

The interplay between customer experience and customer loyalty: Which touchpoints matter?

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Abstract

Purpose. The explosion in the number of different touchpoints is putting pressure on companies to design omni-channel Customer Experiences (CE) aimed at achieving long-term customer loyalty. This work aims to provide a holistic examination of the relative importance of twenty-four touchpoints in contributing to customer loyalty to mobile service operators.

Methodology. Data were collected by means of a survey on almost six thousand subjects belonging to the Nielsen consumer panel. Two OLS regression models with clustered standard errors estimate the relationship between touchpoint exposure - measured in terms of reach and positivity (the quality of the experience with touchpoints) - and customer loyalty.

Findings. Reach has a significant relationship with customer loyalty as far as eight touchpoints are concerned. Positivity contributes to customer loyalty as far as nine touchpoints are concerned.

Practical implications. Results provide guidance for services providers on how to improve their Customer Experience Management by allocating investment across touchpoints

Originality/value. This study addresses two relevant research gaps. First, most studies focus on single or a few touchpoints (Lemon and Verhoef, 2016). Second, no studies focus on the relative contribution of touchpoints with respect to customer loyalty (Homburg et al., 2017).

Keywords

customer experience; touchpoints; customer journey; customer loyalty; consumer services

1. Introduction

New online channels have led to an explosion in the number of different touchpoints (Pantano and Viassone, 2015), - i.e. the number of verbal or nonverbal incidents a person perceives and consciously relates to a given firm or brand (Duncan and Moriarty, 2006) - within the customer journey. Multiple touchpoints in a diversity of channels and media enable customers to interact with firms, thus increasing the complexity of Customer Experience (CE) (Brun et al., 2017; Lemon & Verhoef, 2016). “CE is the evolvement of a person’s sensorial, affective, cognitive, relational, and behavioural responses to a firm or brand by living through a journey of touchpoints along pre-purchase, purchase, and post-purchase situations” (Homburg et al., 2017, 8).

To develop CE and tackle its complexity, practitioners have started to adopt Customer Experience Management (CEM) (Homburg et al., 2017). The CEM framework is a firm-wide management approach for designing CE. The final goal of CEM is achieving long-term customer loyalty by designing and continually renewing touchpoint journeys (Homburg et al., 2017). However, the (re)design of customer journeys forces companies to decide how they should allocate investment and efforts across touchpoints (Court et al., 2009). Hence, it is relevant to measure the role of each touchpoint within the customer journey and its contribution to develop the relationship between the customer and the company (Baxendale et al., 2015).

The present study focuses on the relative contribution of touchpoints to customer loyalty to multichannel mobile service providers. Touchpoint contribution to loyalty is evaluated separately by considering touchpoint reach - i.e. the exposure to each touchpoint in the period of reference - and touchpoint positivity - i.e. the valence of the customer’s affective response to each touchpoint (Kahn and Isen, 1993). By means of a survey on almost six thousand customers, this study aims to provide a holistic examination of the relative importance of twenty-four touchpoints in contributing to customer loyalty to mobile service providers.

2. Customer experience, touchpoints and customer loyalty

CE has been defined as a multidimensional concept involving a customer’s cognitive, affective, emotional, social and physical responses to a company throughout the customer journey (Lemon and Verhoef, 2016). CE develops through all touchpoints encountered during the service delivery process (Jüttner et al., 2013). This study adopts a broad definition of touchpoints, including all verbal or nonverbal incidents a person perceives and consciously relates to a given firm or brand (Duncan and Moriarty 2006). This definition is wider than the definitions of channel or media touchpoints as specified respectively in Neslin et al. (2006) and in Sundar et al. (1998). Most academic research on touchpoints has focused on a category of touchpoints in isolation, i.e. on a group of similar touchpoints involved in a part of the customer journey (Baxendale et al., 2015). For instance, many studies have analyzed the role of touchpoints in the online setting, as they share the characteristic of higher availability of data at the individual level (e.g., Li and Kannan, 2014; Xu et al., 2014). Such studies employ attribution models and provide insights on some portions of the customer journey.

The present study considers a wide range of touchpoints, and includes touchpoints that have been ignored in previous studies (i.e., loyalty programs). The role of touchpoints is evaluated in terms of reach and positivity. Reaching consumers belonging to the right segment with the right message is essential for media placement (Romaniuk et al., 2013). Touchpoints such as television advertising, gift-pack, in store displays/promotion and outdoor advertisements reach the average category and brand user, in a grocery setting (Romaniuk et

al., 2013). Social media and word of mouth skew the heavy category and brand users (Romaniuk et al., 2013). Frequency of exposure to touchpoints may also differ across customer segments and has been found to influence brand attitudes (Campbell and Keller, 2003) and brand consideration changes (Baxendale et al., 2015).

Positivity of interactions with touchpoints is a key aspect that has been measured to evaluate the importance of touchpoints in the customer journey (Baxendale et al., 2015). Positivity, which is the valence of the affective response to a touchpoint encounter, has been shown to have an impact on spending and repeat purchase intentions (Arnold and Reynolds, 2009). Baxendale et al. (2015) have evaluated the impact of multiple touchpoints in terms of frequency and positivity on brand consideration changes. However, their study leaves unexplored the issue of the relative contributions of touchpoints to customer loyalty, which is the ultimate goal of CEM (Homburg et al., 2017).

The conceptualization of loyalty ranges from a behavioural approach - defining loyalty as repeated purchase behaviour and probability of product repurchase (Lipstein, 1959; McConnell, 1968) - and a cognitive approach - highlighting the attitudinal dimensions of loyalty (Lalaberba and Marzusky, 1973). As customer loyalty includes multiple dimensions rather than the sole purchase intention (Ngobo, 2017; Gremler, 1995), previously mentioned findings on brand consideration cannot be extended to it. Few researchers have considered the contribution of each touchpoint, in terms of both reach and positivity, in the relationship with customer loyalty. Hence, we formulate the following research questions:

- RQ1: How do the audiences reached by different touchpoints compare in terms of customer loyalty to the company?

- RQ2: Does touchpoint positivity contribute to customer loyalty to the company?

We address these questions in the mobile services context.

3. Methodology and results

To answer the above research questions data were collected by means of an online cross-sectional survey conducted in Italy by means of the Nielsen consumer panel. The panel includes 6,233 subjects over 14 years old. Among these, 5,794 complete responses were collected from subjects who own a smartphone or a mobile phone. We asked respondents to answer the survey with reference to the service provider that attains the highest share of their wallet for mobile services. A list of 24 touchpoints was identified with reference to mobile service providers by considering and integrating lists of touchpoints employed in previous studies across different industries (e.g., Romaniuk et al., 2013). Respondents were asked to indicate the frequency of interaction with each touchpoint in the previous three months on a single Likert-scale item (7-point scale) anchored by “never” and “very often”. Touchpoint reach was computed as a dummy variable from touchpoint frequency, assuming value equal to one in case of touchpoint exposure in the period of reference. Touchpoint frequency has been further transformed by employing its natural logarithm. This was done as it is assumed that communication wears out through over-exposure (Bass et al., 2007). Positivity was measured by means of the single Likert-scale item “How did it make you feel about the retailer?” on a 5-point scale anchored by “very positive” and “very negative”, from Baxendale et al. (2015). This variable was then re-centered around zero and if the participant did not report any interactions with a touchpoint (i.e., frequency is zero), positivity was imputed as

zero as well, following the procedure from Baxendale et al. (2015). Loyalty to the mobile service provider was measured by means of the 7-point Likert-scale from Zeithaml et al. (1996), which was developed by the authors within a behavioural-intentions battery. The scale has been adapted in order to be referred to the mobile service provider of reference and has been proved to be reliable as its Cronbach's Alpha is equal to 0.86.

We run two OLS regression models with clustered standard errors taking into account that observations nested within the same family are not independent. As a matter of fact, customers belonging to the same family might influence each other as far as their experience with the relative mobile service provider is concerned. We clustered standard errors for the 2889 families to which respondents belonged to. In the first model (Model 1) loyalty to the mobile service provider was regressed on touchpoint reach included at the single touchpoint level. In the second model (Model 2) loyalty to the mobile service provider was regressed on touchpoint positivity, and touchpoint frequency was included as a control variable – both touchpoint positivity and frequency were included at the single touchpoint level. This has been done as an attempt to evaluate the experience with each touchpoint disentangled from the frequency of interaction with the same touchpoint. Socio-demographic information per each respondent was also available and it has been included in both Model 1 and Model 2 in terms of several control variables. Moreover, the mobile service provider of reference has been also included as a control variable in terms of several dummy variables. Standardized coefficients were computed in Model 2 and compared to highlight the relative importance of each touchpoint in terms of positivity. The analyses were conducted by means of SAS 9.4.

Descriptive statistics show that mobile messaging displays the highest reach and frequency, while the provider staff display the highest positivity. Model 1 (see Table 1), shows that touchpoints reach has a significant relationship with loyalty to the mobile provider for eight touchpoints.

Table 1. Model 1: customer loyalty to the mobile service provider regressed on touchpoint reach and control variables

Variable	Coefficient	Clustered standard error
Intercept	4.1134	0.2161
REACH		
TV and cinema advertising	-0.0105	0.06
Radio advertising	-0.011	0.062
Newspaper advertising	-0.0513	0.0598
Customer magazine	-0.0698	0.0841
Direct mailing	0.0002	0.061
Billboards	0.0183	0.0628
Online advertising	-0.1374*	0.0588
Social networks	0.0816	0.0691
Blog	-0.0673	0.091
Website (of the provider)	0.1503**	0.0502
Physical store (of the provider)	0.142*	0.0626
Third-party store	-0.0195	0.0638
Special events	0.0315	0.0805
Third-party store associates	0.0396	0.0657
Provider staff	0.0191	0.0691
Word of mouth	0.4708***	0.0586
E-mailing	0.1756**	0.055
Loyalty program	0.2465***	0.0688
Mobile app	0.2561***	0.0495
Special promotions	-0.0006	0.0722
Mobile messaging	-0.0325	0.0505

Customer service	-0.0784	0.0511
Customer satisfaction surveys	0.1006	0.0598
Telemarketing	-0.2643***	0.0676
Number of household members	-0.0324	0.0251
Age	0.0004	0.0012
Affluency (Low)	0.1117	0.0818
Affluency (Low-to-average)	0.0846	0.0688
Affluency (Average-to-high)	-0.0169	0.0634
City (Very small)	-0.0172	0.0718
City (Small)	0.0114	0.0731
City (Medium)	-0.0526	0.0791
Sex(Female)	-0.0803**	0.0312
Mobile provider 1	-0.2724	0.1836
Mobile provider 2	-0.2072	0.1849
Mobile provider 3	-0.2423	0.1831
Mobile provider 4	-0.417*	0.1883
Mobile provider 5	-0.0017	0.2228
Mobile provider 6	-0.2384	0.2433
Mobile provider 7	0.2049	0.2147

*p<.05; **p<.01; ***<.001 “High affluency”, “large cities” and “other mobile service providers” are employed as a term of reference for, respectively, affluency, city and mobile providers. Source: Our analysis.

Results for RQ1: Out of twenty-four touchpoints, the reach of the following six touchpoints is positively related to loyalty to the mobile service provider: website (of the provider), physical store (of the provider), word of mouth, e-mailing, loyalty program and mobile app. On the other hand, the reach of the following two touchpoints is negatively related with customer loyalty: online advertising and telemarketing.

Table 3 shows results as far as Model 2 is concerned: when controlling for touchpoint frequency, touchpoints positivity has a significant relationship with loyalty to the mobile service provider.

Table 2. Model 2: customer loyalty to the mobile service provider regressed on touchpoint reach and control variables

Variable	Coefficient	Clustered standard	Standardized coefficient	Standardized coefficient rank
Intercept	3.6501***	0.2083		
POSITIVITY				Positivity ranking
TV and cinema advertising	0.195***	0.0396	0.0817	4
Radio advertising	-0.0311	0.0471		
Newspaper advertising	0.0416	0.0472		
Customer magazine	-0.0283	0.0523		
Direct mailing	0.0594	0.0424		
Billboards	0.0051	0.0443		
Online advertising	0.004	0.038		
Social networks	0.0161	0.0455		
Blog	-0.0589	0.0544		
Website (of the provider)	0.165***	0.0305	0.0828	3
Physical store (of the	0.159***	0.0383	0.0793	5
Third-party store	0.0514	0.0407		
Special events	-0.1473**	0.0488	-0.0425	9
Third-party store associates	-0.0157	0.0387		
Provider staff	0.1089**	0.0359	0.0551	8
Word of mouth	0.1574***	0.0387	0.0602	7
E-mailing	-0.067	0.0368		
Loyalty program	-0.0191	0.0409		
Mobile app	0.1365***	0.0326	0.0669	6

Special promotions	-0.0632	0.0438		
Mobile messaging	0.1827***	0.0269	0.1036	2
Customer service	0.2906***	0.0279	0.1652	1
Customer satisfaction surveys	0.0287	0.0359		
Telemarketing	-0.0042	0.0375		
FREQUENCY				
TV and cinema advertising	0.0509	0.0596		
Radio advertising	-0.1036	0.07		
Newspaper advertising	0.007	0.0682		
Customer magazine	0.0081	0.0859		
Direct mailing	0.0475	0.0631		
Billboards	-0.0389	0.071		
Online advertising	-0.1174	0.0633		
Social networks	0.0891	0.069		
Blog	-0.1236	0.0954		
Website (of the provider)	0.0855	0.0485		
Physical store (of the	0.0613	0.0738		
Third-party store	-0.009	0.0683		
Special events	-0.0001	0.0883		
Third-party store associates	0.0458	0.069		
Provider staff	-0.0175	0.0771		
Word of mouth	0.4297***	0.06		
E-mailing	0.1278*	0.0568		
Loyalty program	0.1677*	0.0699		
Mobile app	0.1277**	0.0458		
Special promotions	0.0272	0.0829		
Mobile messaging	0.0269	0.0454		
Customer service	0.2906***	0.0279		
Customer satisfaction surveys	0.0287	0.0359		
Telemarketing	-0.0042**	0.0375		
Number of household	-0.0268	0.0209		
Age	-0.0001	0.0011		
Affluency (Low)	0.0612	0.0695		
Affluency (Low-to-average)	0.0766	0.0596		
Affluency (Average-to-high)	-0.0271	0.0549		
City (Very small)	-0.0072	0.0618		
City (Small)	-0.019	0.0628		
City (Medium)	-0.0794	0.0681		
Sex(Female)	-0.1011	0.0286		
Mobile provider 1	-0.1533	0.1721		
Mobile provider 2	-0.1803	0.1731		
Mobile provider 3	-0.1923	0.1713		
Mobile provider 4	-0.2721	0.1754		
Mobile provider 5	-0.0256	0.1987		
Mobile provider 6	-0.1399	0.2256		
Mobile provider 7	0.1881	0.2005		

*p<.05; **p<.01; ***<.001 “High affluency”, “large cities” and “other mobile service providers” are employed as a term of reference for, respectively, affluency, city and mobile providers. Source: Our analysis.

Results for RQ2: Nine touchpoints out of twenty-four are significantly related to customer loyalty as far as positivity is concerned: customer service, mobile messaging, provider’s website, Tv and cinema advertising, provider’s physical store, mobile app, word of mouth, provider’s staff and special events.

4. Discussion

This study compares the relative importance of different touchpoints in their relationship with customer loyalty to the mobile service provider. Results on almost six thousand respondents show that only twelve out of the twenty-four touchpoints considered in this study are significantly related to customer loyalty. This reveals that it is important to measure the role of touchpoints at the individual touchpoint level to avoid mis-attribution of the relative touchpoint contribution.

The study shows that six touchpoints reach those customers who display higher loyalty to the mobile service provider: provider's website, provider's physical store, word of mouth, e-mailing, loyalty program and mobile app. All these touchpoints, apart one, are "brand-owned" touchpoints (Lemon and Verhoef, 2016).

The positive experience with eight touchpoints contributes to explain customer loyalty to the mobile service provider: customer service, mobile messaging, provider's website, Tv and cinema advertising, provider's physical store, mobile app, word of mouth, provider's staff. In this list, the top six contributors in terms of positivity are all "brand-owned" touchpoints. Both physical and digital/mobile touchpoints are present among the most important touchpoints: this provides evidence on the need for mobile providers to embrace an omni-channel perspective across touchpoints in order to manage customer experience in an effective way.

The results of this study have implications for marketing strategy as far as designing CE is concerned. First, mobile providers should pay attention to the specific reach of each touchpoint, both in terms of number and type of customers reached. Second, special focus should be devoted, in terms of investment and effort, to a set of both offline and online touchpoints to enhance their potential to achieve long-term customer loyalty within an omni-channel perspective: online website, physical store and mobile app are the "branded touchpoints" that reach loyal customers and whose experience is positively related to customer loyalty.

5. Limitations and further research directions

This study entails two main limitations. First, customers self-selected themselves in the interaction with touchpoints and the present survey is cross-sectional. This issue is relevant when assessing the relationship between touchpoint positivity and customer loyalty to the mobile service provider: self-selection and reverse causality do not allow to draw causal inference statements on the direction of the relationship between positivity and customer loyalty. Second, even though surveys are commonly employed for academic and practitioner studies on touchpoint interactions (e.g., Romaniuk et al., 2013), respondents might find hard to recall the experience with touchpoints they had some time ago (Wind and Lerner, 1979). Future studies should then adopt different research designs that address these issues. Further research is needed on the identification and profiling of customer segments based on exposure to touchpoints, rather than medium or channel preference (e.g., Korus et al., 2008).

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