The Role of Customer Experience in Building Brand Loyalty within the Service Context

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ABSTRACT

Customer experience theory, research, and practice represent an evolving area of study within the marketing discipline. Despite its importance, the customer experience concept remains vague and lacks a thorough theoretical foundation. This study addresses this gap in the literature and examines the antecedents and consequences of customer experience from customer perspectives. The study provides a conceptual framework building from a qualitative study and the existing literature. This article includes a formal test of the framework using a large-scale survey of British customers to examine their experience with resort-hotel brands. The results show price perception, core services, and word-of-mouth have a direct impact on how customers interpret their experiences with resort-hotel brands; perceived service quality plays a mediatory role in the relationship between servicescape, core service, and customer experience. Measuring validation strength of customer experience upon brand loyalty by best fit in combination with cross-sample predictive validity models is a valuable contribution of this study.

Key words: Customer experience, experiential brands, brand loyalty, servicescape

INTRODUCTION

Businesses face the challenge of creating an outstanding customer experience to drive brand awareness, secure customer loyalty and ultimately increase profits. In a brief history of customer experience, Pine and Gilmore (1999) claim that experiences are the new economic offerings. As a consequence of the emergence of customer experience concept, limited contributions from scholars focusing on customer experience were made (Addis and Holbrook 2001; Carú and Cova 2003; Forlizzi and Ford 2000; Milligan and Smith 2002; LaSalle and Britton 2003; Ponsonby-Mccabe and Boyle 2006; Prahalad and Ramaswamy 2004; Schmitt 1999, 2003; Shaw and Ivens 2005; Smith and Wheeler 2002).

This phenomenon is an essential ingredient of the economy in the present time. Therefore, this study addresses the re-emergence of experience and aims to uncover the concept of customer experience and explore what are the antecedents of customer experience and how customer experience contributes to building brand loyalty within the context of the hotel industry. To satisfy these overall goals, this paper is one part of a mixed method study which begins with netnography study in the first phase to explore the concept of customer experience and its dimensions. Secondly, the scope of this study is to identify the antecedents of customer experience, this involves identifying factors that most likely have a significance influence on customer experience.

LITERATURE REVIEW

Many service managers strive to develop long-term relationships with their customers and provide good service to delight their customers with the ultimate goal of sustaining brand loyalty. Unfortunately, good service alone is may be insufficient as an effective differentiator for companies to remain competitive (Berry, Carbone, and Haeckel 2002; MacMillan and McGrath 1997; Prahalad and Ramaswamy 2004; Schembri 2006). This insufficiency leaves managers and researchers alike with the need for additional information to answer the

question of what drives brand loyalty. In an effort to answer this question, the proposition is set forth that customers' interpretations of their experiences with the brand affects loyalty behavior (Barsky and Nash 2002; Berry et al. 2002). As a consequence, the interest in customer experience is increasing among service executives and service researchers. However, so far, scant empirical research is available to estimate the meanings of the customer experience concept (e.g., Arnould and Price 1993; Barsky and Nash 2002; Gentile, Spiller and Noci 2007; Jones 1999) and most of the research mainly conceptual (Berry et al. 2002; MacMillan and McGrath 1997).

Holbrook and Hirschman (1982) describe an experience as an individual's consumption and interaction of products or services that involve significance affection. This personal occurrence may lead to a transformation of the individual in the experiences defined as extraordinary experience which includes a high level of emotional intensity and is triggered by an unusual event (Arnould and Price 1993). One can also experience something extraordinary when an event or context offers absorption, joy, and value--a spontaneous letting-be and a newness of perception and process (Czikszentmihalyi 1990). Additionally, experience is "the take-away impression formed by people's encounters with products, services, and businesses- a perception produced when humans consolidate sensory information" (Carbone and Haeckel 1994, p. 8).

The lack of understanding of the topic "customer experience" made researchers think about pluralistic research where qualitative methods are used in conjunction with quantitative methods, in order to investigate a domain that is unknown or has received relatively little attention to date (Deshpande 1983; Zinkhan and Hirschheim 1992).

A considerable number of studies use qualitative methods to gain insights into the phenomena being investigated (e.g., Arnould and Price 1993; Thompson 1997). However, the present paper differs from previous studies in that it builds a conceptual framework from the

consumer's experiential view and attempts to clarify these causal relationships among the different variables and the role of various factors affecting customer experience, and hence to conceptually clarify ambiguities that exist in the studies of experience.

In depicting the research framework, qualitative research is more suitable to fill the need for unfolding what surrounds a phenomenon (Woodside 2010). However, in a quantitative research, Privette (1987) measured experience through lengthy but well validated questionnaire (Privette and Bundrick 1987). Therefore, this study includes a qualitative research stage that explores and gains insights into how consumers interpret experiential brands (Zikmund 2003).

The examination of the literature reveals many factors contributing to creating a positive customer experience. These studies indicate that customers use some factors as cues to predict their experiences such as brand name, price, advertising, word-of-mouth, and past experience, and other factors have strong influences customer experience. The following section discusses these factors.

Antecedents to customer experience in services

On the basis of the reviewed literature, (as Figure 1shows) a set of antecedents are likely to influence customer experience. Also, perceived service quality is likely to be a unique input to customer experience; perceived service quality is likely to have a direct relationship to brand loyalty.

Figure 1 here.

Various service firms (e.g. hotels, banking, travel, health care, educations, and local government agents) strive to increase service quality to sustaining competitive advantages in the fierce competition. The SERVQUAL model was developed by Parasuraman, Zeithaml,

and Berry, (1985, 1986); the model is widely used to measure service quality. However, several researchers raise the issue that SERVQUAL instrument is not enough and need more improvement (Buttle 1996; Reeves and Bednar 1994). Reeves and Bednar (1994) depict perceived service quality as the extent of discrepancy between the customers' expectations and their perceptions.

The marketing literature identifies service quality an antecedent to outcomes such as customer satisfaction (Anderson et al. 1994; Grönroos 1984, 1990, 2001), loyalty (Kandampully 1998; Zeithaml, Parasuraman and Berry 1990, 1996) and value (Laroche, Ueltschy, ShuzoandCleveland 2004). Service researchers view perceived service quality to be a prerequisite for loyalty and frequently include loyalty in models as an outcome variable (Boulding, Kalra, Staelinand Zeithaml 1993; Cronin and Taylor 1992; Gremler and Brown 1996). Therefore, the study here includes the hypothesis that a positive relationship exists between service quality and brand loyalty. Also, service quality has directional relationship to the overall experience as an input to the real-time experience (Knutson and Beck 2003). Consequently, the following hypotheses are made. **H_1: Perceived service quality has a positive effect on customer experience.**

Today's customers continue to change and to become increasingly market savvy; they seek to be in-line with what is socially acceptable. Therefore, an experience brand need to continue to evolve to fit the position the company wants to project to its customers (Keller 1993). The perceptions customers have about the brand should be shared, positive, and consistent (Mcdonald, de Chernatonyand Harris 2001).

Advertising may be a critical component of the marketing mix for any service provider; that is considered as one of the principal components of image creation (Meenaghan 1995). A certain image of the brand is created and customers choose the brand with the image that best fit themselves (Riley and de Chernatony 2000). Effective brand advertising can

increase sales and reduce in price sensitivity (Mela, Guptaand Lehmann 1997). Advertising can also be used to improve brand recall as the brand is paired with the service category (Keller 1998).

Companies deliver a promise to customers through advertisements, through which a predicted level of expectations is formed and perceived by customers. Statements made by service firms in their advertisements should have a direct impact on customer expectations (Bitner 1990).

Two common approaches appear in advertising for attempting to influence consumer behavior (Park et al. 1986): Firstly, the utilitarian (functional) appeal approach or the Cartesian perspective that has been termed "man as computer" (Holbrook 1986; Hirschman, 1993) which involves informing consumers of the product benefits that are perceived to be highly functional and important to the consumer. Rossiter and Percy (1987) refer to this as "informational advertising" or "information processing model" (Bettman 1979).

The second approach might be described as value-expressive (image) or symbolic appeals. The image strategy involves building a "personality" for the product or creating an image of the product user (Oglivy 1963). The image strategy is part of what Rossiter and Percy (1987) refer to as "transformational advertising". Transformational advertising is image advertising that changes the experience of buying and consuming the product (Puto 1986; Wells, Burnett and Moriarty 1995). Transformational advertising is an invitation to escape into a world that is necessarily subjective and perceptual as well as necessarily intangible, it has been employed effectively to communicate symbols, depict visual/verbal images and communicate subjective benefits of a brand (Mittal 1999). Intangible service benefits can be communicated effectively by linking them to consumers' life experiences (Mittal 1999). Although, the feeling and the images are invisible to the physical eye, they are easily seen in the mind's eye (Pylyshyn 1973). The real challenge of service advertising, then, is how to

capture these subjective experiences effectively. Mittal (1999) suggested that to capture subjective experiences effectively the ad ought to be vivid, realistic, and vicariously rewarding. Vicariously rewarding here means that the life experiences are nontrivial, positive and motivational.

Everyday customers are bombarded by efforts to persuade them to buy different products or services. Advertisements raise customers' expectations by making promises about a product or service. When those promises are not kept, customers have a poor experience. Therefore, when advertising raises customer expectations the customer experience must go beyond expectations in order to deliver a great customer experience. Good experience offers a brilliantly simple summary of the relationship between advertising and customer experience. If companies are pouring money into advertising and raising their customer's expectations, but they don't match their investment in customer experience, it would follow that they risk investing in delivering a poor customer experience. **H₂: Advertising has a significant effect on customer experience during the service consumption.**

Price perhaps is the most intangible element in the marketing mix and typically there is little sensory experience linked to the price variable (Evans et al. 1996). The customer perception of price is more important than the actual price (Monroe 1973). Price perception is concerned with how price information is comprehended by customers and made meaningful to them (Evans et al. 1996). The information processing approach by (Olson 1980) is utilized to explain price effects in purchase situation.

First, the information is received through the senses of sight and hearing. Then, the information is comprehended. The stated price for a particular brand may be then compared to other prices of other brands. Finally, an attitude is formed towards particular brand. The price of the product or service has shown to have a significant effect on buyer's perception of quality. Many empirical investigations of the effect of price on perceived quality (Leavitt

1954; Monroe and Krishnan 1985; Rao and Monroe 1989) and, generally, the findings

support the price-quality relationship.

Price is also a cue often used by customers to make patronage decisions, to determine

what to expect, and to evaluate the quality of a service relative to how much they paid.

Customers use price as a good proxy for quality when they insufficient information about the

quality (Evan et al. 1996). In fact, a considerable number of consumer research studies

examine what information cues consumers used most often when evaluating products. The

findings indicate that consumers most often rely on price (Kurtz and Clow, 1991; Zeithaml et

al. 1993). Nevertheless, the importance of price may decrease particularly when other

information available is available, such as other intrinsic cues of a product (Wheately et al.

1981).

Consumer perception of price fairness can either led them to purchase now if the price

is attractive or cancel the purchase if the price is not attractive. Fairness is a judgement about

the justness, reasonableness or acceptability of an outcome (the price) or the process to reach

the outcome (often communicated by the seller as a reason for a change, or inferred by the

consumer) (East et al. 2008). Combining the previous literature together, an inference has

been made that customers may use price as an indicator of experience and price perception is

a mean through which a customer set a bundle of expectations; he/she needs to be fulfilled.

H₃: Price perception of services has a significant effect on customer experience during

the service consumption.

Prior work highlights the impact of customer contact employees perception of service

quality (Bitner, Boomsand Tetreault 1990; Farrell, Souchonand Durden 2001; Harel and

Tzafrir 1999); Parasuraman, et al. 1985, 1988). Employee behavior would affect customers in

terms of interaction with the firm (Winsted 1997; 1999; 2000). Employees' courtesy (Bateson

and Langeard 1982; Bitner et al. 1990; Bolton and Drew 1991; Goodwin and Smith 1990;

Chandon et al. 1997; Wels-Lips et al. 1998), friendliness Goodwin and Frame 1989; Goodwin and Smith 1990; Fiebelkorn 1985; Surprenant and Solomon 1987; Ostrom and Iacobucci (1995), promptness or timelessness (Bateson and Langeard 1982; Solomon et al. 1985; Taylor 1994) and empathy (Parasuraman et al. 1988) have been widely emphasized for the success of service firms. Several pieces of research focus on the interaction that takes place between the customer and the personnel during service encounters and consider creating consumer satisfaction and service quality to be essential (Grönroos 2000). Consumers report store personnel to be a contributing factor to entertaining store experiences especially when the staff has the ability to provide extraordinary service experience (Jones 1999).

According to de Chernatony and Segal-Horn (2003) staff members facing customers represent the most important communication channel. When staff members are consistent in their presentations, they have the greatest impact on the brand perceptions (de Chernatony and Segal-Horn 2003; McDonald et al. 2001). The employees are often pointed out as being a major antecedent of the customer's interpretations of their experiences with services, and are often associated with the consistency of the service quality delivered (de Chernatony and McDonald 1998; Grönroos 2000).

H_{4a}: Employees performance has a significant effect on customer experience during service consumption. H_{4b}: Employees performance relates positively to perceived service quality. H_{4c}: Perceived service quality mediates the impact of employees on customer experience.

Atmospherics or servicescape is the area that receives the most research attention. Atmospherics relate to factors in the store environment that are designable to create certain emotional and behavioral responses by the consumer (Kotler 1973). The servicescape may have either a positive or negative influence on the experience outcome. Office décor, car parking, the building's design, appearance of the reception area are important influencers of

brand associations as those factors often are the customer's first interaction with the service firm (McDonald et al. 2001; Yoo et al. 2000). The importance of the setting in a broader sense is extensively discussed in marketing, particularly services marketing (Bitner 1990, Donovan and Rossiter 1982; 1992; Hoffman and Turley 2002; Kotler 1973; McGoldrick and Pieros 1998; Wakefield and Blodget 1996; Turley and Chebat 2002). Kotler (1973) emphasizes the importance of the store atmosphere to create a positive image of the store. Bitner (1990, 1992) identifies "servicescape" (all physical surroundings and all tangible clues) to be a major influence on consumer behavior. Turley and Chebat (2002) stress the value of the "atmospheric design" including the human factor as part of the setting.

Definitions of store atmosphere varies from exclusively including subtle aspects, such as music (Yalch and Spangenberg 1990), scents (Spangenberg, Crowleyand Henderson 1996) and colors (Bellizzi and Hite 1992) to also including aspects of the physical environment that constitutes the store, such as store decorations (Hoffman and Turley 2002). Hoffman and Turley (2002, p. 35) give a holistic view of the concept, "Atmospherics are composed of both tangible elements (the building, carpeting, fixtures, and point-of-purchase decorations) and intangible elements (colours, music, temperature, scents) that comprise service experiences." The atmospherics of the service would affect customer mood during or after the encounter (Baker and Cameron 1996; Bitner 1990; 1992). Atmospherics appears to influence a wide variety of consumer behaviors (Turley and Milliman 2000).

A positive atmosphere can lead to approach behaviors, which implies that consumers stay longer in the store, spends more money or that the propensity for impulse buying increases (Donovan and Rossiter 1982; Foxall and Greenley 2000; Sherman, Mathurand Smith 1997; Spies, Hesseand Loesch 1997). Some even relate atmospherics to the possibility of creating long-lasting consumer relationships (Babin and Attaway 2000). Conversely, a

negative atmosphere leads to avoidance behavior, such as a desire to leave the store or a sense of dissatisfaction (Donovan and Rossiter 1982; Turley and Milliman 2000).

Thus, perceived service quality is likely to partially mediate the direct impact of servicescape on customer experience. The emotions provoked and the subjective feelings the customer has due to the setting effect are likely to contribute to customer experience. However, customer may evaluate the functional component of the experience through perceived service quality.

H_{5a}: Servicescape or setting influences customer experience during service consumption. H_{5b}: Servicescape influences perceived service quality. H_{5c}: Perceived service quality mediates the impact of servicescape on customer experience.

A core service is the reason for why the service firm is exists in the market. Sasser et al. (1978) as cited in (Palmer 1994) identifies core service to be substantive service, that is, the essential function of a service. Core service quality across different types of services such as dental services, auto services, restaurants and hairstylists directly affects customer satisfaction (McDougall and Levesque 2000) cited in Grace and O'Cass 2004). In the hotel sector, accommodation is the base for a hotel business; accommodation is one of the most tangible elements in tourist experience, and therefore, hotels should provide environments where the visitor feels comfortable and welcomed (Page and Connelle 2006). According to Medlik and Ingram (2002) the accommodation product comprises: the location of the establishment, its facilities (bedrooms, bars, restaurants, recreation facilities), level of service provided, the image portrayed to the customer, and its price.

The present study investigates customers' interpretations of resort hotels to inform the concept of customer experience. The term "resort" implies the provision of not only the accommodation but also other substantial service at one location (Page and Connelle 2006). Poon (1998, p. 62) defines all-inclusive resorts as those "which include virtually everything in

the prepaid price – from airport transfers, baggage handling, government taxes, rooms, all meals, snacks, drinks and cigarettes to the use of all facilities, equipment and certified instructors….the result is that the use of cash is eliminated."

Core service in the present study likely directly affects service quality and customer experience, additionally, this study hypothesizes that perceived service quality plays a mediating role between core service and customer experience. The rational is that customer assessment of her experience will, in part, be on the basis of perceived service quality which undoubtedly is an outcome of the core service experience.

H_{6a}: Customers' interpretations of core service influence customer experience during service consumption. H_{6b}: Core service has a significant effect on perceived service quality. H_{6c}: Perceived service quality mediates the impact of core service on customer experience.

Communications are the primary means by which consumers gather information about services (Bolton and Drew 1991; George and Berry 1981; Grönroos 1990a; Murray 1991; Zeithaml et al. 1993). Because of the experiential nature of services, word-of-mouth communications are viewable as more reliable and trustworthy. Word-of-mouth is the means by which customers exchange information about the services, thus diffusing information about a product throughout a market. Grönroos (1990b, p. 158) describes WOM as follows "WOM communications is the message about an organisation, its credibility and trustworthiness, its way of operating and its services, communicated from one person to another."

Research examines WOM both an input into consumer decision-making (Bloch, Sherrell and Ridgway, 1986; Feick and Price, 1987) and an outcome of the purchase process (Holmes and Lett 1977; Richins 1983). The impact of WOM on the purchasing decision is relatively higher than the influence of advertising activities (Day 1971; Money et al. 1998;

Murray 1991). Content of WOM affects purchase decisions either positively (Richins 1983), or negatively (Bolfing 1989). In sum, word of mouth is a powerful source of influence assist the customer to predict the consumption experience. **H₇: Word-of-mouth positively influences customer experience during the service consumption.**

Gardner's (1985) review of mood effects in consumer behavior identifies service encounters as one of the key areas for fruitful mood research. Mood is a mild, pervasive, and generalized affective state, rather than intense emotions (Mattila and Wirtz 2000) that marketers can sometimes easily induce (Schwarz and Clore 1983). The affect literature confirms the power of mood in altering everyday thought processes (e.g., Morris 1989). Moods operate at the automatic level, biasing memory and thinking processes toward mood congruency (Bower 1981; Clark and Isen 1982; Luomala and Laaksonen 2000). Positive mood in general seems to lead to more positive evaluations, including more positive consumer satisfaction judgments (Mano and Oliver 1993; Miniard, Bhatlaand Sirdeshmukh 1992).

Consumers' mood states have an impact on their immediate product evaluations (Gardner 1985). Several studies (Clark and Isen 1982; Isen, Shalker, Clarkand Karp 1978) support this observation. Positive affect elicitation by the pre-process service setting might result in biased recall, because good moods are linked to positive associations in memory. Hence, the satisfaction judgment of this individual is likely to exhibit bias in a positive direction and the customer may wish to maintain the good mood and pay more attention to the positive aspects. Conversely, a person in a bad mood will perceive the service consumption experience in a more negative way (Mattila and Wirtz 2000). Negative affective states are related to negatively toned cognitions such that the consumer is likely to evaluate the experience as worse than expected (Babin et al. 1998). In addition, "customers who are in a bad mood possibly pay more attention to uncivil employee behavior" (Liljander and Mattson

2002, p. 855). **H₈: Customer pre-consumption mood positively influences customer experience during the service consumption.**

Consequences of Customer Experience

In essence, an outstanding customer experience affects brand loyalty. The following section illustrates the construct of brand loyalty as a major outcome of customer experience. In addition to this, the perceived service quality is illuminated as a contributing factor to both customer experience and brand loyalty.

Brand loyalty is the attachment that customer has to brand and in this thesis brand loyalty has been treated as the final dependent variable. A customer loyal to a brand is less likely to switch to another brand. Copeland (1923) appears to be the first to suggest a phenomenon related to brand loyalty, it was recognized as brand insistence. Consequently, research has been undertaken to investigate the relationship between brand loyalty and some variables such as: consumer characteristics (Cunningham 1956; Coulson 1966; Carman 1969), consumer knowledge about brands (Tucker 1964), store loyalty (Carman 1969; Cunningham 1961). Loyal customer is more profitable for the company rather than acquiring a new one for several reasons such as; loyal customer is less sensitive to price, spend more with the company in addition to his/her serving cost is less (Berry and Parasuraman 1991; Bowen and Shoemaker 1998; Dowling and Uncle 1997; Tepeci 1999). Customers tend to avoid searching and evaluating purchase alternatives, which inclines them to be loyal to a certain company (Yang and Peterson 2004). Three common approaches used in the loyalty literature, including behavioral, attitudinal, and two dimensional (comprising behavioral and attitudinal).

Chaudhuri and Holbrook (2001, p. 82) define brand loyalty as "a deeply held commitment to re-buy or re-patronize a preferred product or service consistently in the future, thereby causing repetitive same-brand set purchasing, despite situational influences' and

marketing efforts' having the potential to cause switching behavior." This definition underscores two principal elements of brand loyalty: behavioral aspects; and attitudinal aspects (Aaker 1991; Day 1969; Jacoby and Chestnut 1978; Jacoby and Kyner 1973; Oliver 1999; Griffin 1995; Rundle-Theile and Mackay 2001). Behavioral loyalty refers to those aspects of consumer behavior directed towards a particular brand over time, in other words, repeated purchases of a brand (Griffin 1995; Jacoby and Chestnut 1978; Rundle-Theile and Mackay 2001). Attitudinal loyalty metrics follow from statements of preference and likely future behavior and concerns with the sense of loyalty, engagement, and allegiance (Bowen and Chen 2001). The current study is seeking to measure attitudinal brand loyalty because of its importance in driving behavior and attitudinal loyalty is more enduring.

In the current study and in accordance with customer experience literature which asserted that customer experience affects loyalty behaviors (Berry et al. 2002; Barsky and Nash 2002), the researchers argue that well-orchestrated experience by companies deemed to be a major contribution to creating brand loyalty. In other words, positive experience affects a customer's brand loyalty. **H9: Perceived service quality positively contributes to brand loyalty. H10: customer experience will positively contribute to brand loyalty.**

METHOD

Measurement Instrument

Based on items used in the literature and the qualitative netnography study, this study generated a pool of sample measures. All items were measured on a 7-point Likert scale. The initial item-generation (Churchill 1979) produced 59 items. Items from the literature besides items produced from the qualitative study were used to develop the questionnaire that will ask customer about their post-evaluation of the experience (please see Table 4). Items from the

literature were firstly screened out and refined against the netnographic study and items on each concept were kept to a minimum to avoid a lengthy questionnaire.

This survey is not based on probability sampling but on "convenience" sampling. Using the sample design stated above, questionnaires were administered at three different hotels (Beach Albatros, Aqua Park, and Royal Moderna) in Sharm El Sheikh Egypt. Questionnaires were distributed between 9/03/2009 and 30/03/2009. By the cut off date, 77 questionnaires were collected. However, 21 questionnaires were excluded due to the large number of missing data and low quality of responses. As a result, pre-test sample size was 56 questionnaires in accordance with previous literature which suggested the pilot test sample size to be generally small (i.e., up to 100 respondents) (Diamantopoulos et al. 1994).

Table 1 here.

The measurement model used two methods to select and assess the final items that would be used for further hypotheses testing. (1) Reliability check: Cronbach's alpha was used. Notably, Nunnally and Bernstein (1994) suggested that 0.70 should be used as the cut-off point for reliability with items that did not significantly contribute to the reliability (item to total coefficient < 0.5) being deleted for the purpose of parsimony. As a result, 49 items were retained for ten latent variables (See Table 1)

(2) Exploratory factor analysis (EFA) was then performed to examine whether individual items were loaded on corresponding factors as intended. This study conducted varimax rotation on all measured items. Items that were inconsistent (i.e., low loadings, multiple loadings, low communalities) with the hypothesized factor structure were considered for removal from the scale prior to assessing the measurement model with CFA in the second study. Items which had communalities less than 0.60 as well as the ones with less than 0.50

factor loadings were deleted in each run. Typically, indicators that highly cross-loaded on two or more factors were deleted, except when such cross-loadings could be justified conceptually. As a result, 39 items were retained. Confirmatory factor analysis (CFA), based on the covariance matrix of the items, was used to assess the items of the research construct.

Context and Sample

This study therefore employed experiential brands that focus on consumer interaction with a company's product or services (Dea and Hemerling 1998). Specifically, the service sector was considered a good place to undertake the current study because of the close relationship between the customers and the brand exists in the service sector (Franzen 1999). Al Batros hotel brands in Egypt particularly in Sharm El Sheikh thus were chosen as a context for this study because of the fact that hotels provide vast array of opportunities for customer interaction that provoke emotions and determine customers' feelings towards the services being offered (MacMillan and MacGrath 1997).

This survey is not based on probability sampling; the survey is rather based on convenience sampling. The data for the main survey were intended to focus on three hotels located on Sharm El Sheikh in Egypt and questionnaires were distributed to visitors who stayed in Albatros hotels over three months starting from the fist of April 2009 until the end of June 2009. In order to maximize customer participation, a cash incentive was used; £150 was provided as incentive to customers if their names were drawn as a winner to encourage them to participate in the survey. Accordingly, 528 questionnaires were collected and 19 were excluded due to the large amount of missing data. Therefore, 509 valid questionnaires for the analysis were obtained.

Table 2 provides the demographic characteristics. Results show that majority of the respondents were females (63.5%), most of them were between the ages of 30 to 39 (22.5%). The majority of customers are married (62.4%), as opposed to single (31%). Results also

showed that a high percentage (50.3%) of the respondents has up to a higher school education and with regard to the occupation, the results indicates that only (15.9 %) of the respondents working as managers while more than half of the respondents (59.4%) working different jobs such as: Actress, bookkeeper, bus driver, nurse, business owner, fire fighter, hairdresser, housewife, musician, university lecturer and police officer social carer, retired, fitness administrator, dog groomer, pilot, builder, electrician and surgeon.

Table 2 here.

The study applies a two-step approach as recommended by Anderson and Gerbing (1988). The first step in this approach is to develop an acceptable measurement model before building on this model to predict causal relationships among the study variables.

Measurement Model Evaluation

Confirmatory factor analysis is a technique used to test whether the theoretically imposed structure of the underlying constructs exist in the observed data (Anderson and Gerbing 1982). The first run of CFA for the measurement model indicated that item CS01 has loading less than 0.5 (0.44), as a result this item is considered for deletion for the next run to increase the level of model fit. In addition, the initial results of the confirmatory factor analysis of the measurement model showed a considerable satisfactory level of fit. The chi-square (χ^2) = 1750.62, df = 695, P-value = .000, CFI = 0.98, TLI = 0.98, GFI=0.83, AGFI= 0.80, NFI= 0.96 and RMSEA=0.059. While chi-square was significant, other values suggest an adequate fit to the model. The chi-square value is very sensitive to the sample size and statistically significant, especially with a large sample (Anderson and Gerbing 1988, Bagozzi

and Yi 1988). Therefore, the measurement model could be judged as providing an acceptable fit.

The revised confirmatory factor analysis model, after the deletion of CS01, showed that the model received a significant fit to the data. The chi-square (χ^2) = 1688.40, df = 657, p = .000, CFI = 0.98, TLI = 0.98, GFI=0.84, AGFI= 0.81, NFI= 0.96 and RMSEA=0.060. In this paper, the normed chi-square (χ^2/df) is used, in conjunction with other measures, as an indicator of overall fit. It was considered the most popular parsimonious fit index used to evaluate the appropriateness of the model (Hair, Anderson, Tatham and Black 2006) but it is also sensitive to the sample size since chi-square is a major component in this measure. The ratio of the chi-square to the degrees of freedom was 2.56 which considered within the acceptable range of 2 to 5 (Marsh and Hovecar 1985). Additionally, RMSEA is considered as one of the most informative criteria in structural equation modelling because it takes into account the error of approximation in the population (Bryne 1989). Values of less than 0.05 indicate a good fit, values ranging from 0.08 to 0.10 indicate mediocre fit and values of greater than 0.10 indicate a poor fit (Diamantopolous and Siguaw 2000; Hair et al. 2006). Moreover, a model with a GFI less than 0.8 should be rejected (Tanaka and Huba 1985). In light of the criteria above, the model satisfied these requirements and showed a satisfactory fit. Table 3 summarizes the results of confirmatory factor analysis test.

Table 3 here.

This study assesses the quality of the measurement models by investigating uni-dimensionality, composite reliability, variance-extracted estimates, convergent validity, and discriminant validity. Table 2 shows that the overall goodness of fit supports un-dimensionality (Steenkamp and van Trijp 1991, Kumar and Dillon 1987). Uni-dimensionality

tests were performed on all the constructs by examining the estimated loadings and assessments of their statistical significance on each construct. An inspection of factor loadings shows that all items had significant factor loadings with t-values exceeding 1.96. All the constructs have high alpha coefficients greater than 0.7.

For a construct to have a good reliability, its composite reliability should be between 0.60 and 0.80, and the variance-extracted estimates should exceed 0.50 (e.g., Bagozzi and Yi 1988; Fornell and Larcker 1981). Table 4 shows that all scales demonstrate good reliability. Convergent validity is assessed by reviewing the t-tests for the factor loadings. The t-values for the factor loading ranged from 10.62 to 21.70. The fact that all t tests were significant ($p <$ .05) demonstrates that the convergent validity is adequate. The discriminant validity was assessed based on the basis of the criteria recommended by Anderson and Gerbing (1988).

The models were estimated twice for every possible pair of constructs in the measurement model. In the first model, the phi correlation between the constructs was set to vary (unconstrained model) and in the second the phi was constrained to 1.00 (constrained model) (Anderson and Gerbing 1988). The χ^2 difference and the degrees of freedom were computed for both constrained and unconstrained models. The results showed that all models in which the phi was set unity displayed worse fit (All χ^2 difference > 3.841, df $=1$ and p=0.05).

Table 4 here.

FINDINGS: Structural model evaluation

The structural model testing was conducted after the measurement model was validated and a satisfactory fit achieved. Thus, the specifications of theoretical model are to test 16 causal paths that represent the hypotheses (H_1 - H_{10}). Based on the significant parameter estimates results, the standardized estimated for ten out of sixteen hypotheses were

statistically significant and in the hypothesized direction. Thus, the findings support these hypotheses

In testing the hypothesised model, the results in Table 6 support the acceptance of hypotheses H_1, H_3, H_{4b}, H_{5b}, H_{6a}, H_{6b}, H_7, H_9, and H_{10}. The standardized estimate for these hypotheses were all significant (γ = -.07, .27, .27, .54, .37, .16), (β = .31, .70 and .28, respectively). The hypotheses H2, H4a, H5a and H8 were rejected because they were not statistically significant (γ = -.01 -.12, .04, .01, respectively). The model was defined by 38 items that identified the ten factors. The covariance matrix among the variables was used to test the model. The goodness-of-fit indices show that this model fits the data adequately, even though the chi-square was significant. The chi-square was (χ^2 = 1727.95, df = 668). The GFI was .83, AGFI = .80, CFI = .98, TLI = .98, RSMEA = .06, χ^2/df = 2.59.

Figure 2 here.

The causal relationships among independent constructs price perception, employee's performance, core service, word of mouth and customer experience were positive and statically significant at the .05 level. The findings provide strong empirical evidence for H_1, H_3, H_{4b}, H_{5b}, H_{6a}, H_{6b}, H_7, H_9 and H_{10}. Regarding the consequences, the findings confirm the path coefficients between perceived service quality to customer experience and from customer experience to brand loyalty (i.e. positive and significant at the .05 level). Core service has the strongest effect on customer experience (γ = .54, p < .05). The model explains 59 percent of the variance in the customer experience construct. Investigating the consequences, in sum, perceived service quality has the strongest effect on brand loyalty (β = .70, p < .05), followed by customer experience (β = .28, p < .05). Thus, the findings support H_9 and H_{10}. The derived

model explains 66 percent of the variance in perceived service quality and 82 percent in the brand loyalty construct.

FINDINGS: Mediation

The study examines the hypothesized mediating effect of perceived service quality using the procedures that Baron and Kenny (1986) recommend. The findings indicate that perceived service quality has no, partial, and full mediating role in the relationship between employees, core service, and servicescape, respectively, on customer experience. These findings support H_{6c} and reject both H_{4c} and H_{5c}.

Testing for mediation was performed through three-step process. First, examining the direct effects model, to ensure the existence of the direct relationship between the independent and dependent variables. Second, a mediator model; where the direct links between the antecedents set and the customer experience construct were excluded by setting the gamma coefficient to zero for those relationships.

Third, a combined model that include both direct effects and mediator effects, where, the gamma coefficients for direct relationships were estimated freely. The difference between the chi-square values for the mediator and combined models was computed and the results was compared with the chi-square value within one degree of freedom ($\chi^2_{critical} = 3.841$). The model with smaller chi-square was considered a better model (Diamantopoulos and Siguaw 2000).

Figure 3 presents the findings for the direct effects model test. The goodness of fit indices indicates a good fit; the model predicts 60 percent of the variance in customer experience and 37 percent of brand loyalty. However, only 2 of the 3 direct paths are significant. Both core service and servicescape are antecedents to customer experience. In the case of employees' performance construct where no direct relationship exists, perceived

service quality can not serve as a mediator. Accordingly, the findings serve to reject hypothesis H4c.

Figure 3 here.

Figure 4 presents the results of the mediation model test. This model provides a slightly worse fit than the direct effects model, with the RMSEA indicating a reasonable fit .062, and CFI = .97. All the paths in this model were significant with the exception of two paths from price perception and mood to customer experience, suggesting that the mediation by perceived service quality is possible for the effect of servicescape and core service on customer experience, but not for employees performance construct since the direct relationships were not found in first step. This model predicted 51% of variance in customer experience, and 82% of brand loyalty. The results of the combined effects test (the original model of the study) again provided a reasonable fit (see Figure 2)

Figure 2 here.

A χ^2 difference test demonstrated that the combined effects model had a slightly better fit than the mediator model, $\chi^2 = 42.26$, $p < .05$. To learn whether or not particular relationships in the model are partially mediated by perceived service quality or are better represented by direct paths, the study includes comparing the completely standardized parameter estimates in the combined effects and direct effects models. The study examines the direct and indirect effects from the final model.

In comparison with the direct effects model, the path coefficient between servicescape and customer experience was reduced by .10 and the relationship became not significant. Since, the effect was eliminated in the combined effects model, this suggesting full mediation

of this relationship by perceived service quality (Hair et al. 2006). An examination of the indirect effects also supports full mediation of the effect of servicescape on customer experience (see Table 2). Indirect effects account for 67% of the total effects of servicescape on customer experience, suggesting that do account for a substantial portion of the prediction of customer experience.

Table 5 here.

Similarly, the direct effect of core service on customer experience decreases by .06 in the combined versus direct effects model but the relationship remains significant, suggesting partial mediation by perceived service quality (Hair et al. 2006). Again, indirect and direct effects were significant in the final model (see Table 5), with 17% attributed to indirect effects.

Table 6 here.

Examining Reliability of Direct and Indirect Effects and Predictive Validity of Models across the Individual Hotels

To further confirm or reject the hypotheses, the data analyses included an examination of the reliability of direct and indirect effects predicted and found in the data analyses for the total samples across the three hotels. Also, cross-validating predictive multiple-regression models were estimated for the three dependent variables for each hotel.

Correlations for all variables and path analyses models for the three dependent variables were analyzed for each individual hotel. In performing stepwise multiple regression analyses all possible antecedent variables were included in the analysis (i.e., the possibility

was permitted that the 7 antecedent variables to perceived service quality and customer experience could have direct influences on brand loyalty).

Figure 5 here.

Figure 5 presents the path model findings for each of the three hotels; the findings confirm that perceived service quality (PSQ) and customer experience (CE) have significant direct effects on brand loyalty for each hotel and that the influences of the seven antecedent variables are nearly entirely through PSQ and CE. PSQ has a significant direct influence on CE for the two of the three hotels along with some of the seven antecedent variables. Core service (CS) has a significant direct influence on both PSQ and CE for all three hotels. These results demonstrate high reliability for the main hypotheses and support the generalizability of the findings across the three hotels.

For the predictive validity analyses, the best fit models for brand loyalty, customer experience, and perceived service quality for hotel 1 were used to predict informants' reports for hotels 2 and 3 and r^2 were estimated for the predicted versus observed values for each of the three dependent variables. The same procedure was used for testing the predictive validities of the three models from hotels 2 and 3.

Table 7 here.

Table 7 includes best fit and predictive validity estimates (r^2 values). The best fit validity estimates are higher than or equal to the predictive validity estimates for all 18 possible comparisons ($p < .001$ by a sign test). For BL, the predictive validity estimates indicate substantially high accuracies in using models created from data for other hotels to

predict brand loyalties for different hotels using PSQ and CE data. The predictive validity estimates are lower for PSQ and CE than for BL in some comparisons in Table 7 but still indicate significant and reasonably high levels of accuracy.

DISCUSSION AND CONCLUSION

Focal construct

Despite the importance of the theme of customer experience, the construct of customer experience is not well defined in the marketing literature (Carù and Cova, 2003). Insufficient empirical research has been done on experience consumption from the consumer perspective. Therefore, this study attempted to gain meaningful degree of understanding of customer experience construct.

The findings of the qualitative study were treated as indicative only in this study, and further quantitative research was carried out to confirm the results of the netnography study. The quantitative results, specifically, illustrated four aspects of the experience construct in the context of resort hotel in Sharm El Sheikh in Egypt. The first one focuses on the educational experience customers have during the holiday and this was consistent with (Otto and Ritchie 1996; Pine and Gilmore 1999). The findings showed that the customer experiencing "free-choice learning" as suggested by Packer (2006) of diving, snorkelling, quad biking, star gazing …etc. This experience is autoltelic means "having itself as its only purpose" Csikszentmihalyi (1990) and is characterized by a mixture of discovery, exploration, mental stimulation and excitement (Packer 2006). The findings emphasize the importance of notion of the educational element of experience that customers seek. The educational experience was clearly evident in customer's comments:

"Me and my husband went diving in the red sea with the Aquarius dive school………This was a once in a lifetime experience for me as the fish are so brightly coloured and the coral is out of this world. There are camel and horse riding on the beach".

[Mrs H Foster, Conrad Hotel review, posted July 2008, www.holidaywatchdog.com]

Another aspect of customer experience in the present study was the novelty component. Early conceptualizations of the tourist experience by Cohen (1979) emphasize its distinctiveness from everyday life and highlighted the quest for novelty as a key element, a person who travel away from home seeks. The novelty element is also emphasized in the findings of the qualitative and quantitative study, for example:

> We also went quad biking in the desert which was so much fun and a boat
>
> trip with snorkelling it is literally like being in a aquarium and the fish are
>
> not scared of you they come right up to investigate (once in a life
>
> time!!!).(Miss S Cottee, Sunrise Island View Hotel review, posted October
>
> 2007, www.holidaywatchdog.com)

This finding is consistent with previous studies in marketing literature such as (Poulsson and Kale 2004) and tourism literature that referred to experiencing novelty as one of the push factors that considered to be socio-psychological motivations that motivate individuals to travel (Dann 1981; Lee and Crompton 1992).

In addition, the qualitative research captured another important component of customer experience which was confirmed by the quantitative study. The relational experience which represent the experience of having a relationship with new people in the place, which involves the person, consumption or use of a product with other people (Gentile et al., 2007). Young adulthood is a time to experience sexuality and relationship and tourism provide a useful outlet for such need (Page and Connelle, 2006).

> While I was staying at Dreams beach I met someone known as Waggy, he
>
> works in the restaurant that is by the main pool. I had the chance to kiss
>
> him before Ramadan started and I didn't dam it! I'm going back especially
>
> just to see him in February 2008. Really miss him loads, my family

absolutely loved him and wanted him to marry me. (Miss S Louise Read,

Dreams Beach Hotel review, posted October 2008,

www.holidaywatchdog.com).

Awareness and appreciation of beauty is a sense that has been uncovered by the qualitative study and also confirmed by the quantitative study. The results showed that there is an emphasis on the beauty of the place, the word "beauty" mentioned regularly in customers reviews, such as:

I read an earlier review by somebody that stated the entrance to the hotel

reminded them of the entrance to Jurassic Park. How true! It was partly

the thrill and relief of finally getting there (safely) and partly awe that

made our eyes widen at the beauty of the resort as we got driven to our

room on a golfing style buggy. Everything looks beautifully lit here at

night. (Miss N Wooding, Crowne Plaza Resort Hotel Review, posted May

2008, www.holidaywatchdog.com)

Aesthetic value likely follows from the consumption experience (Holbrook, 1994; 1999) that customers seek for a variety of reasons, including its sensory, emotional, cognitive, and transcendent dimensions (Csikszentmihalyi and Robinson 1990). It is classified under a sensorial component of customer experience whose stimulation affects the senses (Gentile et al. 2007). In addition, it is the last realm is experiences dimensions of Pine and Gilmore (1999) that immerse the customers into an environment where the participant becomes immersed in the occurrence and/or the surroundings. These results of the current study came in accordance with the above literature to confirm that sense of beauty is an important human capacity (Hagman, 2002) that customers value because of the feeling of wholeness, pleasure, lessening of anxiety, awe, joy, excitement, optimism and contentment (Hagman 2002).

LIMITATIONS AND FUTURE RESEARCH

This study expands the understanding of the construct of customer experience, its antecedents and its consequences. Although the endeavour was worthwhile, the study has limitations. First, the netnography study, by its nature, was restricted to those customers who send their reviews online. The study focuses on customer reviews written in English. The study does not consider those customers who have not post their reviews online.

Additionally, some important constructs may be missing in the conceptual model or the model includes some constructs that may not be completely appropriate. Therefore, care should be given in interpreting these findings.

Although hotel context provides a vast array of opportunities for employee-customer contacts that provoke emotions and feelings of customers towards services provided (MacMillan and MacGrath 1997). The focus of this research on hospitality industry would certainly limit the generalizability of the findings to industries other than hospitality. Therefore, replicating and extending this study to other contexts are necessary. Within the quantitative phase, it was decided to conduct the survey on a sample of British tourists who visiting the country and this decision was made because the British rank among the top tourists number visiting Egypt after Russian and German (SIS 2007). Consumption behaviors and attitudes of British customers are not generalizable to the whole population of tourists in Egypt.

Therefore the findings of this research provide limited understanding of the customer experience, only from the British customers' point of view. Accordingly, conducting an empirical research on different types of tourists would be useful because the findings may not rigorously generalized to all other nationalities. These limitations do not minimize the significance of the findings in this study. However, the study directs the attention of future research identifying and aiding further improvement in this area.

Discussion of the Findings Relating to the Hypotheses

This section discusses the results of testing the research hypotheses after examining the focal construct. The section discusses the antecedents and the consequences.

Antecedents of customer experience

The current research support that service quality is a key driver of customer experience. Previous studies indicate that service quality is an antecedent to some behavioral variables in marketing literature such as customer satisfaction (Grönroos 1984, 1990, 2001; Woodside, Freyand Daly 1989), loyalty (Kandampully 1998; Zeithaml et al. 1990, 1996) and value (Laroche et al. 2004). Knutson and Beck (2003) claimed that service quality has directional relationship to the overall experience. However, this assumption has not been tested yet. This study is the first to empirically assess the relationship between perceived service quality and customer experience.

The results show that the hypothesized relationship is statistically significant. Thus, despite the criticism researchers made to SERVQUAL instrument (Reeves and Bednar, 1994; Buttle, 1996). The study concludes that SERVQUAL remains a useful instrument in building great customer experience. In service industry, and hospitality in particular service quality is a major concern of marketing managers' because the ultimate goal of the businesses is to increase profits. However, improving technical aspects of services using SERVQUAL is not sufficient to retain customers (Gyimóthy 2000).

The notion that advertising is a predictor to customer experience is not generally supported in this study. This Hypothesis is not well supported by the data. This finding is consistent with Legg and Baker (1987) argument that the intangible nature makes it difficult for customers to understand the service in at the pre-purchase stage, and to evaluate the service experience at the post-purchase stage. Furthermore, the transformational advertising for the selected brand poorly connected the service benefits to the consumer's life experience (Mittal 1999).

Due to the subjective nature of experience, experience is intangible like service, and the incorporeal existence is one of the major problem that face advertising professionals. Physical representation or using ancillary physical elements as tangible symbols of the service product (Mittal 1999) is claimed to be a solution to that problem, as it will help in three ways: (a) by creating an identity for the service firm by consistently showing the same visual images of the tangible elements; (b) by serving as surrogate cues to quality (e.g., the professional appearance of employees (c) sometimes by promoting an inference of some specific service attribute.

The result of the test of hypothesis three supports the notion that price perception has a direct, positive effect on customer experience. Previous studies assert that a significant relationship exists between price and perceived quality (Leavitt 1954; Monroe and Krishnan 1985; Rao and Monroe 1989). This study validates the relationship between price and customer experience. The inference of experience from price is ubiquitous despite the fact that a number of other factors was introduced in this study the customer can rely on them to infer his/her experience.

The direct effect of customer-contact employees on customer experience appears to make intuitive sense. The results, however, reveal that employee's performance is not a direct antecedent of customer experience. Nonetheless, partial support for the hypothesized effects of employees on customer experience is evident through the indirect effect of perceived service quality. Furthermore, the assertion that employees' performance has a direct, positive effect on perceived service quality was supported and consistent with previous studies in marketing (Bitner 1990; Bitner et al. 1994; Bitner et al. 1990; Bowen and Schneider 1985; Darden and Babin 1994; Gronroos 1983; Zeithaml et al. 1993; Zeithaml et al. 1985) and similarly the findings are consistent with hospitality literature which examined various aspects of the relationship between employee's performance and service quality in hospitality

industry (Haynes and Fryer 2000; Maxwell and Lyle 2002; Worsfold 1999). This research, however, is the first to link employee's performance to customer experience. Therefore, this finding emphasizes the need for more research into the effects of employees on customer experience.

The study exhibits no support for the hypothesized effects of servicescape on customer experience. Despite the lack of support for the direct relationship between servicescape and customer experience, the indirect relationship through perceived service quality was largely supported. As the service quality literature suggests that physical evidence such as noise level, odours, temperature and colours may influence perceived service quality (Bitner 1990). The marketing literature also showed that physical environment affect customer's perception of the service experience (Baker et al. 1992; Bitner 1990) on sales (Donovan and Rossiter 1982; Donovan et al. 1994; Milliman 1986), time spent in the store (Grossbart, Hampton, Rammohanand Lapidus 1990), satisfaction (Doyle and Broadbridge 1999), and customer retention (Babin and Attaway 2000).

The test of hypothesis four supports the assertion that the core service has a direct, positive effect on customer experience and perceived service quality. Core services in the resort-hotel context include many aspects such as: Food (Barsky and Labagh 1992), comfortable rooms, safety and security (Kuntson 1988; Weaver and McCleary 1991; Weaver and Oh 1993), parking and other facilities such as cable TV (Weaver and McCleary 1991; Weaver and Oh 1993). Core services are also considered a supporting customer experience (Quan and Wang 2004). The findings from the current study show that core service has the highest impact among other variables on customer experience, therefore the findings are in congruent with (Quan and Wang 2004) which illustrates that if the core services are inadequately delivered, the entire customer experience are most likely to be unsatisfying.

The findings provide no support for the hypothesized antecedent effect of pre-consumption mood on customer experience. The results demonstrate that customer pre-consumption mood may not be particularly effective. This is a rather surprising result, particularly in the light of the previous studies (Clark and Isen 1982; Isen et al. 1978; Mano and Oliver 1993; Miniard et al. 1992; Mattila and Wirtz 2000; Babin et al. 1998). A probable explanation is that the pre-consumption mood in this study was measured after their consumption experience, by asking respondents to recall their mood prior to arrival to the resort, as a result, recall bias may affect the impact of pre consumption mood on the entire experience because it may have been combined with other affective responses during consumption experience. Another more likely explanation is the lengthy stay at the resort (over fortnight) and that may lead to a minimal effect of either positive or negative mood on customer experience.

The findings confirm the importance of word of mouth as a key predictor of customer experience. Experience is basically intangible and customers can not directly predict, therefore, they seek evaluation of the experience of past customers. This finding emphasizes the important role word-of-mouth plays in influencing customer expectations and perceptions in information search phase of the buying process (Stock and Zinsner 1987; Woodside et al. 1992). The significant relationship between WOM and customer experience is consistent with previous studies that showed WOM can influence decisions either positively (Engel et al. 1969; Richins 1983) or negatively (Tybout et al. 1981; Bolfing 1989).

In the marketing literature, loyalty has been widely recognised as being of the utmost importance (Howard and Sheth 1969). Berry et al. (2002) and Barsky and Nash (2002) assumed that loyalty maybe an outcome of customer experience. Research findings have offered robust evidence in this respect, demonstrating a definite positive relationship between customer experience and attitudinal brand loyalty. The relationship between customer

satisfaction and brand loyalty is well established in the literature (Bitner and Hubbert 1994). However, this is the first empirical study to link customer experience to brand loyalty. The relationship between perceived service quality and brand loyalty is validated in numerous previous studies (Boulding et al. 1993; Cronin and Taylor 1992; Gremler and Brown 1996). In consistent with prior studies, the findings in the present study support a positive relationship between perceived service quality and brand loyalty.

The findings answer the question as to whether the perceived service quality might in fact mediate the relationships between employee's performance, servicescape, core service, and customer experience. The results demonstrate that perceived service quality fully mediates the relationship between servicescape and customer experience. The findings also indicate that perceived service quality partially mediate the impact of core service on customer experience. The findings re-emphasize the importance of perceived service quality as a consequence of the servicescape (Bitner 1990, 1992) and core services provided Barsky and Labagh 1992; Kuntson 1988; Weaver and McCleary 1991; Weaver and Oh 1993). The mediation effect of perceived service quality on the relationships between employees and customer experience was not found; instead the indirect relationship was evident. The findings are consistent with previous studies that demonstrated that service employees and their behaviors and attributes affect perceived service quality (Bitner et al. 1990; Bowen and Schneider 1985; Hartline and Ferrell 1993). However, this is the first study to link employee's performance to customer experience.

Viewing customer experience as a uni-dimensional construct is useful. Customer experience includes educational, novelty, relational and sense of beauty in the context of the present research. The study provides a research model that supports a theoretical model for predicting customer experience. Price perception, core service and word of mouth are factors that influence customer experience directly.

Additionally, the higher the degree of perceived service quality, the greater the customer experience, and in turn, the more loyal the customer to the brand. No direct effect towards customer experience was found in terms of advertising, employee's performance, servicescape and pre-consumption mood. However, employee's performance and servicescape are factors that showed an indirect effect on customer experience through perceived service quality. This research has thus answered the original research problem of what are the dimensions of customer experience and what factors influencing customer experience.

Managerial Implications

The knowledge of customer experience and the challenge of creating great customer experience are of utmost importance. Also, factors that contribute in enhancing customer experience are useful for organizations to understand. The findings indicate that customer experience has a positive and significant effect on brand loyalty. This contribution will help brand managers to understand the important role of customer experience and its dimensions. Some elements in these factors are under a company's control while others are uncontrollable such as consumer mood or word of mouth.

Therefore, companies must try to reduce the degree of influence of certain constructs such as word of mouth that may negatively influence customer experience by setting an effective way to deal with the customer complaints and ensuring that their establishments provide high quality services. In order to provide great customer experience, companies must ensure that they provide superior service quality to the consumer at reasonable prices and consumed in a favourable atmosphere.

The results of this study, especially concerning factors discouraging or encouraging consumers' experiences, are important and useful to companies in order to provide the service that meet consumer experiential needs. Many marketers acknowledge the importance of

customer experience, but they have very little knowledge of what components of customer experience in the hotel context and what are the factors affecting customer experience. This finding can be used by brand managers to redirect their planning when attempting to enhance customer experience by emphasising on the core service provided to positively influence consumer experience. From a managerial perspective, managers should focus on basic attributes such as providing safe food, clean rooms and bathrooms, efficient leisure service and entertainment programs, because if the core services are of poor quality, then the overall experience is likely to be negative (Quan and Wang 2004).

Hospitality professionals should consider incorporating the measurement of service quality in their quality improvement program in order to understand customers' perceptions of actual service delivered and to stay ahead of the customers by anticipating their needs. Managers should develop a service improvement program that includes training of service personnel, and empowering them to deliver service excellence.

While advertising may be an important marketing tool for building strong brands, this study shows that advertising is less useful in relation to customer experience. The lesson for local brand managers in Egypt to survive is that they need to focus on transformational advertising that international hotel brands are heavily rely on in their promotional campaigns. This contribution is meaningful for local brands in developing countries, where famous international brands such as Hilton and Sheraton are dominant.

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Table 1: The results of the reliability test

Constructs	Items	Corrected item-total correlation	Cronbach's alpha if the items deleted	Cronbach's alpha	Sample size (N)*
Advertising	AD01	0.913	0.891	0.934	51
	AD02	0.917	0.889		
	AD03	0.689	0.962		
	AD04	0.867	0.906		
Price perception	PP01	0.821	0.842	0.888	52
	PP02	0.672	0.878		
	PP03	0.643	0.884		
	PP04	0.794	0.849		
	PP05	0.728	0.775		
Servicescape	SE01	0.547	0.776	0.803	47
	SE02	0.514	0.781		
	SE03	0.749	0.736		
	SE04	0.717	0.742		
	SE05	0.655	0.758		
	SE06	0.500	0.783		
	SE07	0.130	0.843		
Employees performance	EM01	0.629	0.935	0.929	56
	EM02	0.786	0.917		
	EM03	0.802	0.916		
	EM04	0.874	0.906		
	EM05	0.871	0.906		
	EM06	0.824	0.912		
Core services	CS01	0.677	0.784	0.843	50
	CS02	0.649	0.786		
	CS03	0.678	0.779		
	CS04	0.539	0.822		
	CS05	0.617	0.797		
Word of mouth	WO01	0.398	0.952	0.877	43
	WO02	0.826	0.804		
	WO03	0.839	0.798		
	WO04	0.915	0.927		
Pre-consumption mood	MO01	0.554	0.967	0.918	51
	MO02	0.990	0.861		
	MO03	0.919	0.853		
	MO04	0.907	0.858		
Customer experience	CE01	0.765	0.918	0.928	53
	CE02	0.808	0.917		
	CE03	0.826	0.915		
	CE04	0.769	0.918		
	CE05	0.821	0.916		
	CE06	0.674	0.923		
	CE07	0.664	0.923		
	CE08	0.649	0.926		
	CE09	0.581	0.927		
	CE10	0.697	0.922		
Perceived service	SQ01	0.813	0.856	0.897	55

quality	SQ02	0.835	0.847		
	SQ03	0.705	0.897		
	SQ04	0.763	0.871		
Brand loyalty	BL01	0.527	0.593	0.824	53
	BL02	0.658	0.501		
	BL03	0.626	0.525		
	BL04	0.179	0.824		

* Missing data accounts for the discrepancies among the total Ns.

Table 2: Demographic profile of British customers in main survey sample (n = 509)

Sample size (n)	%	n
Age		
19 years old or less	5 %	25
20 to 29 years	22.1	111
30 to 39 years	22.5	113
40 to 49 years	25	126
50 to 59 years	18.1	91
60 years old or more	7.4	37
Total	100	503
Gender		
Male	36.5	183
Female	63.5	318
Total	100	501
Marital status		
Single	31	152
Married	62.4	306
Divorced	6.5	32
Total	100	490
Education		
Up to high school	50.3	246
Bachelor's degree	22.3	109
Master's degree or higher	16.6	81
N/A	10.8	53
Total	100	489
Occupation		
Managers	15.4	63
Staff in private companies	12.7	52
Student	4.9	20
Retired	4.9	20
Teacher	2.7	11
Others*	59.4	243
Total	100	409

*Others includes: Actress, bookkeeper, bus driver, nurse, business owner, fire fighter, hairdresser, housewife, musician, university lecturer and police officer social carer, retired, fitness administrator, dog groomer, pilot, builder, electrician and surgeon.

Table 3: Results of the confirmatory factor analysis of the main survey

Constructs	Items	SMC	Loadings	t-value	Alpha
Advertising	I reacted favourably to the advertisements.	0.69	.83	24.38	0.94
	I felt positive towards the advertisements.	0.77	.88	26.03	
	The advertisements motivated me to make the holiday decision.	0.81	.90	22.77	
	The advertisements led me to infer what the experience would be like	0.77	.88	21.21	
Price perception	Was reasonable.	0.81	.90	19.61	0.91
	Helped me make my decision.	0.66	.81	16.79	
	The price was still reasonable.	0.76	.82	26.26	
	I was pleased with the price I paid.	0.64	.80	25.83	
Atmosphere	The temperature was comfortable.	0.50	.71	16.93	0.86
	The lighting was appropriate.	0.48	.69	17.02	
	The aroma was enticing.	0.59	.77	18.20	
	The natural environment (such as, sea and gardens) was attractive.	0.52	.72	18.25	
	The overall design of this hotel was interesting.	0.59	.77	19.25	
Employees performance	Employees were always willing to help.	0.86	.93	25.75	0.94
	Employees were polite and courteous.	0.86	.93	25.46	
	Employees gave me personal attention.	0.77	.88	22.78	
	Employees were friendly and pleasant.	0.86	.93	25.87	
	Employees took the time to get to know me personally	0.59	.77	18.82	
Core services	Leisure services (swimming pool, fitness and healthcare centre and sauna) were pleasant.	0.48	.69	15.96	0.77
	Accommodation was comfortable.	0.58	.76	17.65	
	Excursions and trips offered were exciting.	0.56	.75	16.59	
	Educational services (diving, yoga, cooking, and belly dance classes) were pleasant and thought-provoking.	0.39	.63	12.69	
Word of mouth	My friends provided some different ideas about the hotel.	0.38	.62	14.03	0.87
	The word-of-mouth helped me make a decision.	0.85	.92	23.79	
	The word-of-mouth influenced my evaluation.	0.86	.93	24.30	
Pre-consumption mood	Sad………………………..Happy	0.76	.87	23.24	0.95
	Bad mood…………....Good mood	0.94	.97	27.10	
	Irritable……….Pleased	0.92	.96	26.28	
	Depressed………………........Cheerful	0.83	.91	25.43	
Customer experience	I felt like I was doing something new and different.	0.71	.84	20.77	0.83
	The experience was highly educational to me	0.56	.75	19.57	
	I felt a sense of beauty.	0.62	.79	17.22	
	I made new acquaintances and friends.	0.39	.63	14.40	
Perceived service quality	I would say that this hotel provides superior service.	0.74	.86	23.48	0.91
	I believe this hotel offers excellent service.	0.74	.86	23.33	
	This hotel was a place that worth staying in.	0.74	.86	21.91	
Brand loyalty	I am very loyal to this hotel.	0.58	.76	18.35	0.82
	I would continue to come to this hotel even if the price was higher.	0.38	.62	15.32	
	I would highly recommend this hotel to my friends.	0.83	.91	21.27	

Chi-Square	DF	Chi-square/df	CFI	GFI	NFI	TLI	AGFI	RMSEA
1688.40	657	2.56	0.98	0.84	0.96	0.98	0.81	0.060

Table 4: Composite reliability and variance extracted

Constructs	Sources of measurement items	Composite reliability	Variance extracted
Advertising	Holbrook and Batra, 1978 & the qualitative study	0.93	0.76
Price perception	Glenn, Parasuraman, and Grewal, 1998 & the qualitative study	0.90	0.69
Atmosphere	Based on studies of Baker, Grewal and Parasuraman, 1994 Wakfield and Baker,1998 Bitner, 1992 Wakefield and Odgett, 1999 Turley and Milliman, 2000 Baker, Parasuraman, Grewal and Voss, 2002 and supported by the qualitative study	0.85	0.53
Employees performance	Baker, Berry, and Parasuraman, 1988 Wakefield and Blodgett, 1999 Baker, Parasuraman, Grewal and Voss, 2002 Parasuraman, Zeithaml, and Berry, 1991 Cronin and Taylor,1992 Mittal and Lassar, 1996 and supported by the qualitative study	0.95	0.79
Core services	The qualitative study	0.80	0.50
Word of mouth	O'Cass and Grace, 2004 & The qualitative study	0.87	0.70
Pre-consumption mood	Swinyard, 1993	0.96	0.80
Customer experience	Otto and Ritchie, 1996; Oh *et al*, 2007 & the qualitative study	0.84	0.57
Perceived service quality	Brady and Cronin, 2001 & the qualitative study	0.90	0.74
Brand loyalty	Pritchard, Havitz and Howard, 1999; Ganesh, Arnold, Reynolds, 2000	0.81	0.60

Table 5:
Completely standardized indirect effects and t values
for the combined effects model

Indirect relationships	Indirect effect	*t*-value	Total effect	*t*-value
SE →SQ →CE	0.08	13.92	0.12	14.31
CS →SQ →CE	0.11	17.33	0.65	22.09

Table 6: Results of testing the hypotheses

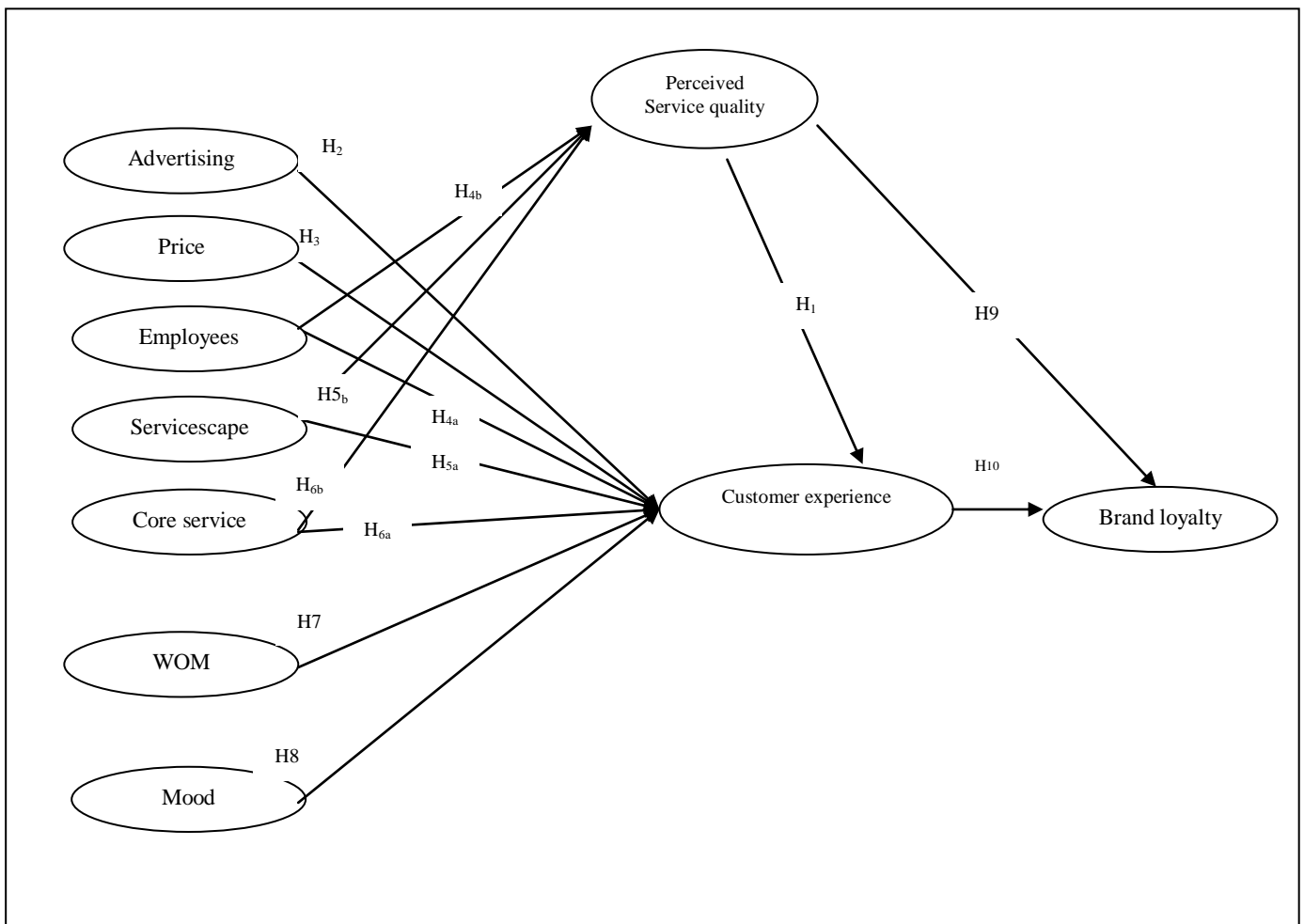| Hypotheses	Path estimates	*t*- value	Test results
H1: Perceived service quality has a significant effect on customer experience.	0.31	3.92	Accepted
H2: Advertising has a significant effect on customer experience during the service consumption.	-0.01	-0.13	Rejected
H3: Price of services does not have a significant effect on customer experience during the service consumption.	-0.07	-1.31*	Accepted
H4a: Employees or service personnel has a significant effect on customer experience during service consumption.	-0.12	-1.97	Rejected
H4b: Employees or service personnel have a significant effect on perceived service quality.	0. 27	5.62	Accepted
H4c: Perceived service quality partially mediates the impact of employees on customer experience.			Rejected
H5a: Servicescape or setting has a significant effect on customer experience during service consumption.	0.04	0.39	Rejected
H5b: Servicescape or setting has a significant effect on perceived service quality.	0.27	3.55	Accepted
H5c: Perceived service quality partially mediates the impact of servicescape on customer.			Rejected
H6a: Core service has a significant effect on customer experience during service consumption.	0.54	4.76	Accepted
H6b: Core service has a significant effect on perceived service quality.	0.37	4.42	Accepted
H6c: Perceived service quality partially mediates the impact of core service on customer.			Accepted
H7: Word-of-mouth influence customer experience during the service consumption positively.	0.16	3.64	Accepted
H8: Customer pre-consumption mood influences customer experience during the service consumption positively.	0.01	0.22	Rejected
H9: perceived service quality contributes to brand loyalty positively.	0.70	12.34	Accepted
H10: customer experience contributes to brand loyalty positively.	0.28	5.47	Accepted

*p < .1.

Figure 1: Research conceptual framework

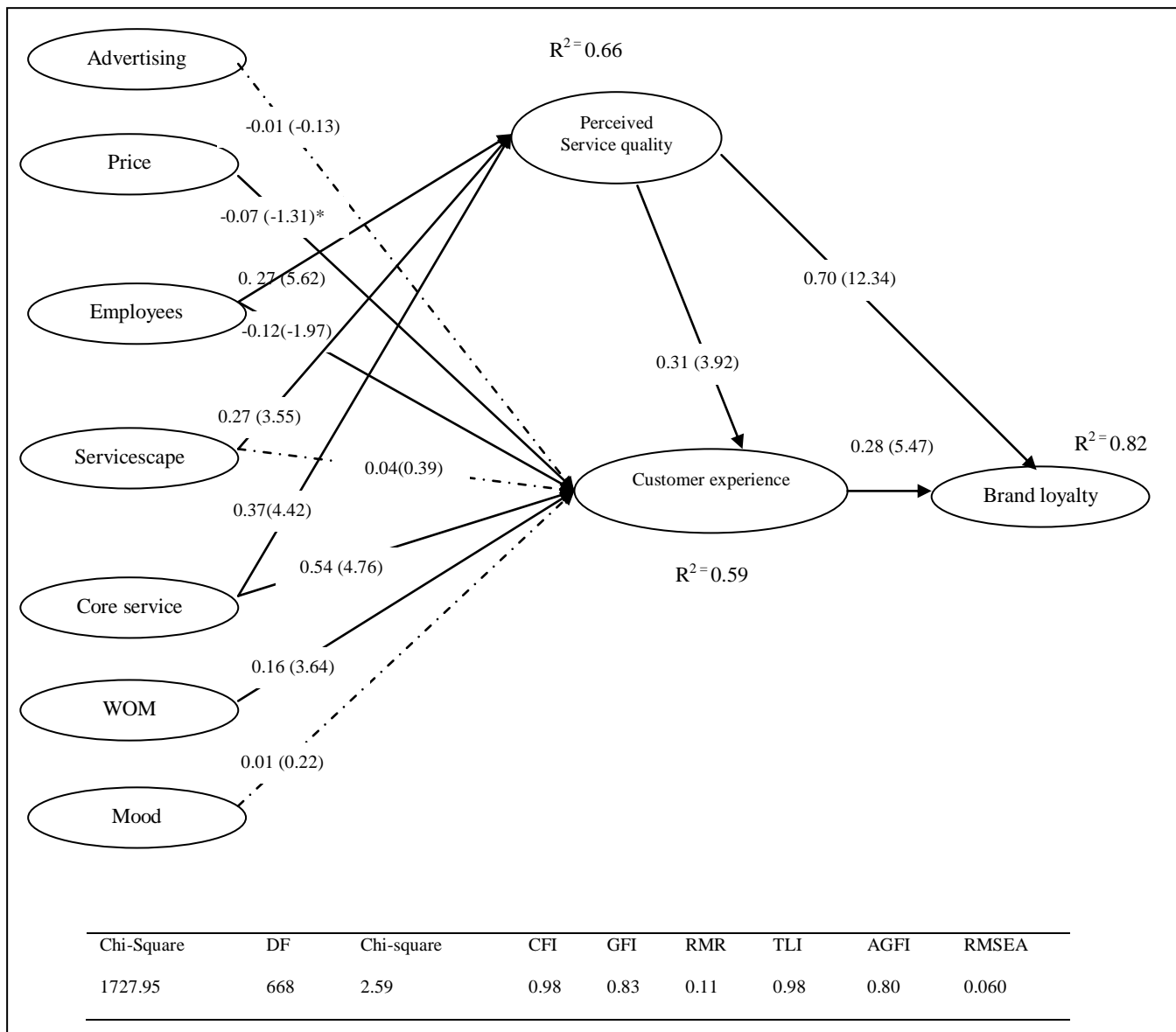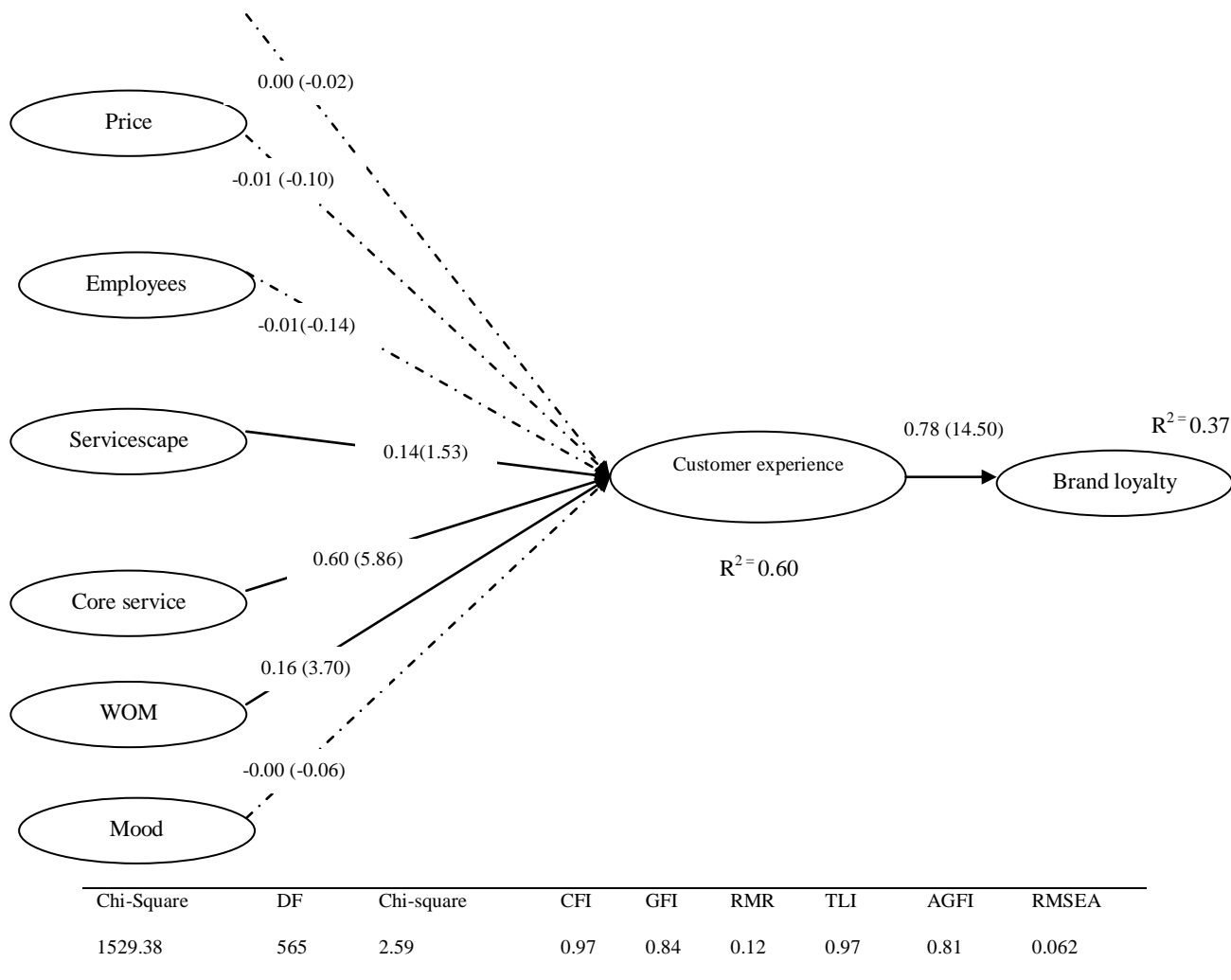| Chi-Square	DF	Chi-square	CFI	GFI	RMR	TLI	AGFI	RMSEA
1727.95	668	2.59	0.98	0.83	0.11	0.98	0.80	0.060

Figure 2: Validated structural model

Notes. * t values greater than 1.28 were significant at 0.90 confidence level and t values greater than 1.96 were significant at 0.95. Solid lines indicate significant relationships, and dotted lined indicate non-significant relationships.
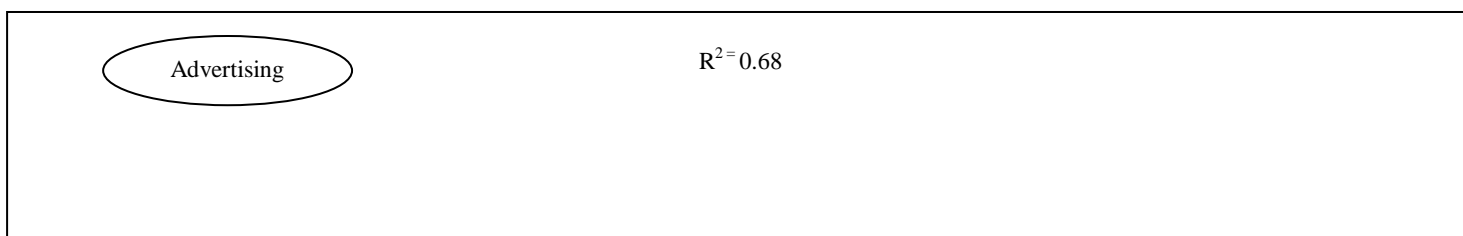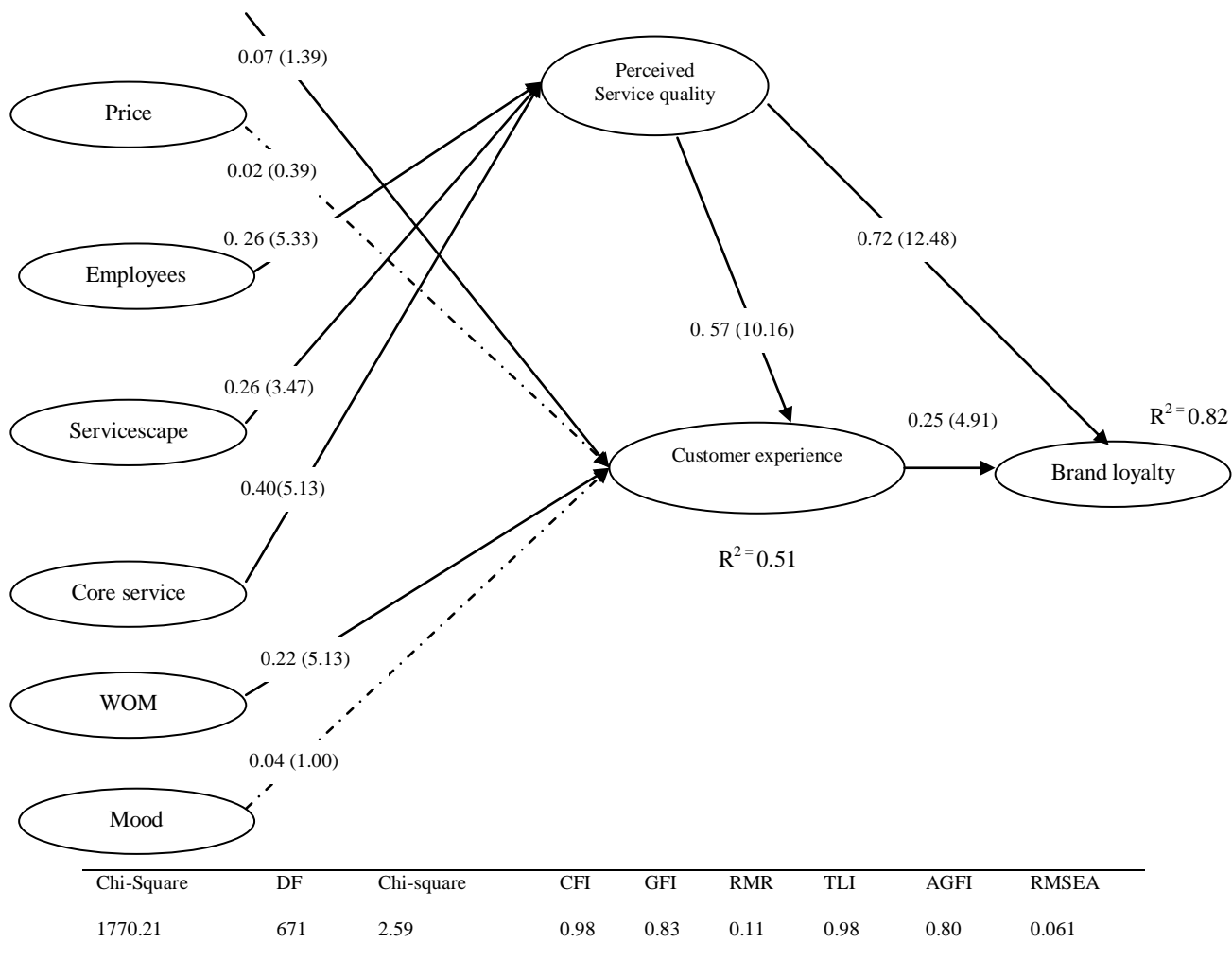
Figure 3: Direct effects model

Chi-Square	DF	Chi-square	CFI	GFI	RMR	TLI	AGFI	RMSEA
1529.38	565	2.59	0.97	0.84	0.12	0.97	0.81	0.062

Notes. * *t* values greater than 1.282 were significant at 0.90 confidence level and *t* values greater than 1.96 were significant at 0.95. Solid lines indicate significant relationships, and dotted lined indicate non-significant relationships.

Figure 4: Mediation model

Notes. * *t* values greater than 1.282 were significant at 0.90 confidence level and *t* values greater than 1.96 were significant at 0.95. Solid lines indicate significant relationships (p < .05), and dotted lined indicate non-significant relationships.
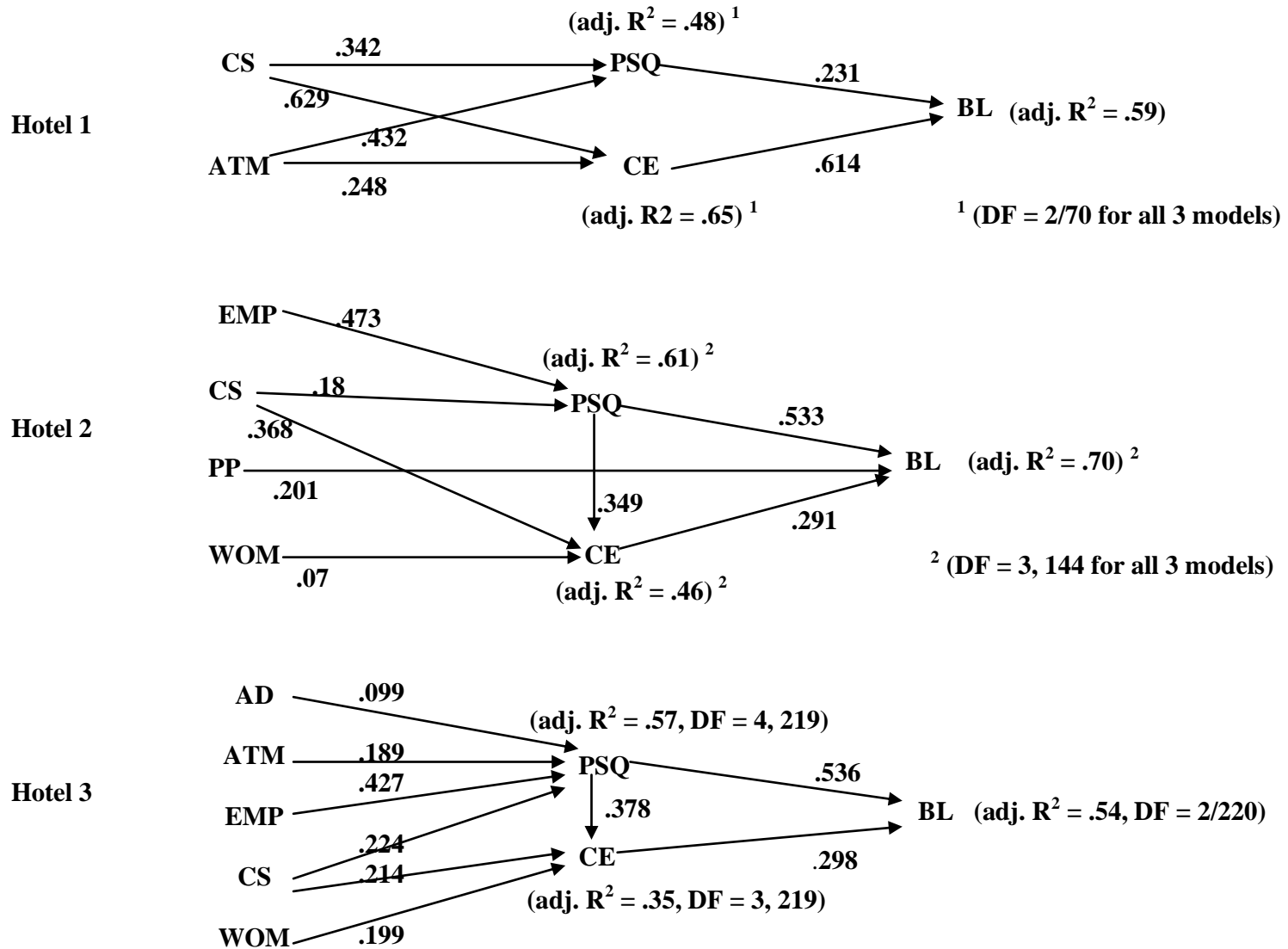
Figure 5
Parsimonious Path Models for Each Hotel
Note. Arrows include standardized partial regression coefficients (betas)

Table 7. Fit and Predictive r2 values for each of the Three Hotels:
(Diagonal values show fit) and the remaining values show predictive validities

Hotel	Dependent Variable	Hotel 1 Models	Hotel 2 Models	Hotel 3 Models
	BL	(.64)	.60	.63
Hotel 1 data	CE	(.67)	.64	.59
	PSQ	(.47)	.30	.39
	BL	.48	(.71)	.71
Hotel 2 data	CE	.31	(.49)	.44
	PSQ	.52	(.63)	.62
	BL	.55	.55	(.56)
Hotel 3 data	CE	.28	.36	(.37)
	PSQ	.46	.53	(.58)