

# Customer Experience Management in the Hotel Industry: Principles, Theory and Practice

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**Abstract**—Hospitality is a service industry that is engaged in providing of accommodation and lodging. The management approach focused on customer experience management can enhance the positive image of the hotel and the customer intensity. Customer experience management based on the strategic perspective is how a company manages and maintains of customers, resolve issues that occur, and evaluate the level of customer dissatisfaction. Business-based customer experience can create the sustainable business growth. Meanwhile, many studies have been carried out by providing the important steps and key challenges the success of customer experience management, whereas this study aims to emphasize the principle, theoretical conceptualization, and practice in the hotel industry in implementing customer experience management. By organizing and synthesizing the flow of previous studies, this study provides a comprehensive framework to future studies with dimensions of customer experience management.

**Keywords**—Hospitality; Hotel Industry; Theoretical Conceptualization; Customer Experience Management.

## I. INTRODUCTION

The theory and practice of marketing dynamically developing through a series of transformations from products, services and customer experience. Each stage has a perspective on marketing objectives, the nature and measurement of customer value as an indicator of performance and management decisions. Customer experience management has received great attention from practitioners and academic over the last few decades [1]; [2]; [3]; [4]; [5]. The concept of customer experience management has a strong impact on the level of satisfaction and perceived value by consumers. Thus, one of the key strategies for customer-focused firms is to monitor and evaluate customer experience management.

To achieve a competitive advantage and customer satisfaction can be achieved by creating a customer experience [5]; [6]; [7]. According to [2], the biggest challenge of customer experience management lies in the difficulty of measuring the concept, especially for situational and emotional context. The customer experience has been recognized in various contexts such as in the regulation of business to business [8], and public services [9]; [10]; [11]. According to [12], the customer experience not only in the

context of the organization and the customer, however, it comes from the experience acquired and the value perceived by the individuals involved. The successful of experience is when customers find things unique, memorable, and sustainable over time [13]. According to [14] emphasizes that the customer experience can change the functional values which gives the effect of sensory, emotional, cognitive, and relational.

The hotel industry is a service business that provides quality services in accordance with market demands. Quality of service is one of indicators to measure customer satisfaction toward the level of fulfillment of their needs. Customer experience management is one of the company's efforts in maintaining and improving the quality of service. That approach can ensure the company's constant improvement in accordance with the demands of the market. The fierce competition in the tourism industry requires the hospitality industry to do the new approaches in the development of hotel services.

Customer experience management is a new perspective that is broader and more comprehensive than the practices and other traditional marketing approaches. Customer experience management is a holistic approach that systematically in all of the key points of an organization. It enables organizations to identify and then minimize the gap between customer expectations and customer experience [15]. Furthermore, the successful implementation of customer experience management strategy can create pleasant customer experiences, which in turn affect the behavior of repeat purchases and positive word of mouth. Customer experience management is a new way to improve the quality of service in the hospitality industry. This paper attempts to present an academic discussion about the principles, theory, and implementation of customer experience management by examining the concept of previous research. Customer experience management theories used as a platform to explore different perspectives on the value and customer satisfaction, highlighting gaps mainly related to the hospitality industry. This gap provides the basis for the proposed research agenda focuses on understanding customer experience management in a holistic manner in the various categories of products, services, and context.

## II. LITERATURE REVIEW

### A. Evolution Marketing: Product – Service – Experience

The marketing concept is experiencing significant transformation in recent decades. According to [16], the transformation of the marketing concept begins with creating a brand, then the formation of marketing-based services, and, at this time, creating a customer experience is one focus of marketing for several companies in attracting and retaining customers.

The paradigm shift from a product-based marketing into a service-based marketing has been recognized in the 1990s [16]. The marketing concept emphasizes the relationship between the organization and customers in addition to the intrinsic utility of the goods and services offered [17]; [18]; [19]; [20]. The dynamic environment changes resulted a services-based marketing is needed by organizations to maintain good relations with its customers so it can survive and remain competitive. Technology advances also provides the impact of significant changes in the marketing concept. Internet is changing the relationship marketing into data-based orientation [20]; [21], in a collaborative relationship with customers. Technology advances led to the company can interact with customers, who initially company-centric into a community-centric [22] and is supported by a variety of social media and interactive media (Skype, YouTube, and Video Messenger). Technology advances also have an impact on the emergence of new communication forms with the customer, thus enabling the company to compete in delivering value added products by introducing and providing information via the Internet about the advantages of their products [23]; [24], even customers can easily buy products through the internet.

The marketing concept evolved in accordance with the changing times. Today, the concept of marketing leads to marketing post service stage. Several studies have described the development of transactional marketing, then build relationships and network with their customers, until to the company's focus on creating value for their network [25]; [26]. While each evolutionary marketing perspective has its own conceptualization and terminology, they offer, for the most part, parallel perspective and commensurate on the changing focus of the marketing practices and the value of enterprise bargaining [16]. Post service marketing in the reality of marketing is essentially to create value for its customers, a popular phrase on previous research is the customer experience [27]; [28]; [29]. According to [30] and [31], the experience is a step outside of products and services .

The customer experience is a series of processes how customers acquire, process, and integrate what they can of a product or service, so as to create value that can be felt by them. This is different from the traditional marketing concept which assumes that the value measured by the price to be paid by the customer [32]. The concept of customer experience is still causing a gap in the research, because there is not widespread agreement on the measurement of customer experience. In addition, marketing research still embrace the era of quality-based products / services, while customer experience is considered not assist organizations in assessing how customers evaluate offers given organization.

### B. Thought of Customer Experience Management

The first idea of customer experience was brought into the focus of marketing by Holbrook and Hirschman in the mid-1980s [33]. More recently, the idea of the experience has become an important element to understand consumer behavior [34]. Furthermore, this concept has evolved significantly in the literature in the marketing concept. According to [31] explored deeper and provide an overview of the economic evolution of commodity products, services, and then into the concept of experience. The literatures contributed and recognize the importance of experience as a way to create value for the company and their customers [14]; [35]; [36], [37]. However, different opinions also emerged from other studies that consider that the experience does not have a strong basis in the absence of clear measurement [38]. Thus, this study highlights the definition of customer experience and dimensions that influence. Furthermore, the discussion will be continued by defining the term of customer experience management as an evolution of marketing concept today. The customer experience has been the focus of managerial level and a new marketing concept in the academic field [39]; [40].

### C. Conceptualization of Customer Experience Management

According to [41], "customer experience management is the process of strategically managing a customer's entire experience with a product or a company". According to [42], customer experience management is a strategic process in managing or implementing a customer experience with a product or service offered by the company. Customer experience management is the management process that is truly focused on the customer and process-oriented positive and consistently leads to effectiveness [42]. In the academic literature, the experience has been classified into sensory, emotional, rational, pragmatic and relational [37].

The customer experience is generally defined holistically involving cognitive, affective, emotional responses, social and physical for direct or indirect contact with the service providers, brand, or product [7]; [15]. Customer experience management is different from customer relationship management by focusing on the experience while customer enjoying and perceive the services offered by the company. Customer experience management is the management process that is truly focused on the customer and process-oriented. According to [43], a complete experience can be gained customers through five major components that combine distance dimension between the products, services, brands, channels, and promotions. Similar disclosed by [44], which stated that the dimension of customer experience management including product / service, service interfaces, pricing and promotion, communication channels, and brand relationships. Experience was formed by the components that help the company to avoid mistakes and know how to expand and enrich the customer experience.

## III. RESEARCH METHODOLOGY

This research used descriptive qualitative method to get findings and in-depth understanding of the research conducted [45]. This study focused on customer experience management.

Types of data collected in the study using secondary data where the results of this study will be a proposition for further research. Secondary data were obtained through a synthesis of previous related literature review. Data analysis technique used is divided into phases, which examines data from various sources, data reduction, categorization, the validity of the data and the data interpretation process [46]. Research agenda proposed in this study is based on the synthesis of the literature review previously. This data will then be presented in the form of descriptions to explain the results of an analysis of the findings in the study [45].

#### IV. DISCUSSION

##### A. Research Agenda

Previous research regarding customer experience management is still quite limited in order to develop a holistic understanding and empirically based on the dynamically changing environment. Further research can be done in order to improve generalization context and scope of the multiple stages of experience and value categories [47]. Mixed method approach (qualitative-quantitative) can improve understanding of customer experience management of various aspects. The initial effort could be done with a focus on the exploration and comparing the characteristics of customers before and after using the products or services offered by the company. Then proceed to evaluate the impact of the changes. A number of the proposition put forward in this study:

*P1: Customers play an important role in the process of interactive and collaborative for the company in achieving a competitive advantage.*

*P2: Customer experience management is a dynamic concept that follows the environment changes.*

*P3: Customer experience management has an impact on evaluation and improvement of business performance.*

*P4: Practice-based approach can solve the problems of organization problem in implementing customer experience management.*

This study gives a different perspective to further examine the concept of customer experience management widely. This study proposes some propositions which shows that customer experience management is dynamic, which means affected by changes in the environment, especially the advancement of technology, lifestyle and trend. In addition, another proposition put forward in this study revealed that customers have a broad role in interactive and collaborative process for the company in achieving a competitive advantage.

Practice-based approach to study the broader customer experience, dynamic and multi-perspective of various parties enabling further research can prove the proposition put forward in this study. This approach focuses in highlighting that people influence others, which in turn is influenced by another person in a developing ecosystem [48]. This shows that customers perceived value based on their personal point of view, encouraging them to engage and interact.

#### V. CONCLUSION

The rapid evolution of the marketing focus on the product and the service, then leads to create customer experiences take on a strategic role in organizations when engage and interact with their customers. This study tried to explore customer experience management in order to maintain a competitive advantage through customer's perceived value of the products / services offered by the organization. The concept of customer experience is described in this study to produce several research propositions that can be used as a guide to future studies.

Research propositions for future research are: (1) expand the role of the customer; (2) dynamic concept of customer experience management; (3) the impact of customer experience management and (4) practice-based approach. Researchers and practitioners can think holistically and empirically about the customer experience adjusting the practices and research methods to account for the four areas that have great potential to shape the next evolutionary step in the research and practice of consumer experience. The research should explore and viewed from various perspectives holistically at all stages of the experience, the entire category and context. The knowledge that emerges from this study is expected to have good managerial and academic relevance.

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