

## Experience composite worth: A combination of experience quality and experience value

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### ABSTRACT

This research suggests that experience quality and experience value be combined into a single multi-dimensional construct, termed experience composite worth. It briefly describes customer experience, experience quality and experience value and the overlap in the dimensions used in outlining experience quality and experience value. Pearson's product moment correlation performed on a dataset describing the guesthouse experience in Ghana showed strong positive correlations between 11 dimensions proposed to measure the experience. A confirmatory factor analysis indicated the existence of a single latent factor, namely experience composite worth. Experience composite worth is described as the customer's perception of the trade-off between the tangible, intangible and emotional benefits and sacrifices associated with the complex combination of the characteristics, elements and dimensions of unique experiences co-created by the customer across a series of functional and experiential interactions with all aspects of the organisation. Experience composite worth can therefore result from, and be impacted by, all touch points spanning the customer's journey. This study creates opportunities for much further research into the proposed concept of experience composite worth, its components, measurement and impact on customer satisfaction and behaviour.

**Key words:** Customer, Customer experience, Experience composite worth, Experience quality, Experience value.

### Introduction

Research on product quality, service quality and value has been prominent in literature for many years. Several scholars (Beneke, Flynn, Greig & Mukaiwa 2013;

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Carlson, O’Cass & Ahrholdt 2015; Orel & Kara 2014; To, Tam & Cheung 2013) have touted these concepts as antecedents to customer satisfaction. It is well known that customer satisfaction leads to customer loyalty (Delcourt, Gremler, van Riel & van Birgelen 2013), which in turn results in repurchase intentions (Eisingerich & Bell 2007), positive word-of-mouth messages (Kumar, Lassar & Butaney 2014) and willingness to pay more (Chen & Fu 2015). However, the focus on product and service quality is gradually being replaced by an emphasis on the staging of customer experiences (Sørensen & Jensen 2015). Two aspects associated with customer experience, namely experience quality and experience value, are of particular importance as shown by extant literature and research in a variety of sectors. Several authors (Chang & Horng 2010; Chen & Chen 2010; Cole & Scott 2004; Jin & Lee 2015; Kao, Huang & Wu 2008) found that experience quality has a direct and positive effect on customer satisfaction and therefore acts as an antecedent to satisfaction. Experience value has similarly been identified as an antecedent to customer satisfaction by researchers such as Prebensen, Woo and Uysal (2014); Sánchez-Fernández and Iniesta-Bonillo (2009); and Wu and Liang (2009). Whilst the impact of experience quality and experience value is acknowledged, their focus on satisfaction is outside the scope of this article.

Despite scholars’ agreement on the impact of experience quality and experience value on satisfaction, researchers use a variety of dimensions to measure these concepts (Chen & Chen 2010; Fernandes & Cruz 2016; Mathwick, Malhotra & Rigdon 2001). However, a number of dimensions such as economic value, entertainment, hedonics, aesthetics, peace of mind and recognition are used to measure *both* experience quality and experience value, seemingly with little reason for this commonality. Consequently the question arises as to whether experience quality and experience value should indeed be separate constructs, or could be viewed as a single construct. Literature searches did not locate an empirical study that answered this question. The aim of this study is therefore to examine the possibility of experience quality and experience value being one construct. The hospitality sector served as the empirical setting for the investigation.

The remainder of this paper is structured as follows. First, a short theoretical background on customer experience, experience quality, experience value, and of the overlap in the dimensions used to measure these two constructs is provided and the dimensions for the current study proposed. These explanations are followed by a report on the methodology and a presentation of the results, a discussion thereof and implications of the research. The paper is concluded with a statement of the limitations of the study and suggestions for future research.

## Theoretical background

### Customer experience

Marketing thought has progressed over many years from a focus on goods, to a focus on services and, most recently, a focus on experiences (Pine & Gilmore 1998, 1999, 2011). The differences between goods, services, and experiences can be explained based on the logic behind each of these concepts in terms of resources, transactions and its value. Lindgreen, Vanhamme and Beverland (2009) assert that the logic behind goods is primarily based on tangible resources, discrete transactions and exchange value. The services logic is based on intangible resources, relational transactions and value. The emphasis is on knowledge and skills needed to produce services that will enhance satisfaction and help customers accomplish their goals. The *use* of knowledge and skills, rather than their exchange, constitutes the source of value. The third logic, the logic of experience, is 'based on the assumptions of symbolic resources, engaging transactions and internalised value' (Lindgreen et al. 2009: 11). The experience logic is founded on utilising, integrating and incorporating symbols in creative and imaginative ways to create stimulating offerings and generate positive customer memories. The experience logic goes beyond the ordinary delivery of a service; it is about creating and delivering a memorable and a special event (Loureiro 2014). Meyer and Schwager (2007: 118) emphasise that the experience logic involves the 'customer's internal and subjective response' to any direct or indirect encounter with an organisation.

Despite the foundations of the customer experience logic having attracted much interest, no consensus exists on the definition of an experience (Ismail, Melewar, Lim & Woodside 2011; Naseri, Ling & Severi 2013; Petermans, Janssens & van Cleempoel 2013). For example, Hart, Stachow and Cadogan (2013: 1774) conceptualise that customer experience is 'the sum of all the experiences a customer has with a provider of goods and services'. Schmitt (2010: 56) describes an experience as 'perceptions, feelings and thoughts that consumers have when they encounter products and brands in the marketplace, or engage in consumption activities'. This points to the inclusion of products and services as part of the experience. Prahalad and Ramaswamy (2004) also acknowledge the interaction between a firm and the consumer as the basis of the experience. The above descriptions suggest that customer experience includes, but also goes beyond, quality and value.

### Experience quality and experience value

For many years, scholars and organisations have emphasised the importance of providing product and service quality (Cronin, Steven & Taylor 1992; Orel &

Kara 2014; Parasuraman, Zeithaml & Berry 1985). The quality of a product can be viewed as its ability to fulfil the customer's needs and expectations. If the product meets expectations, the customer will be pleased and consider the product as being of acceptable or even of high quality (Jakpar, Na, Johari & Myint 2012; McNally, Akdeniz & Calontone 2011). Contrary to product quality, service quality places emphasis on functional peripherals such as physical evidence, condition and functionality of equipment or the reliability to deliver what has been promised (Parasuraman, Zeithaml & Berry 1988). The emphasis on product and service quality is, however, slowly being replaced by experience quality. Chen and Chen (2010) highlight the differences between experience quality and service quality as follows: The measurement of experience quality is subjective which evaluates the entire perceptions of the customer about the organisation. Service quality, on the other hand, tends to be objective and focuses on the attributes of the product or the service. Experience quality deals with the customer's self (internal) while service quality evaluates the service environment (external). Experience quality is the resulting perception when customers emotionally assess their experiences following their engagement with an organisation, its products and services (Chang & Horng 2010). It involves the customers' feelings, mood and attitudes to their social and psychological benefits such as contact with people who contribute to co-create the actual experience (Chen & Chen 2010). Experience quality is based upon the "customers' cognitive and emotional evaluations of the service experience rather than just to evaluate the attributes of a product or service" (Kashif, Samsi, Awang & Mohamad 2016). According to Fernandes and Cruz (2016) experience quality is a multi-dimensional concept and impacts on customer's loyalty, advocacy and satisfaction. Chen and Chen (2010) found that experience quality has a positive impact on customers' perceived value.

Customers' perceived value is regarded as a dynamic, complex and a multi-dimensional construct (Frochot & Batat 2013). Some scholars, such as Zeithaml (1988), describe value in terms of the benefits and sacrifices made by the consumer. Sacrifices include time, effort and the money paid in exchange for the benefits or quality received. The benefit-sacrifice approach is considered to be focused on utilitarian aspects of products or services, and as a trade-off between functional utility and price paid (Frochot & Batat 2013). However, contemporary customers desire more than the utility benefits of a product or service and organisations should therefore provide experience value in addition to functional value. Experience value captures an integrated process between the host and guests in a certain environment where both parties retrospectively contribute to the creation of value (Prebensen, Chen & Uysal 2014). Given that experience value is interactive and collectively produced (Holbrook 2006), and spans contact with the organisation before, during

and even after the experience, the customer's journey might provide an important avenue for adding value (Lemke et al. 2011).

### Overlap between experience quality and experience value

To date experience quality and experience value have mostly been investigated separately, each with its own dimensions and interpretations. For example, Otto and Ritchie (1996) conducted a study within the hotel, airline, tour and attractions sectors and found that hedonics, peace of mind, involvement and recognition influence experience quality. Chen and Chen's (2010) study into heritage tourism found that involvement, peace of mind and education represent customers' perceptions of experience quality. Cole and Scott (2004) noted that entertainment, education and the community impact experience quality in a rainforest domain. Kao et al. (2008) studied theme parks and identified immersion, surprise, participation and fun as dimensions of experience quality. Chang and Horng (2010) conceptualised the physical surroundings, service providers, other customers, customers' companions and customers themselves as dimensions of experience quality in a museum and in a retail setting. Fernandes and Cruz (2016) found that environment, service providers, learning, entertainment, functional benefits and trust are dimensions of experience quality in the consumer retail sector.

Like with experience quality, experience value has also been measured using a variety of dimensions. For example, Prebensen et al. (2014) noted that motivation, involvement and tourist knowledge provide a measure of experience value associated with nature-based visitor attractions. Zhang et al.'s (2009) study into casino hotels indicated that aesthetics, entertainment, efficiency, service excellence and social interaction/recognition can be used to measure experience value. Jones, Reynolds and Arnold (2006) proposed hedonics and utilitarian value as important experience value dimensions. Higgins (2006) also suggests hedonics, but adds motivation as a dimension of experience value. Mathwick et al.'s (2001, 2002) studies on internet and catalogue shopping indicated that playfulness, aesthetics, customer return on investment, service excellence, efficiency, economic value, shopping enjoyment, visual appeal, entertainment and excellence, reflect customers' experience of value. Other dimensions are attractiveness, enjoyment, excitement, pleasantness and relaxation (Lin, Yeh & Hsu 2014).

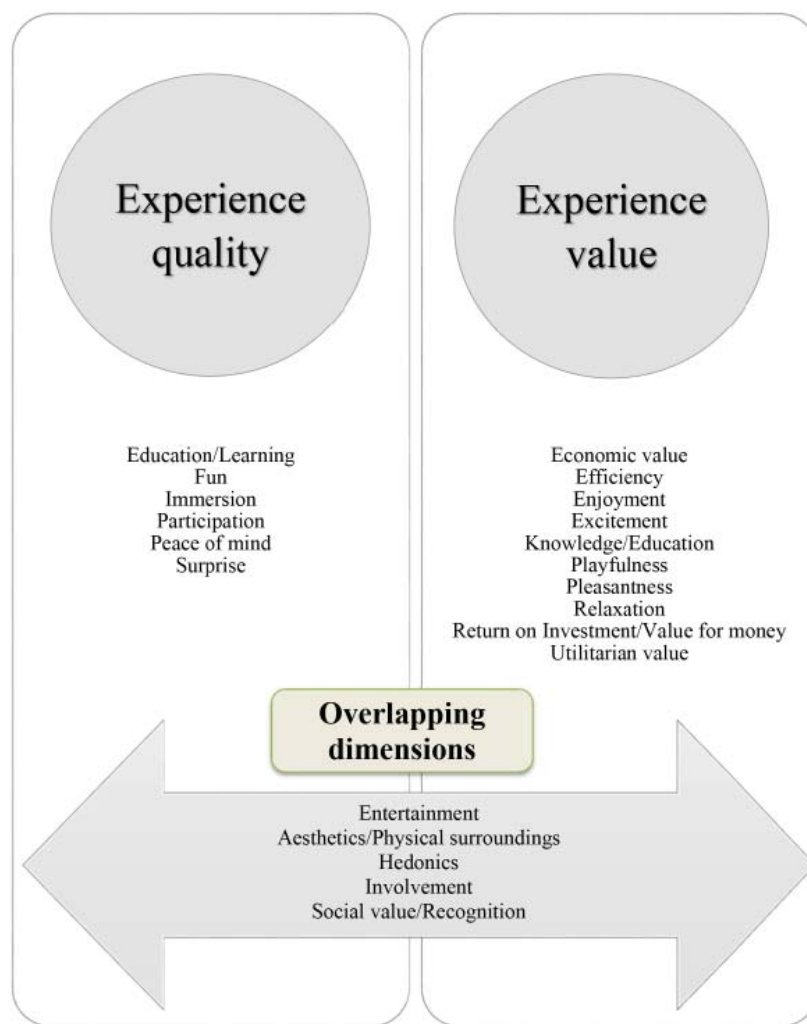
Although the studies into experience quality and experience value mentioned above were conducted in different settings, the commonality and overlap in the dimensions of experience quality and experience value are striking, as is shown in Figure 1. In addition, a number of dimensions (e.g. customer return on investment versus economic value; playfulness versus entertainment; visual appeal versus aesthetics and attractiveness; and immersion versus escape) are termed differently,

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but still have a very similar meaning in each study. Figure 1 clearly shows that experience quality and experience value share at least five dimensions based on the analysis of only ten studies. It is expected that more common dimensions might be found if a meta-analysis is done. The following is therefore proposed:

H1: There is a strong correlation between the dimensions measuring experience quality and experience value.

H2: Experience quality and experience value is one multi-dimensional construct.



**Figure 1:** Dimensions identified in previous studies in measuring experience quality and experience value and their overlap

Source: Own construction

### Dimensions proposed for the current study

Eleven dimensions were proposed to measure experience quality and experience value in the current study. Four dimensions, namely hedonics, peace of mind, involvement and recognition, were proposed to measure experience quality within the guesthouse industry. These dimensions were previously confirmed in the hospitality industry (the empirical focus of the current study) by Otto and Ritchie (1996) and have also been validated in other studies albeit in different contexts (e.g. Chen & Chen 2010). Hedonics involves activities that are fun, enjoyable and engaging (Josiam & Henry 2014). Peace of mind relates to safety, security and privacy (Chan & Lam 2013; Chen & Chen 2010). Involvement captures customers' desire to learn new things, be informed and participate in the offering (Chen & Chen 2010; Pine & Gilmore 2011; Schmitt 2010). Recognition, representing the final experience quality dimension proposed for this study, is associated with the feelings of being important and the perception of being well taken care of (Otto & Ritchie 1996; Wu & Li 2014).

Experience value was proposed to be measured by seven dimensions validated in earlier research, namely enjoyment, entertainment, escape, atmospherics, efficiency, excellence and economic value. Enjoyment constitutes the first dimension and involves the customer having a good time (See-To, Papagiannidis & Cho 2012). The second dimension, entertainment, refers to activities that are gratifying and aims at engaging the customer (Hosany & Witham 2010; Pine & Gilmore 1998). Escape, the third proposed dimension, captures opportunities provided by the organisation that can help the customer forget about normal daily activities (Abuhamdeh & Csikszentmihalyi 2012). Atmospherics represents the fourth dimension of experience value and includes interior architectural design and decorations, comfortable room temperature, an appropriate lighting system, music, low levels of noise, size and shape of equipment, and furnishings (Bitner 1992). Efficiency forms the fifth dimension proposed to measure experience value and is defined as the process of completing a task quickly, without wasting time, energy and resources (Holbrook 1999). The sixth dimension represents excellence and is the perception of extraordinary and surprising levels of service (Rust & Oliver 2000). The final proposed dimension of experience value is economic value, which refers to a comparison of benefits received and sacrifices made (Mathwick et al. 2001; Puustinen, Maas & Karjaluo 2013).

The current study uses the guesthouse experience in Ghana as the context for the investigation. Guesthouses make an important contribution to satisfying the accommodation needs of tourists, destination travellers and other individuals such as business persons or families who temporarily stay away from home. In comparison to hotels, guesthouses in Ghana are relatively small in terms of the size of the building, number of rooms and types of services offered (Mensah 2006).

## Research methodology

This study formed part of a larger study into the guesthouse experience (Amoah 2016). The study was conducted in four major cities in Ghana (Accra, Cape Coast, Koforidua and Kumasi). The target population included anyone who have stayed at least one night in a guesthouse within the period of the survey. Prior to the data collection process, an advanced Google search of the Ghana Tourism Authority website was done using word combinations such as “number of registered guesthouses in Ghana”, and “number of registered guesthouses per region in Ghana”. This resulted in a total of 534 registered guesthouses in Ghana. Of these, 181, 110, 50 and 38 registered guesthouses were respectively identified in the four major regions of the country, namely: Greater Accra, Ashanti, Central, and the Eastern region. Using a proportional stratified random sampling, 51 guesthouses were selected for the survey. The required data was obtained via a hard-copy self-administered survey questionnaire delivered to the guesthouses. An initial pool of 87 items was generated from previous literature (Chen & Chen 2010; Hosany & Witham 2010; Otto & Ritchie 1996; Wu & Liang 2009) dealing with experience quality and experience value. These items were assigned to the 11 dimensions proposed to measure experience quality and experience value as was explained earlier. To ensure content and face validity of the measurement instrument, five subject experts, four managers and ten guests from the selected guesthouses reviewed the items at different stages of refining the questionnaire.

This process resulted in 48 items being retained. The questionnaire included a covering letter indicating an ethics clearance number from the University, a section which sought the respondents' consent and an assurance of their anonymity. The final questionnaire was tested in a pilot study with 50 respondents, followed by a reliability assessment using Cronbach's alpha for each of the 11 anticipated dimensions. All of the resulting coefficients were above 0.80, thus exceeding the generally acceptable lower limit of 0.70 (Hair, Black, Babin & Anderson 2010). These coefficients suggest that the scale was internally reliable. A total of 650 questionnaires were distributed and 541 useable questionnaires were collected over a period of 3 months, representing a response rate of 83%. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy, Bartlett's test of sphericity, Pearson's product moment correlation, scree plot, exploratory and confirmatory factor analysis (CFA) have been performed using Statistica Version 12 and Amos 24 software packages.

A Pearson's product moment correlation was calculated in order to test the first hypothesis, namely:

*H1:* There is a strong correlation between the dimensions measuring experience quality and experience value.



The results are shown in the next section.

A confirmatory factor analysis was performed with a view of testing the second hypothesis, namely:

H2: Experience quality and experience value is one multi-dimensional construct.

The results are reported in the next section.

## Results

Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett’s test of sphericity were utilised to verify whether the data will be suitable for factor analysis. A KMO of .960 and a significant Bartlett’s test ( $p = .000$ ) suggest that the data set was appropriate for factor analysis (Pallant 2013). Pearson’s product moment correlation (see Table 1) was used to establish the relationships among the 11 experience dimensions. It is evident that a strong positive relationship exists among all 11 dimensions. The weakest correlation is between escape and peace of mind (0.595) and the strongest correlation emerged between excellence and efficiency (0.855). These correlations lend support to H1, namely that there is a strong correlation between the dimensions of experience quality and experience value. This result thus supports the notion of the combination of experience quality and experience value.

**Table 1:** Correlations among the dimensions of experience quality and experience value

		1	2	3	4	5	6	7	8	9	10	11
	Dimensions											
1	Hedonics	-										
2	Peace of mind	.694	-									
3	Involvement	.719	.717	-								
4	Recognition	.687	.642	.731	-							
5	Atmospherics	.721	.755	.712	.653	-						
6	Enjoyment	.712	.738	.734	.668	.765	-					
7	Entertainment	.708	.692	.721	.711	.722	.821	-				
8	Escape	.661	.595	.638	.601	.611	.667	.685	-			
9	Efficiency	.682	.706	.727	.679	.805	.714	.675	.658	-		
10	Excellence	.705	.711	.713	.669	.802	.720	.681	.671	.855	-	
11	Economic value	.708	.743	.709	.669	.797	.757	.732	.674	.761	.803	-

Source: Based on the empirical results

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In addition, Kaiser’s (1960) eigenvalue rule (retention of factors with eigenvalues greater than one) showed only one eigenvalue greater than one, suggesting the existence of one latent factor. This single factor explained 73.66% of the total variance, meeting the rule of thumb in the social sciences that a factor solution, accounting for 60% or more of the total variance is satisfactory and a single factor accounting for 5% or more of the total variance, is meaningful (Hair et al. 2010).

### Exploratory factor analysis (EFA)

A further examination of the dimensions was performed in the form of a factor analysis on the 11 dimensions selected for the study. The factor loadings are shown in Table 2. This factor explained 73.7% of the variance which suggests the existence of a single latent factor instead of the expected two factors (experience quality and experience value). The Cronbach’s alpha of 0.964 also indicates that the 11 dimensions forming a single factor is reliable. All these results seem to point to a single latent factor.

**Table 2:** Factor loadings: one-factor solution

Variables	One Factor loadings	Mean	Std. deviations
Hedonics	0.829	3.511	0.852
Peace of mind	0.830	3.789	0.801
Involvement	0.845	3.487	0.890
Recognition	0.791	3.396	0.898
Atmospherics	0.877	3.825	0.760
Enjoyment	0.869	3.649	0.821
Entertainment	0.848	3.592	0.893
Escape	0.760	3.177	0.851
Efficiency	0.865	3.623	0.845
Excellence	0.874	3.642	0.883
Economic value	0.877	3.686	0.855
Reliability statistics			
Cronbach's alpha	Number of dimensions		
0.964	11		

Source: Based on the empirical results

A scree plot (see Figure 2) furthermore shows that only one factor can be retained as this factor falls above the elbow, or break in the plot. As recommended, this factor

above the elbow contributes the most to the explanation of the variance in the data set (Catell 1966) and thus provides further evidence of a single factor structure.



**Figure 2:** Scree plot

### Confirmatory factor analysis (CFA)

The data was aggregated to find out if it would confirm the one factor model and to test the second hypothesis of the study. The standardised regression weights and significance levels provide ample evidence of a one factor structural model (Hair et al. 2010). The coefficients of all paths were significant at  $p < .01$ . The goodness-of-fit indices (see Table 3) of the CFA (CMIN/df = 3.57, CFI = .98, TLI = .98, GFI = .96, RMSEA = .07) indicate that the model fit the data (Hair et al. 2010). These results also support the one factor model and H2, namely experience quality and experience value is one multi-dimensional construct. The resulting CFA is provided in Figure 3.

**Table 3:** Goodness-of-fit indices

Fit indices	Target	Observed
CMIN/df	< 5.00	3.568
CFI	> 0.9	0.984
TLI	> 0.9	0.976
GFI	> 0.95	0.957

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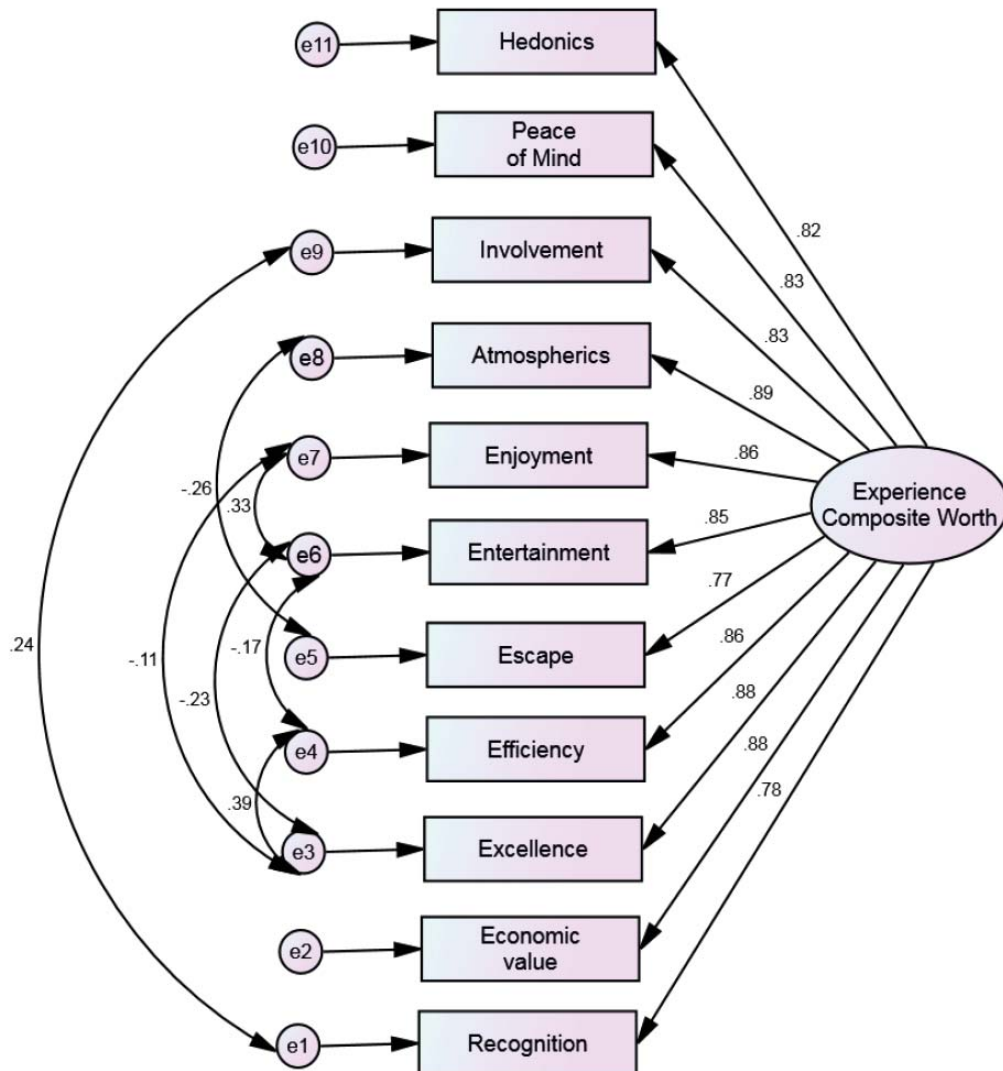


Figure 3: CFA

### Discussion and implications

Experience quality and experience value are important components of customer experiences and hence have attracted much research in recent years and prompted several propositions of dimensions measuring these concepts. However, there is little empirical research into the relationships between experience quality and experience

value dimensions despite its adoption in the extant literature (Chang & Horng 2010; Chen & Chen 2010; Lin et al. 2014; Mathwick et al. 2001). The aim of this study was to investigate the likelihood of experience quality and experience value being one construct. Four experience quality dimensions, namely hedonics, peace of mind, involvement and recognition, and seven experience value dimensions were examined. The experience value dimensions included atmospherics, enjoyment, entertainment, efficiency, excellence, escape and economic value.

The empirical results showed a strong positive correlation between all the dimensions proposed to measure experience quality and experience value. In addition, all the dimensions loaded on to a single factor. Although this result is in contrast with the finding that experience quality has a positive effect on perceived value (Chen & Chen 2010), it is argued that experience quality and experience value can be regarded as a single multi-dimensional factor in the current context and need not be differentiated. Multi-dimensionality is not a new idea. Walls et al. (2011) and Han and Jeong (2013), for example, highlighted the multi-dimensionality of customer experience. Sánchez-Fernández and Iniesta-Bonillo (2009) and Sparks, Bradley and Jennings (2011) attested to the multi-dimensionality of experience value, and Radder and Han (2009) described service quality as multi-dimensional. Consumer experience, value and quality are all relevant to the current study.

The combination of experience quality and experience value can be termed 'experience composite worth'. The term 'composite' originates from the Latin word *compositus*, which means 'well arranged' and from *cōmponere*, which means to 'collect or arrange' (Collins English Dictionary – Complete and Unabridged 2014, as cited in The Free Dictionary 2016). Composite is defined as 'consisting of separate interconnected parts' (WordNet 3.0 2012, as cited in The Free Dictionary 2016), or 'two or more interconnected parts' (The American Heritage Roget's Thesaurus 2014, as cited in The Free Dictionary 2016). Another explanation of worth is 'made up of distinct components' (American Heritage Dictionary of the English Language 2016, as cited in The Free Dictionary 2016) or the result of 'combining two or more existing things' (American Heritage Dictionary of the English Language 2016, as cited in The Free Dictionary 2016). Composite also means 'a conceptual whole made up of complicated and related parts' (WordNet 3.0 2012, as cited in The Free Dictionary 2016). In the context of consumer experiences, the term *composite* when used as part of experience composite worth, is thus intended to describe a complex combination of distinct characteristics, dimensions, components, elements and parts of both experience quality and experience value, while still preserving their separate identities.

The term *worth* is described as 'quality that renders something desirable, useful, or valuable' (WordNet 3.0 2012, as cited in The Free Dictionary 2016) and a 'measure

of those qualities that determine merit, desirability, usefulness or importance' (American Heritage Dictionary of the English Language 2016, as cited in The Free Dictionary 2016). Worth is also a measure of excellence, value, price, and/or the amount or quantity of something of a specified value (The Free Dictionary 2016). Worth is furthermore described as usefulness, benefit, importance, utility, excellence and goodness (Collins Thesaurus of the English Language – Complete and Unabridged 2002, as cited in The Free Dictionary 2016). According to the Business Dictionary (2016), worth can be expressed in monetary and non-monetary terms. It is thus argued that worth, as part of composite experience worth, can include all aspects of the experience offered by an organisation and desired and valued by the customer for their perceived tangible, intangible and emotional benefits relative to utility, excellence and goodness.

Taking cognisance of the descriptions of composite and worth as part of the consumer experience and the descriptions of experience quality and experience value, experience composite worth can be described as *the customer's perception of the trade-off between the tangible, intangible and emotional benefits and sacrifices associated with the complex combination of the characteristics, elements and dimensions of unique experiences co-created by the customer across a series of functional and experiential interactions with all aspects of the organisation. Experience composite worth can therefore result from, and be impacted by, all touch points spanning the customer's journey.*

This study has several implications. From a conceptual perspective, it showed that the dimensions used to measure experience quality and experience value overlap and that these two concepts can be combined into a single concept, namely experience composite worth (at least in the context of the guesthouse experience in Ghana). From a practical point of view, the findings confirm 11 dimensions that lead to satisfaction with the guesthouse experience. Guesthouse managers can design their experience offerings around hedonics, peace of mind, involvement, recognition, atmospherics, enjoyment, entertainment, escape, efficiency, excellence and economic value. Satisfaction with these dimensions is likely to impact customer loyalty and behavioural intentions such as word-of-mouth communication and patronage, and ultimately organisational competitiveness and growth.

## Limitations and future research

As in many studies, this research has some limitations, which inevitably offer opportunities for future research. The empirical focus included only 11 experience quality and experience value dimensions. Additional dimensions can be examined in order to verify the relationships between them and the existence of a single, multi-dimensional factor. In order to generalise the existence of experience composite

worth as the combination of experience quality and experience value, similar studies have to be repeated in contexts other than from the guesthouse setting.

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