort) and negative (i.e. worry or frustration) emotions. For some purposes, it would be equally important to know which service design elements provoke negative emotions.

This study provides support for the idea put forth by Chase and Dasu (2001) of designing and monitoring how a service encounter evolves over time. Service operations researchers have spent the majority of their efforts looking at perceptions of time in waiting lines. However, there are many other neglected time perceptions such as duration of the process, sequencing of good and bad events, and continuity. Knowing which time measures relate to key emotions and loyalty is important for each service. For example, patients in a medical environment want doctors to spend a certain amount of time with them to feel like they receive adequate care.

The relationship between the gift or memorabilia and loyalty is not necessarily causal. People who enjoyed the experience would tend to like the gift as a reminder of the event. Nevertheless, if they disliked the experience, a nice gift is not going to make them loyal. This study had only one measure for the gift so further exploratory research is needed to understand the relationship between memorabilia and loyalty.

In conclusion, this exploratory study took a few steps toward understanding how different experience design elements can contribute toward emotional connection and loyalty behaviors. Future research work could focus on other types of service industries, different service design elements, and alternative emotions. Because measuring emotions is quite complex and challenging, there are many challenging opportunities available for both qualitative and quantitative perspectives.

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## APPENDIX A

### Experience Design Instrument

#### Factors and Measures

##### Special Effects:

- Photographs of performers
- Costume displays from various shows
- Videos of backstage activities
- Large head sculptures with special effects
- Giant mask with 3D effects
- High-wire suspended toys and props

##### Food:

- Availability of an adequate variety of food
- Availability of desired food types
- Food Quantity
- Food Quality
- Food Freshness
- Display of food on carts
- Display of food on buffet style tables

##### Seating:

- Availability of couch-style seating around perimeter of tent
- Availability of bar-style seating clustered throughout tent

##### Ambience:

- VIP tent lighting
- VIP tent colors and materials
- VIP tent music and sound effects

##### Beverages Standard:

- Availability of Wine and Champagne
- Availability of Sparkling Water
- Availability of Coffee and Tea
- Availability of Soft Drinks and Juices

##### Beverages Bar:

- Availability of a full cocktail bar
- Availability of beer

##### Basic Interactions:

- Welcoming by hosts
- Information provided about the venue
- Interactions with servers
- Interactions with salespeople

##### Entertainment Interactions:

- Interactions with tent entertainers
- Entertainer Stunts

##### Loyalty Behaviors:

- You would purchase the VIP package for your next show
- You would recommend the VIP experience to others

##### Time: (one-item measures)

- How many minutes prior to the show did you arrive at the VIP tent?
- How do you feel about the amount of time you spent in the VIP tent?
- Memorabilia or Gift