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**GREAT CUSTOMER EXPERIENCE AS A COMPETITIVE
ADVANTAGE**

Burgerschuhe – retail company case

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ABSTRACT

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<p>The final thesis is about the existing customer experience approaches, and it will define the need for its global use among companies. The key aspect overviewed in this thesis is that nowadays, customer experience is essential for every organization. However, most of the companies are not paying attention to customer experience at all. The customer experience sphere is a blind spot for those companies. Moreover, these companies do not follow the experience of big multinational companies which have achieved even great customer experience.</p> <p>The awareness of customer experience arises when an organization wants to increase its customer satisfaction. Customer satisfaction implies customer loyalty, and that, in turn, increases the profitability of a company. In more technical words, customer experience must deal with the added value of a product or services offered by a company. Now, why should a company add value to its production? The answer is – to be competitive.</p> <p>Nevertheless, today’s businesses compete not only in prices and innovation of products but also in elaborating new approaches to keep their loyal customers, so that competitors would not be able to follow the same path. Therefore, in this thesis, the idea of great customer experience as a competitive advantage will be developed by analyzing its importance, and the need for further changes, based upon the practice of a retail company “Burgerschuhe”.</p> <p>The thesis is a problem identification research. The methodology of the research applied is qualitative. The awareness level of different employees about customer experience and its importance will be analyzed based on the in-depth interview with the CEO assistant of Burgerschuhe.</p>		

Key words

Communication, customer experience, customer experience management, customer loyalty, customer relationships, customer satisfaction, development.

ABSTRACT

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1 INTRODUCTION

Life in the business world is continually hit with new problems and challenges. The main task for management teams is to keep thinking of how to reach the set targets, how to keep and improve profitability and to devise strategies when taking these new problems and challenges into account. Marketing managers think of how to attract more customers of a designated “group”. Product designers find new ways of keeping the customers captivated with the products (and making them better). Companies design innovative strategies to be “different” from competitors.

All of this revolves around one thing: the customers. Customers are the ones who bring revenue, regardless of the strategies that are taken. Having a significant customer base is important, but nowadays, more so because of the fierce competition and our more-than-ever interconnected world, customer loyalty is the crucial leading factor in profitability growth. L. Myler (2016) in the interview for Forbes said that nowadays it is even cheaper to support a loyal relationship with current customers rather than acquire new ones. He also stated that having steady and loyal customers, it is possible to grow on profitable revenue, but most importantly, this “platform” is predictable. Profitability and Predictability are both two terms that business people seek to reach.

Getting new customers is a relatively easy task; making a high percentage of them become loyal customers is a different story. Most of the companies are sure that the crucial factor in success is the product they offer. Apparently, it is not enough. There are many things that make a customer want to keep doing business with a company but there is one global concept that encompasses all of these, and that is “Customer Experience”, or CX from now on.

In recent years, CX has become a very used and widely known term and is often linked to growth and innovation but, indeed, no standard definition exists. Itself, CX is a very subjective topic, as every customer is different since every person is different. According to Christopher Meyer and Andre Schwager (2007, 3-4), CX is the unique internal phenomenon when customers have direct or indirect interaction with a company. De Keyser, Lemon, Klaus & Keiningham (2015, 23) state in a more “humanly” way that customer experience is a compilation of the cognitive, emotional, physical, sensorial, spiritual, and social aspects. Furthermore, they influence a customer’s interaction with the market.

Regardless of all the similar and distinct definitions, companies all around the world are continually turning themselves into the world of CX; and those who were already familiar to the concept, design and test new models while seeking to achieve their CX goals. In contrast to customer relations management, these companies are seeing huge differences by implementing customer experience management. The perfect CX path is very obscure for the most, but it is time to start to think of how to achieve, not only good customer experiences but great customer experience.

1.1 Objectives, scope and research questions

The main question of this study is: what is Customer Experience, and why it is needed to achieve “Great Customer Experiences”? During the process of addressing this question, this study will also address these secondary questions:

- What are the different views on customer experience?
- What are the advantages for a company to achieve great customer experience?
- What is the best way to develop a great customer experience model?
- What is the knowledge level of what is customer experience management (in the case company)?
- Does the low level of awareness of the importance of CX negatively affect companies (based on the case company)?

The main objectives for this research are analyzing the current situation engulfing the world of business regarding the way services are given to customers. The main issues that are preventing companies from achieving great customer experiences will be addressed while designing models and strategies these companies can take to achieve this target. The obtaining of data will be done through different studies. For this thesis, the CEO assistant of the case company will be interviewed. Due to the nature of the research interview questions were designed to give the perspective of the interior of the company. The customer perspective was not an incapacity to be implemented, unfortunately. Therefore, it is safe to say that the scope is bounded by the case company’s situation.

1.2 Research approach and methodology

The thesis is conducted as a basic problem-solving research. The identified problem is the high unawareness level among companies about the importance of CX. As a result, companies tend to have

a massive loss in sales. To be able to solve the objectives, I have decided to apply the exploratory qualitative approach. The research mainly consists of secondary data collected from the related books and the research papers. Primary data was gathered via an in-depth interview with the representative from the case company Burgerschuhe. Furthermore, for the research design, the Maxwell conceptual framework (2005) was applied.

Even though only one employee of Burgerschuhe was interviewed, the results are applicable to any other company. Burgerschuhe is a typical B2C company, with a high level of power distance and high resistance against any changes, especially at the operational level. There are many companies which are left behind their competitors just because they do not want to innovate. As well as Burgerschuhe, they are afraid of changes (Satell 2017). Therefore, I believe, at this point of research, the collected data and my hypotheses will be accurate when analyzing the case company.

2 CUSTOMER EXPERIENCE

“Customer experience is the next competitive battleground.

It’s where business is going to be won or lost,” –

Tom Knighton

Customer experience is a unique phenomenon referring to the customers’ feelings. The experience stays in one’s mind for a long time. Moreover, this gained experience will more likely be spread among people surrounding the individual. Therefore, some of the companies’ staff assured that CX is only about selling and promoting, “high-league players” in the business world should bear in mind the idea of the importance of CX. In this chapter one can find the determination of the idea of great customer experience basing on the theoretical literature; show relation to competitiveness; overview the concept of CX creation. Furthermore, this section is going to explain the connection between CX and customers’ emotions, as an important factor concerning the relationships with customers.

2.1 Breaking down customer experience

There are plenty of definitions explaining the nature of Customer Experience. They may vary in the aspects covered inside the definition. However, they all are united by the common idea: CX is an interaction between a company and its customers. Moreover, most of the definers specify that CX, a holistic phenomenon, is directly related to the emotions and feelings of the customers. Therefore, it is essential to overview the meaning of different emotions, which customers obtain during this interaction, to CX.

To get a more profound perspective on CX, the evolution of this phenomenon should be explained. According to the work of Peter C. Verhoef, Katherine N. Lemon, A. Parasuraman, Anne Roggeveen, Michael Tsiros, Leonard A. Schlesinger (2009, 3), historically CX was not taken into consideration. Instead, most of the researches were concentrated on customer satisfaction and service quality. However, the first noticeable mention was made by Holbrook and Hirschman (1982), stating that purchasing behavior must deal with empirical aspects. Later, Smidt (1999) studied how innovative companies gather customers data to change the attitude towards the brand (e.g. emotions, thoughts, feelings, associations). Another important person related to CX is Colin Shaw with “Revolutionize Your Customer Experience” (2005), “Building Great Customer Experiences” (2002). The main idea of Shaw is that CX is a complex

phenomenon containing the mix of a company's services and customers feelings during the actual interaction. A more modern assumption on CX is expressed by Gentile, Spiller, and Noci (2007), highlighting the fact that this interaction (customer - product - company) provokes the changes in several levels of a customer personal experience (e.g. "rational, emotional, sensorial, physical, and spiritual"). Another noticeable research is done by Meyer and Schwager (2007) with the fundamental idea that CX is combined with direct and indirect interaction. Outlining these two kinds of interaction, the researchers specify that direct contact means the actual moment of purchase, and indirect – unplanned interaction usually done via advertising, feedbacks from other customers, etc.

2.2 Stages of customer experience

Explaining the physical side of the customer experience, it is essential to mention the five stages of CX elaborated by C. Shaw & J. Ivens (2007, 23-24). The timeframe of the cycle depends on the type of product (complexity, size, price, investments, design, purpose). However, the stages remain the same independently on those features. The figure below demonstrates the infinity of the process (FIGURE 1). It highlights the fact of how crucial is the continuous development of any business.

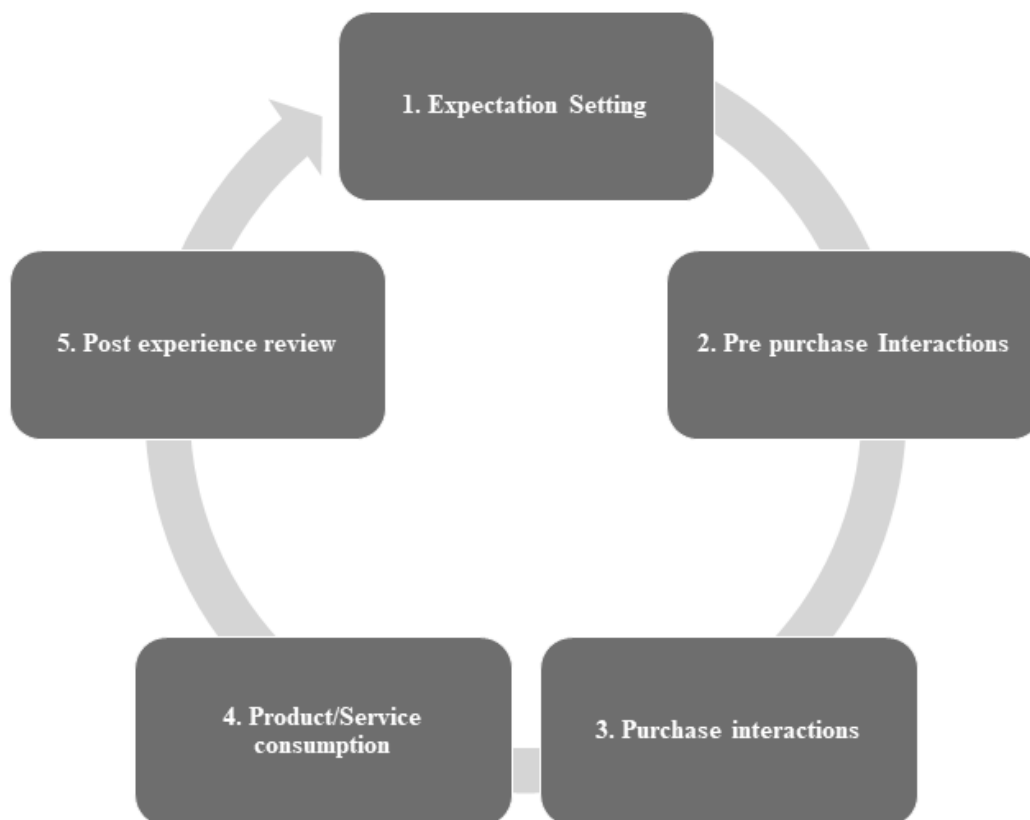


FIGURE 1. Stages of customer experience (adapted from Shaw & Ivens 2007, 23).

1. *Expectation setting.* According to Shaw and Ivens (2007), another determination of the CX is that interaction with clients must deal with clients' expectations and even go beyond these expectations. It is this aspect, which most companies usually miss in customer experience. Therefore, it is essential to set and meet customers' expectations. Where are these expectations coming from? Most of the customers obtain these expectations based on the previous interaction with competitors, for instance. A company willing to achieve great customer experience should even go beyond these expectations set by competitors.
2. *Pre-purchase interactions.* This stage is about data collection. For any interaction with a client, a company should be prepared all the time. In this case, a company should know its customers: what do they want (their goals), how and when they want it, how much they are ready to pay, where do they want to get it. When collecting this information, a company can see the partial profile of a client willing to cooperate.
3. *Purchase interactions.* The actual moment of interaction, with a clear decision between two parties (to buy/to sell). As Shaw and Ivens stated, it is the heart of CX. This phase is extremely more essential for B2B companies, where the purchasing process can last for months. For example, implementation of the computer network might last up to six months. During this period, sustaining good relationships with clients is vital.
4. *Product or service consumption.* Most companies aim is to continue to contact the clients, especially by using additional services or helpline, for instance. Therefore, customer experience also covers the consumption period, increasing customers' loyalty with smooth problem solving or efficient assistance. Again, the type of industry plays an essential role here. Products with long consumption period (electronics, cars, furniture, etc.) oblige customers to continue the interaction.
5. *Post-experience review.* Humanity is always learning by its mistakes. The same occurs in business. After the CX, a company should overview the whole process, especially the expectations a company met during the interaction with a client, assessing what went well, or whether something went wrong. According to the gathered results, the strategy of CX should be changed or used again.

Consequently, the post-experience review comes back to setting expectations. The researchers, who determined the stages, are sure that it is important to consider these stages when building great customer experience¹. When implementing a CX strategy, a company should align its operation to these stages and determine the actions required for each phase. The main mistake of most companies is that they forget about a customer after a purchase.

2.3 Great customer experience

In general, great customer experience is the same interaction with clients, yet a successful one. It brings only positive reactions from both parties. C. Shaw and J. Ivens (2002, 5) suggest that great customer experience is about customers' emotions. The researchers specify, that, indeed, physical aspects contribute a lot to great customer experience, but that is far from being a complete statement. Nowadays the business industry is tending to avoid emotions. However, according to Deepti Arora, CEO Co-founder (2017), the business is run by people for people specifically. Since we are all human beings, emotions are the irreplaceable aspect of our life. Therefore, the complete statement about great customer experience can be expressed as a fruitful interaction between a company and its clients affecting physical (e.g. quality and price of an offered product) and emotional aspects.

2.3.1 Philosophies for building great customer experience

Seven philosophies were elaborated by Shaw and Ivens (2007, 40 - 43). By creating this tool, the researchers made the process of acknowledgment with great customer experience more understandable, since the tool is dividing the great customer experience into several aspects. These seven philosophies highlight the missing point in modern business: emotions. They explain the negative impact of this "blindness" about emotions on any company's operation. Furthermore, these philosophies demonstrate how great customer experience can be used to increase the profits of a company. These philosophies are:

1. *Source of long-term competitive advantage.* The idea of the competitiveness achieved by great customer experience should be considered by the companies². Why? Great customer experience

¹ See section "[2.2 Great customer experience](#)"

² See section "[2.2.3 Great customer Experience = high competitiveness.](#)"

can be considered as a competitive advantage simply because customers, after a successful interaction, want to repeat the experience. As a result, customer loyalty is increased, so customers will not seek better CX among competitors.

2. *Exceeding customer's physical and emotional expectations.* This philosophy appears throughout all the materials about great customer experience. It tells us that a company should always go beyond the expectations of clients. It is essential to show that a company is not worse than its competitors. Moreover, some clients have expectations with no grounds, yet they are still expected to be foreseen and fulfilled. Additionally, expectations are tended to increase all the time.



FIGURE 2. Customer expectations zones (adapted from Shaw & Ivens 2007, 40).

Expectations can be physical (quality and price of a product) and emotional (feelings, thoughts, associations related to a product or communication with a company). Figure 2 can help a company to realize where the clients are located. The middle of the scale represented as the “zero” point of meeting the expectations. The “dead zone” means not meeting neither physical nor emotional expectations. The opposite of this one is “high-performance zone”. Then, there

are danger and commoditization zones (with the lack of fulfilled physical or emotional expectations respectively).

3. *Stimulation of emotions.* Human beings are slaves of their emotions. Even some everyday decisions are done depending on the emotional conditions of an individual. Furthermore, emotions are ignored by most businesses; companies just forget about people's feelings. Therefore, a company should be concerned with what feeling they are leaving their customers with. Positive emotions make people want to come back.
4. *Great customer experiences are achieved through good leadership, culture, and people.* To eliminate the possibility that a company can have poor CX, companies should take care of its culture and leadership skills. Consequently, a company should possess the asset of the "right" people – recruit people who can socially engage with clients. In other words, employees who respect and can differentiate customers' feelings and concerns are the best assets used for achieving great customer experience.
5. *"Outside-in" structure.* Nowadays companies have mainly "inside-out" structure. That means that the internal aspects are more essential to these companies than that of customers. Manufacturing and selling the products, these companies are basing on their corporative standards. Shaw and Ivens are sure that there is a demand for "outside-in" structure. This structure depends on the desires and expectations of the customers.
6. *Revenues and cost reduction.* The key aspects here are trust and customers' loyalty. The researchers believe that great customer experience, achieved by these tools, can generate stable revenue flow and even save costs. It is obvious that satisfied customer would like to go back. Moreover, even no advertising is used. For instance, according to Financial Times (2017), the revenues of Zara increased by 18 % in 2017, even though the company is not using advertisement. That occurs during to satisfied customers in more than 90 countries, trusting the brand and admiring the products and services offered.
7. *CX inside the brand.* It is essential to connect the brand values with the CX of a company. According to Shaw and Ivens, most of the companies claim that trust is the central element embodied inside the brand. However, these companies do not fulfill given promises, so the trust can't be achieved. Moreover, the thing like trust can be only two-sided: companies must trust

their customers in return. Therefore, companies should take care of the emotions and expectations embedded inside the brand, and its alignment with the CX of the company.

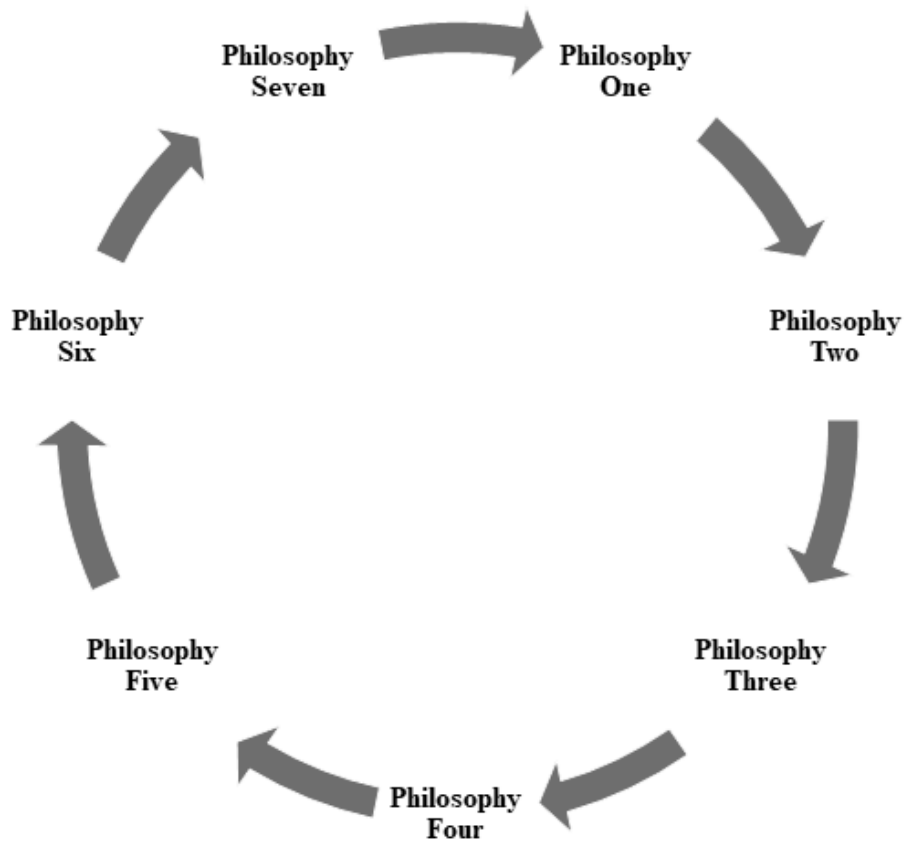


FIGURE 3. The seven philosophies for great customer experience (adapted from Shaw & Ivens, 2007, 12).

These seven philosophies are introduced as a cycle in figure 3. The effect of a single philosophy increases once a whole cycle from philosophy 1 to philosophy 7 is done. When creating this cycle, Shaw and Ivens based it on practical experiences. However, the researchers specify that before actual “travel” through this cycle, a company should realize what kind of CX they are trying to deliver to their customers. Great customer experience demands a clear and structured idea. If a company is not sure about the offering, the customers will be confused.

2.3.2 Ten principles of great customer experience

Great customer experience is governed by ten main principles defined by Watkinson (2013, 35). The key idea of these principles is to create an accessible and understandable approach towards problem identification and its improvement. Great customer experience can be achieved through aligning with

these principles. One can complement its customer experience management strategy aligning with the following principles:

1. *Great customer experiences strongly reflect the customer's identity.* All people are different: an individual has his own beliefs and values. Considering the fact of uniqueness of each client and respecting these beliefs and values, a company can obtain the loyalty of its customers. Therefore, great customer experiences are directly referred to the customers' loyalty. In other words, already at the brand level, a company's values should align with the values of the customers.
2. *Great customer experiences satisfy our higher objectives.* According to Watkinson, every customer has a goal he wants to accomplish. Any product or service is aimed to help a customer with his goal. However, here it is essential for a company to develop an approach to what else can be done to accomplish the goal. Moreover, the key idea of that principle was explained by Theodore Levitt (1974, 71), that people do not want to buy a product itself, they want their problem to get solved.
3. *Great customer experiences leave nothing to chance.* They say many things in business related to luck and chance. However, Watkinson is sure that to create smooth customer journeys everything must be organized. Basically, there should be no opportunity for accidents. Therefore, every small detail should be planned and designed. Every CX matters. Moreover, customers do not appreciate the uncertainty and unpreparedness of a company they are dealing with. Subsequently, great customer experience comes with the deeply detailed operation of a company.
4. *Great customer experiences set and then meet expectations.* Before an actual interaction, customers have some expectations regarding a company, mainly formed by previous experiences and associations. In this case, great customer experience requires a high awareness level from a company to meet these expectations. Going even beyond these expectations creates a strong engagement with customers. A good thought which can be related to this principle was expressed by Tom Magliozzi: "*Happiness equals reality minus expectations.*"
5. *Great customer experiences are effortless.* According to the researcher, customers avoid interactions obliging a lot of responsibilities from their part. Instead, they are seeking a replacement among competitors, demanding fewer efforts and energy. Customers want to gain something (mentally or physically) after the interaction, they do not want to lose anything. Therefore, great customer experience should not be demanding for customers.

6. *Great customer experiences are stress-free.* Basically, this principle is related to the principles of effortlessness and preparedness. The life of the human-beings is already full of stressful situations. With the goal of diminishing the stress during the interaction, a company stands on the path towards great customer experience. That can be achieved with the elimination of uncertain situations and anxiety.
7. *Great customer experiences indulge the senses.* As stated above, there is a huge relation between great customer experience and customers' perception. The examples of this perception can be a piece of nice music played, sophisticated design of an office, even the quality of food served. In other words, anything that will cause positive feelings and associations for customers. Then, they will want to repeat this experience.
8. *Great customer experiences are socially engaging.* Here, again, we can see how it is essential to affect customers' emotion. In this case, customers are seeking "warm" relationships, yet formal and those not crossing the borders of their personal space. Watkinson highlights that it is easier to establish professional relationships with a friend, rather than with a too formal and "cold" representative of a company. These kinds of relationships are highly valued during the interaction with clients.
9. *Great customer experiences put the customers in control.* Referring to the principle No.3, we can see that great customer experience is expected to be well-organized since the control is an irreplaceable aspect during the interaction. However, the control should be held by the clients: they want flexibility and availability of the interaction on demand. For that reason, the third principle should be complemented: to achieve great customer experience a company, with well-planned and smooth operation, must ensure its clients that the company is ready to do anything possible in order to fulfill the goal of its customers with maximum efficiency.
10. *Great customer experiences consider emotions.* It would be fair to say that the last principle is uniting the nine previous ones, since all the principles, to some extent, are related to the emotional background of customers. Indeed, emotions take an important place in the life of an individual. Sometimes, emotions can too overwhelm a person. For instance, it is scientifically proved that before making a rational decision, a person is ruled by his emotions firstly (Fenton-O'Creevy, Soane, Nicholson & Willman 2011). However, most of the companies are ignoring that fact,

considering that their clients are highly rationale, meanwhile customers are willing to be understood without any explanations. Therefore, in order to avoid potential failures and problems, a company must concentrate on the idea of emotions importance.

2.3.3 Great customer experience = high competitiveness

Basing on these main definitions, it is essential to mention that successful interactions with customers lead to the profitability of a company (Arussy 2010, 5). Indeed, profitability is strongly referring to high competitiveness. Therefore, the equation shows that if great CX equals profitability, and profitability equals high competitiveness, then it would be fair to claim that great customer experience equals competitiveness. This final equation basically can supplement the statements listed at the beginning of the section. Moreover, I believe this addition is an irreplaceable aspect, which should be included inside the common definitions. I am going to justify this statement below.

The 2011 Customer Experience Impact Report shows that nearly 90 % of customers choose the companies basing on the availability of high-level customer service. Furthermore, approximately 70% of customers might change their mind from the current company to its competitors because of the poor customer relationships (Oracle 2011). And even though customer service is just a part of CX, it does contribute a lot to the overall experience. Continuing with data, it is essential to point out that according to the CEI Report, 86 % of U.S. citizens are ready to pay more for great customer experience. Moreover, almost 55 % of the respondents of the survey specified that, for increasing customer loyalty, companies should improve their overall customer experience (Oracle 2011; Business Wire 2012). Complementing the key data, I found interesting the following outcomes from the CEI report:

- Only a quarter of U.S. respondents share their feedback after negative CX online.
- Around 80 % of this quarter have never received a reply on this negative feedback.
- However, most respondents would experience positive emotions after receiving a reply from a company (approximately 60 %).

To sum up, the situations nowadays can be described the following way: companies are more concentrated on the quality of products; the customers do not get enough decent attention; those companies which do care about CX are so-called “high-league players”. Nevertheless, how could this tendency towards great CX be explained?

It goes without saying that we live in the epoch of hyper-competition. In a single industry, there can be several companies promoting the same product (in terms of quality and operational functions). According to Cloud Cherry (2016), the market is full of these “alike products”. Companies cannot compete selling absolutely the same goods or services. Therefore, customers need something else rather than the quality or quantity of the provided products. The data from different surveys, mentioned above, demonstrates that customers seeking, indeed, for great CX. Interesting thought here was expressed by Valerie L. Dodson (author of “A Voice Behind Thunder”) during the interview for Huffington Post (2016): companies might have an amazing and unique product, but if clients hate calling their customer services it is a failure.

In other words, for now, the main possible differentiation between companies is the level of customer experience. According to Paige O’Neill, the Chief Marketing Officer of SDL (2016), nowadays competitiveness is about overcoming the expectations of a customer; while competing with a company, one should take in mind the expectations and feelings a customer gets during CX. Additionally, great customer experience creates long-lasting loyal relationships with clients, which is extremely essential against tough competition in the market.

2.3.4 Examples of Great Customer Experience

Unfortunately, Great Customer Experience is a feature widely achieved only among big and well-known companies. It seems that small and medium businesses tend to ignore or even avoid achieving excellent CX. While the researches around the world are just trying to influence minor businesses, big players have been already applying CX in their strategies for some time. Bellow, one can find the main examples of great customer experience in the case of well-known companies.

Ikea is the brightest example of excellent CX. It is noticeable throughout the store decoration (different sections, right consequence), additional services (i.e. restaurants, delivery, customer service, grocery stores), prices and assortment. Moreover, Ikea knows everything about its customers: who they are, how much do they earn, what do they do, even what do they like. It can be explained exactly with its range of different prices, design, and quality. Ikea knows that its customers are students/youngsters, renting their first flat, or a young couple decorating their new house. Additionally, the concept of the store makes it impossible to leave the store with empty hands: one buys at least a pair of slippers there (Sharma

2017). Finally, Ikea leaves positive emotions not only because of its multiple touchpoints with customers but with the expectations it sets before. One can just look at our pop culture: there are a lot of movies illustrating Ikea stores as an amusement or a place for having fun (e.g. “500 Days of Summer”, “What happens in Vegas”, “How Do You Know”, etc.).

Another important example is The Coca-Cola company. Technically, it is challenging for companies like Coca-Cola to sustain good customer relationships due to its size. However, it has recently eliminated the label from the “Coca-Cola” products. Instead, the company is emphasizing the importance of time spent with its products rather than that of the products themselves. It is done with the tags printed on the bottles (cans) saying “Share it with...”. Thus, people are engaged in a certain “game” with the company, reminding “Simon says”. Moreover, the #ShareACoke campaign is not only about playing but corresponding the products with people’s precious time (Chue 2018).

2.4 The importance of emotions, thoughts, and associations

According to many CX research papers, mentioned above, emotions are one of the key elements of the customer journey. Despite the importance of emotions, most of the companies tend to underappreciate the role of emotions in a business process. They are sure that emotions are unappropriated aspect while doing business. Famous CX researches like Shaw & Ivens, Watkinson do not agree with that philosophy. According to them, emotions create engagement between a customer and a company. In other words, customers always come back for positive emotions.

Nevertheless, what are these emotions? How to identify them? Which emotions are the most essential for a company? Watkinson, the researcher who elaborated the 10 principles behind great customer experience, has divided the most important emotions into two groups: negative and positive as seen in table 1 and table 2. Moreover, Watkinson has explained the nature of these negative and positive emotions and the reason they occur. Therefore, a company, being aware of those important emotions, can prevent negative emotions, and, in return, provide its customers with positive ones.

TABLE 1. Negative emotions and definitions (adapted from Watkinson 2013, 195).

EMOTION	DEFINITION
Anger	The stage of negative emotions. Occurs, when one cannot fulfill his main goal. May also be caused by incomplete expectation and loss of control over a situation.
Annoyance	Annoyance is less intensive compared to anger. It might occur when the achievement of a goal is too complicated, requiring plenty of efforts.
Anxiety	Related to stressful situations.
Apprehension	The high level of uncertainty caused by stress and complex decision-making.
Boredom	Takes place when there is a lack of progress or motivation: a customer got stacked on a phase.
Disappointment	Unfulfilled expectation. The element of stress.
Distraction	Related to stress. Occurs when there is no strong desire to complete the goal.
Doubt	Related to uncertain expectation, lack of trust, an element of stress.
Embarrassment	Related to competence. Violation of social pleasures.
Frustration	This feeling occurs when the process is interrupted by errors.
Neglect	Being neglected a customer feels unappropriated attitude.
Regret	The expectation met are not fulfilled. No desire to repeat the experience.
Surprise (negative)	No alignment with a customer's expectations.

TABLE 2. Positive emotions and definitions (adapted from Watkinson 2013, 196).

EMOTION	DEFINITION
Acceptance	Expectations are well met.
Calmness	Related to the absence of stress.
Delight	Social pleasure, a customer is pleased that the goal is completed.
Excitement	Mostly depends on expectations: a joyful feeling of the completed task.

(continues)

TABLE 2. (continues)

Interest	Customers are interested in a way of helping to achieve their goals. These ways should be related also to positive emotions.
Pride	Feeling of control and social pleasure, caused by a successfully achieved goal.
Relaxation	Opposite of stress. Effortless achievement of a goal.
Satisfaction	Occurs when a customer has achieved his goal successfully.
Surprise (positive)	The result has gone beyond a client's expectations.
Trust	This feeling is resulted from well-met expectations and lead to the customer's loyalty.

These emotions, both negative and positive, allows employees while dealing with the clients to plan the accurate delivery of knowledge about customer experience. The awareness about these emotions empowers employees during the actual meeting with the customers. Then, the delivery of great customer experience is stronger. However, it is also important to specify, that for approaching towards great customer experience, the employees should obtain more positive emotions as well, according to the Philosophy Four³ by Shaw and Ivens (2002). The employees are supposed to be treated as well as customers, so the high leading skills required.

An important tool for analyzing the emotional matrix of customers is the Emotional Signature introduced by Shaw (2010, 34). The main idea of that Emotional Signature is to track the direction of the CX. Via this tool one can see that the deliverable value can be drive and destroyed respectively by positive and negative emotions.

³ Great customer experiences are achieved by good leadership, culture and people.

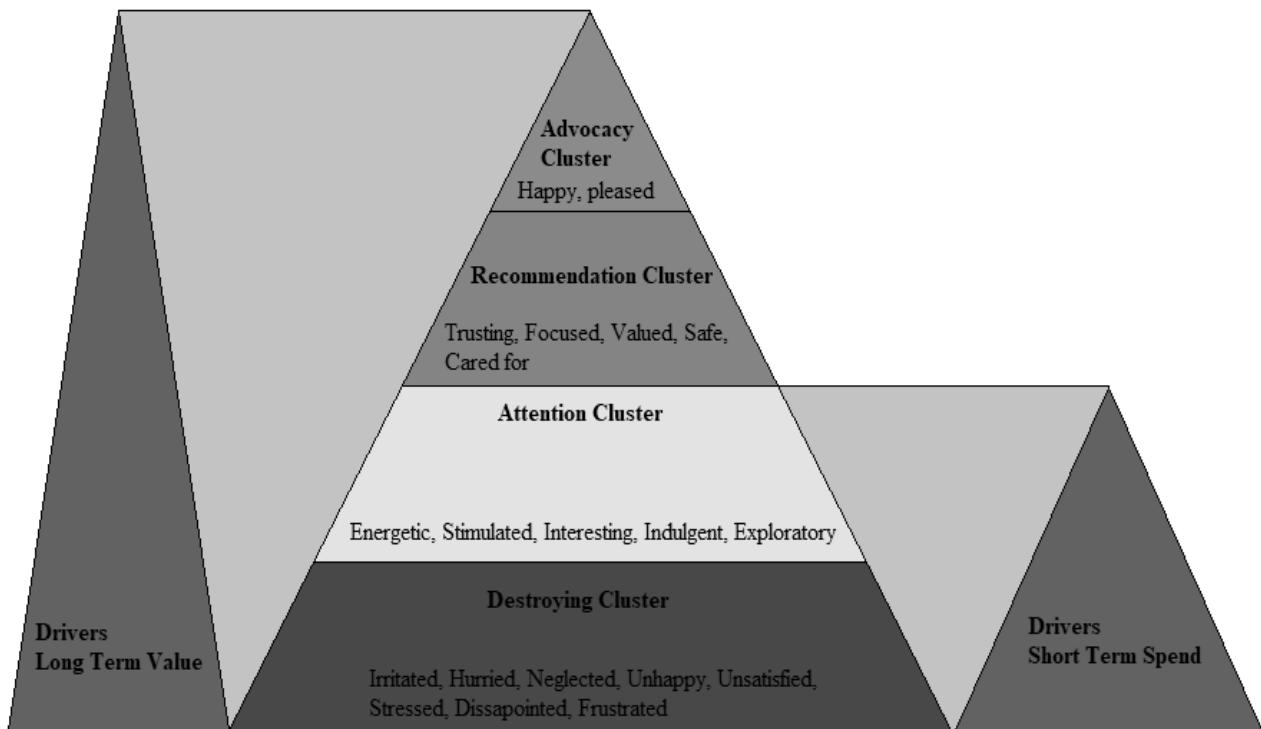


FIGURE 4. Hierarchy of emotional value (adapted from Shaw, Dibeehi & Walden 2010, 34).

Figure 4 represents four emotional clusters: destroying, recommendation, attention, and advocacy. Destroying cluster consists of emotions eliminating the deliverable value. Attention cluster is related to the aspects of increasing interest among potential or actual clients. Recommendation cluster concerns also the physical part of the experience and must deal with emotions like trust and feeling of safety. Finally, advocacy cluster is responsible for total satisfaction (Shaw et al. 2010, 34).

To bring positive emotions to a client a company can achieve through exceeding customer's expectations, according to Principle Three⁴ (Watkinson 2013, 75-97) and Philosophy Two⁵ (Shaw & Ivens 2002, 12-15). Furthermore, according to Watkinson (2013), physical aspects, like the quality of the product and its price, are also essential to provide the customer with positive emotions, which leads to great customer experience. However, another essential thing that is bringing positive emotions is the quality of customer service.

Service quality is directly connected to relationship marketing, which task is to diminish the gap between the reality (a company's operation quality) and a customer's expectations (Smith & Kawasaki 2014,

⁴ "Great customer experiences leave nothing to chance."

⁵ Exceeding customer's physical and emotional expectations.

144). According to this group of researches, high-quality customer service demands the use of communication skills from employees of a company. Customers are seeking for quality everywhere, not only from the physical side. Therefore, the main task of an employee is to accelerate only positive emotion from a customer's side. Then, the customer would want to come back again.

Moreover, according to Morris Wilburn (2006, 8), the fundamental emotions may differ from the list above. However, at this point, the author shares the same idea with Watkinson (2013, 194) the empirical bases are founded in any kind of interaction, especially at the purchasing phase. For now, it is clear what do customers feel during the interaction, but why do they feel so? What do they really need? The author believes that all the emotions are strongly connected to their core needs. These are an ego boost, justice, and security.

2.5 Customer Experience Management

As stated in the previous section, the deliverable value, the quality of an offered product and level of communication are essential for great customer experience achievement. However, here another question arises. Companies need to know how to establish an effective strategy to achieve great customer experience. For that reason, a company needs a good Customer Experience Management Strategy (CEM strategy). Moreover, a company's staff need to realize the importance of the emotions discussed in the previous section.

CEM (or CXM) is a set of comprehensive actions taken to manage communication with clients. It may be related to brand management, customer service or other interactions (Mashingaidze, 2014, 52). Arussy (2010, 4) has elaborated a holistic overview of CX, assisting the direction of a whole customer journey. According to him, there are three main steps to achieve CX, which can be also applied to establish a successful CEM strategy:

- *Assessment.* A company needs to evaluate the importance it sees in CX, to set priority and quality.
- *Alignment.* Here a company needs to overview how the experience "aligns" with its customers' lives.
- *Action.* A company overviews the outcomes of the experience.

All these points require a deep understanding from the company's employees how essential are emotional relationships with their clients. In other words, all these steps are seen as a helper to overview customers' perception of a company.

2.5.1 Difference between CEM and CRM

Customer Experience Management and Customer Relationship Management have some aspects in common. Firstly, they both are concentrated on customers' satisfaction. Secondly, they highlight the relationships between customers and a brand. Despite this case of similarities, according to Tsioutsou (2013, 459), these two approaches are using different tools for achieving the customer's loyalty. It is essential to explain the difference between CEM and CRM. Moreover, it is important that the employees of a company are able to distinguish that difference.

According to Meyer and Schwager (2007, 4-6), for a better understanding of CEM, it is essential to compare it with more "famous" CRM. Basically, as stated above, CRM is using different tools: it is more concentrated with innovating in the value proposition, rather than concerning the emotional side of customers' interactions. These researches have elaborated the key points where the differences are the most seeable.

TABLE 3. CEM versus CRM (adapted from Meyer 2007, 4)

	What?	When?	How monitored?	Who uses the information?	Relevance to future performance
CRM	Captures and distributes what a company knows about a customer	After there is a record of a customer interaction	Point-of-sales data, market research, website click-through, automated tracking of sales	Customer-facing groups such as sales, marketing, field service, and customer service, in order to drive more efficient and effective execution.	Lagging: drives cross-selling by bundling products in demand with ones that aren't

(continues)

TABLE 3. (continues)

CEM	Captures and distributes what a customer thinks of a company	At the point of customer interactions: “touch-points”	Surveys, targeted studies, observational studies, “voice of customer” research	Business or functional leaders, in order to create fulfillable expectations and better experiences with products and services.	Leading: locates places to add offerings in the gap between expectations and experience
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Table 3 demonstrates that, even though CRM and CEM are operating around customers’ satisfaction, the core assumptions about these two approaches completely differ. Both CRM and CEM are focused on customers. However, CEM puts customers in the middle of the attention. Therefore, managing CX means direct interaction with clients. This kind of interaction involves monitoring their opinion and meeting their expectation at the highest level.

2.5.2 CEM Strategies

CEM strategy is our way to create a competitive advantage. Therefore, CX managers must pay a lot of attention to it. Sivave Mashingaidze (2014) suggests implementing CX in the new strategies to remain profitable in the market. He believes when operating CEM strategy a company must focus on the needs and feelings of an individual. Indeed, an individual approach is what any customer wants. For a further understanding of the aspect, C. Shaw & J. Ivens (2007, 197) have elaborated a diagram illustrating the actual place of a CEM strategy within a company’s operation. As one can see, the CX strategy influences a company’s operation at different levels and in different departments.

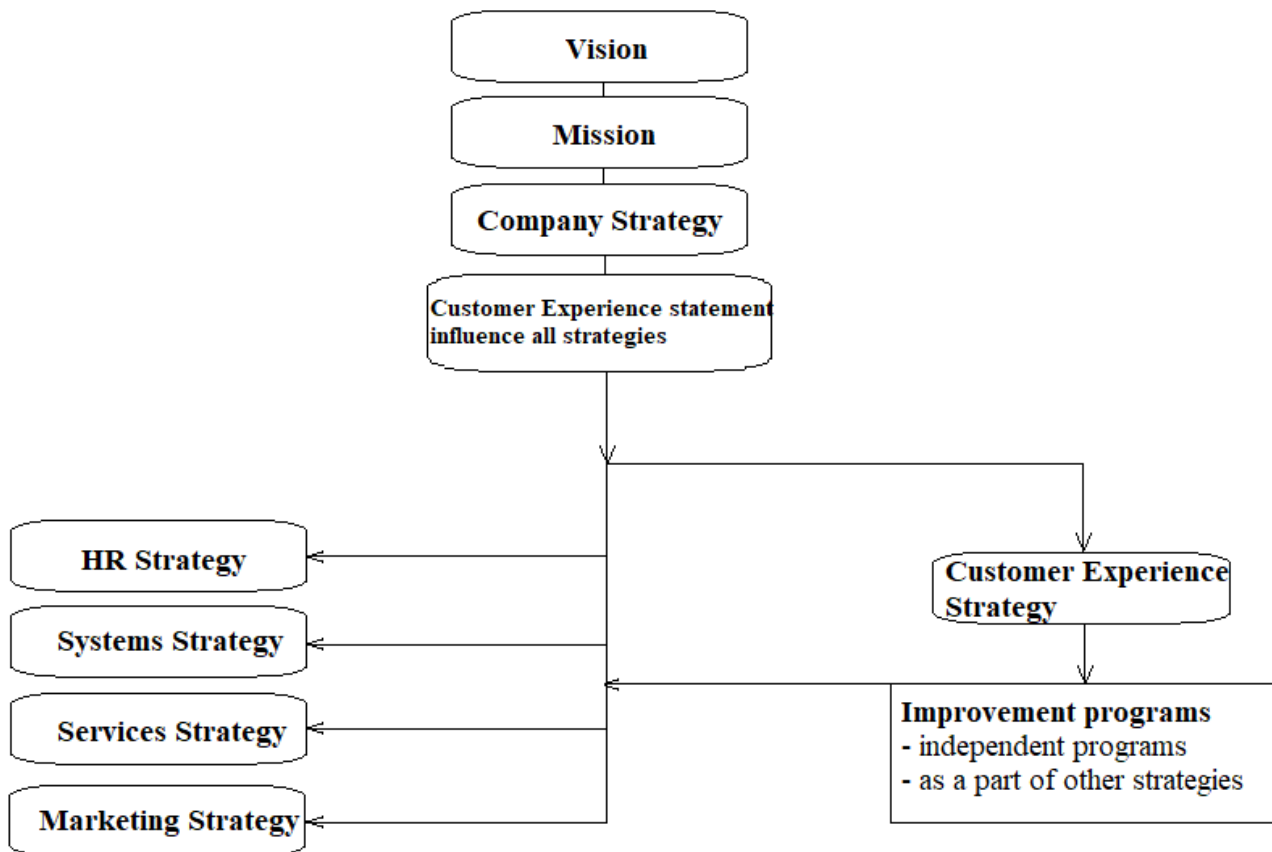


FIGURE 5. The place of the CX strategy in a company (adapted from Shaw & Ivens 2007, 197).

Taking into consideration the definition of CX, CEM and the importance of emotions to it, it is essential to overview the concept which was developed by Verhoef et al. (2009, 32). The group of researches describes what forms CX: social environment and retail atmosphere, the service interface, the variety of products, the price, and promotions.

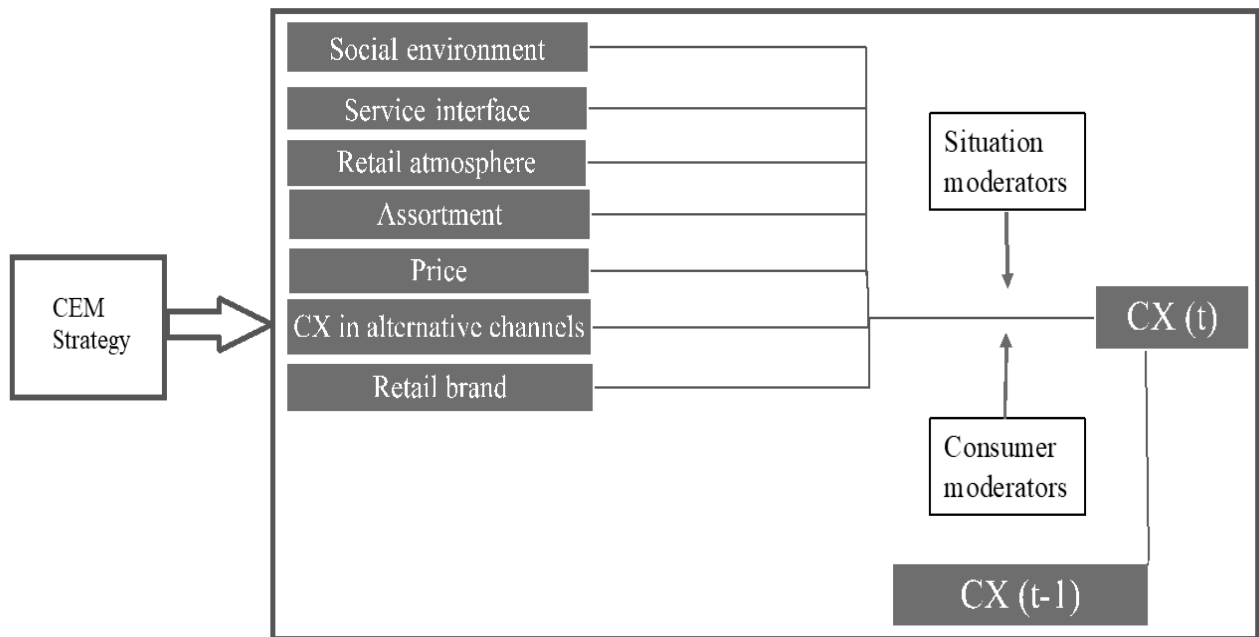


FIGURE 6. A conceptual model of customer experience creation (adapted from Verhoef et al. 2009; Journal of Retailing 85 2009).

Additionally, the researchers have included the possible impact from other sources like the brand image of retailers and their delivered CX, if a company uses retailing as a distribution channel. Moreover, different kinds of moderators are mentioned for highlighting their impact on CX forming. Finally, the researches specify the importance of time and gained CX before implementing CEM strategy. All that creates a proper understanding of CX concepts. Furthermore, it is extremely crucial for a CEM strategy.

3 PROBLEM IDENTIFICATION

For now, we can realize how important CX is. Great customer experience can provide a company with a reliable long-lasting customer base, and increase sales, as a result. Furthermore, it creates a strong competitive advantage against competitors. Nowadays people prefer companies that feel comfortable with any part of a customer's journey is in the positive part. Since today's market environment, especially in B2C cases, is highly competitive, any company must innovate to stay afloat. While some companies follow product innovation, others are concentrated on their customers' loyalty. According to Gary Hamel (2014), innovation is located on the fringe. Product innovation is not enough. Companies need to think about how to capture the attention of a customer for a longer time, making this customer continuously come back.

As Michael LeBoeuf said (2015), a satisfied customer will always come back. This is the best business strategy – to achieve a customer's needs, to help him solve their problem. However, most of the companies, especially minor ones do not consider great customer experience as a part of their business strategy. These companies are concentrated on their products: a product can advertise itself and it will promote the company. Thus, while all the attention goes to the big players, small and medium-sized businesses stay in the shadow. Apparently, 20th century's business concepts are not applicable anymore (strong hierarchy, employees are considered as machinery, not source of ideas, etc.). They may help to launch a new business project, but it is not applicable for sustainable development.

The researchers mentioned above claim how important is customer experience in any company's operation. According to Shaw & Ivens (2007, 7-9), there is a real demand from customers for companies to take some actions towards CX improvement. However, most of the companies ignore this alarming message. They continuously focus on their own feelings and expectations. How can it be? Whose fault is it: top managers or employees? Do executives consider CX as the main element in a business strategy? Understanding the problem is the first step towards improvement. These questions need to be answered for further problem-solving.

4 RESEARCH

The main aim of the research is to get a proper insight into the problem of ignoring the importance of CX by companies. To get a clear perspective on this problem I need to collect primary data from an existing company. A company should be medium- or small-sized and located in Europe. The company should possess the basic characteristics of a B2C organization. A business idea of a chosen company should be in selling specific items (i.e. clothing, shoes, furniture, etc.) or serving food (bars, cafes, restaurants, etc.). To make the research clearer a company should have a slight or noticeable decrease in sales. Additionally, a person taking a high organizational position should be interviewed. Therefore, a company called “Burgerschuhe” was chosen.

4.1 Research methodology

This is a qualitative research. It helps us to analyze the reason of the problem based on the case company. To obtain relevant information I have used an in-depth interview with the marketing executive of Burgerschuhe. The interview was conducted in person. Additional questions were asked via messengers (i.e. WhatsApp, Telegram). The questionnaire includes twenty-two questions regarding the company profile and personal perception of the interviewee⁶. The respondent was also asked additional (personal) questions. The additional questions are needed to create a trustworthy environment and to add coherence in the interview.

Before the interview, the respondent had been asked for their consent. The questionnaire was created according to the basic rules of ethics. Moreover, all the questions had been discussed and corrected. Then, the finalized questionnaire was approved. The respondent was told about the reason he had been chosen for the interview, his rights and the terms of using the collected data. The recordings were deleted after applying it to the thesis.

⁶ See [Appendix 1](#)

4.2 Data Collection

To solve the identified problem, I need to find the reason for the decrease in sales and to realize how important is the role of customer experience in the ongoing situation with low sales. Therefore, I obtained the information about the company from the interviewee and the company's website. Furthermore, I was focused on the interviewee's personal perception of the situation in Burgerschuh and his acknowledgement about CX. Additionally, since the interviewee has connections with different organizational levels, I had asked about the company's opinions at different levels.

4.2.1 Company's business model

Burgerschuh was founded in St. Petersburg, Russia in 2001. It is the biggest shoe manufacturer in northwestern Russia. The key customers of the company are adults (+30y.o.) whose job is related to constant standing (i.e. chefs, hairdressers, doctors, etc.) and others who just care for their health. Therefore, the company offers its customers a unique experience of wearing high-quality shoes which help people to be full of energy even after a long working day. Moreover, the company sells outdoor shoes with exclusive anti-slip technology. The prices for the shoes are different: the brand is affordable for different economic groups due to constant sales. As for its distribution channels, Burgerschuh has 15 physical shops and online shop. Moreover, besides emails and phone calls, the customers can find all the information in social media (e.g. VK⁷), where the clients can communicate with the consultants online. Additional advertisement can be also found in different printed sources.

Burgerschuh owns several facilities around St. Petersburg: factories, shops warehouses, online shop warehouse. Even though the company is situated in St. Petersburg and its suburbs, it performs around Russia and CIS countries. Yet, according to the interviewee, 78% of manufacture is held in St. Petersburg. The rest is manufactured by suppliers from mainly China. Speaking about its resources, the company uses (mostly) leather, along with rubber and textile. Besides suppliers, the company has other partners in the leather industry: a local purse and bag manufacturer (Lora Wagner). Furthermore, since the company is a manufacturer, the key expenses are caused by the production and human resource.

⁷ www.vk.com

4.2.2 Decrease in sales

Currently, the company is overcoming a problem with a decrease in sales. The first noticeable fall happened in May 2018. Then, the interviewee was required to investigate the reason for the fall and elaborate the solution for the improvements. During the research, the interviewee spotted significant issues in most physical stores: stores' employees have a careless attitude towards the customers, store operation and the company well-being in general. The created solution was discussed with chief executives. However, it was not approved.

The interviewee, Sergey Kolovai, is CEO assistant at Burgerschuhe since 2014. He has a wide range of responsibilities, mainly related to project management, online store execution, and SMM. These days he is managing the elaboration of a new online store concept. Since the interviewee has spent four years at the company, he has been involved in different organizational levels: from the store employee to the current position. He can provide relative information and independent opinion regarding the current situation at the company.

Referring to the decrease in sales, the interviewee believes that there are several factors affecting it. First, he believes that the company needs freshmen flexible to changes and ready to accept the company's values. Moreover, these freshmen must treat the customer the way they expect. Today's situation is noticeably different from the desired results. According to the interviewee's research, 9 out of 15 stores are in unappealing condition. The employees do not take care of their clients and the store itself. Following infringements were detected: lack of the attention to the customers in general, poor communication with clients, no order of the goods at the stores and the warehouses, dust on the shelves, no uniforms, different shop designs. Basically, the company had invested in the design of the stores and all the correlated details (e.g. uniform, price tags, decorations), but at this point, the investment was not distributed and executed well. Therefore, customers tend to choose competitors.

Even though the interviewee believes that the execution of the online store and SMM is done well, yet he assumes that the number of online sales could be higher. The main issue is found on social media. The internet fraudsters, acting as the employees, "sell" goods through social media, which is not possible. Then, people transfer money to the wrong accounts. The social media account is only a comfortable way for communication and advertising. However, these incidents of fraud are crucial for the customers' trust. Therefore, it might affect the purchasing behavior.

Nonetheless, the advertising campaign can be improved as well, as the interviewee believes. Alike the issues described above, this one significantly affects sales. However, the Board of Directors does not think so. They are concentrated on the early 00s when due to low competition and high customer demand the net revenue was significantly higher than now. Expensive advertising was not needed then. In other words, decision-makers do not find any reason to invest in advertising. They reject any idea which seems costly to them: attract YouTube bloggers, organize a family event, promote an Instagram profile, etc. Meanwhile, they prefer the old means of advertising: newspapers or television.

4.2.3 Can great customer experience help?

Apart from the rest of the company, the interviewee knows about the CX and clearly understands its importance. He believes that great customer experience can solve everything. However, he realizes that changing the strategy to achieve great customer experience requires efforts from different organizational levels. According to employees, the main initiative should come from the front line. Nevertheless, it is impossible now.

During the shop inspection in May 2018, the interviewee noticed that the workers are not interested in the company performance at all. They were aware of the decreased sales and negative revenues (occasionally) but did not want to propose any solution or follow simple company rules (e.g. subordination, uniform, behavior with clients, etc.). Moreover, they are sure that it is the duty of executives to solve the issue with low sales.

According to the interviewee, the only option to increase sales, for now, is to find new employees who can truly engage with the job. Moreover, being the only flexible and creative person at work, he finds that new people may bring fresh ideas. That is what Burgerschuhe needs: "fresh blood" to bring innovative ideas to the company, he believes. The changes are needed to be taken from the front line: new employees must meet and even exceed customers' expectations.

Nevertheless, here another issue arises. The board of directors does not agree with the idea of employing new people. According to the interviewee, the CEO cares about his employees too much. The personal life of his employees directly influences his decisions. Therefore, he does not want to fire certain frontline employees because it will cause them (employees) several life troubles not affecting the business at all.

At the same time, the interviewee highlights the importance of compassion and team spirit. That creates a special trustable environment at work, which affects the customer experience only from the positive side. However, it is harmful to any business when it is only a one-way relationship. The interviewee finds it insolent behavior. He remembers at least two accidents when the CEO donated a certain amount of money to an employee: hospital treatment, bank loans, and mortgages. The employees in their turn are still not engaged in their work.

4.3 Hypotheses

I have collected enough data via this interview. Moreover, except for the lack of great customer experience at Burgerschuhe, there are more problems which were discovered during the research: low employees' loyalty and lack of flexibility to innovate. I believe all these issues are connected to each other. Poor execution causes low subordination and decreases the employees' motivation. The lack of employees' engagement impacts the quality of service.

Nowadays a lot of companies constantly work on product innovation. However, the smartest entrepreneurs are more focused on services rather than on products. A great service is what makes a customer come back again and again. 69% of customers would change their minds to competitors because of the poor service (Michaelson & Associates 1997). Furthermore, a successful business is about good relationships, not innovative products (Dennis 2008, 1-3).

According to S. Foran (2015), is very tough these days. There are several competitors in each industry, a lot of the same types of products. Thus, the customers' expectations are higher than ever, especially regarding the services. The only way to stay afloat is to improve CX. Furthermore, the main mistake here, alike in the overviewed case, is to concentrate on the past. Service innovation is a key driver, especially in the B2C area.

The product value of Burgerschuhe is comfortable and orthopaedic shoes. Even though the competition level is moderate, poor service is crucial for the business. The point is that customers expect from these expensive and high-quality shoes professional and high-quality service. This high-quality service includes not only basic rules (greetings, politeness, friendliness) but proper attention and personal approach to each client. In fact, these expectations are unjustified.

With the interview, we have agreed that the improvement of CX is the most suitable solution to decreased sales. Therefore, there is a need to elaborate a CEM strategy, with an emphasis on the shop's appearance and level of the service. Furthermore, since there is a misunderstanding between the executives and employees, the role of an HR manager increases. The HR department needs to elaborate either hire new well-skilled employees or improve the knowledge of the old ones via a different set of educational and team-building activities. Additionally, the executives need to be taught about modern trends and explained properly about the situation in the market. Furthermore, with the help of “updated” employees, the atmosphere at the shop and general appearance need to be improved according to customers’ expectations. Further plan development includes deeper research on the customers’ expectations for Burgerschuh. This study should be based on the survey organized among its customers. Then, the plan should be taken into action.

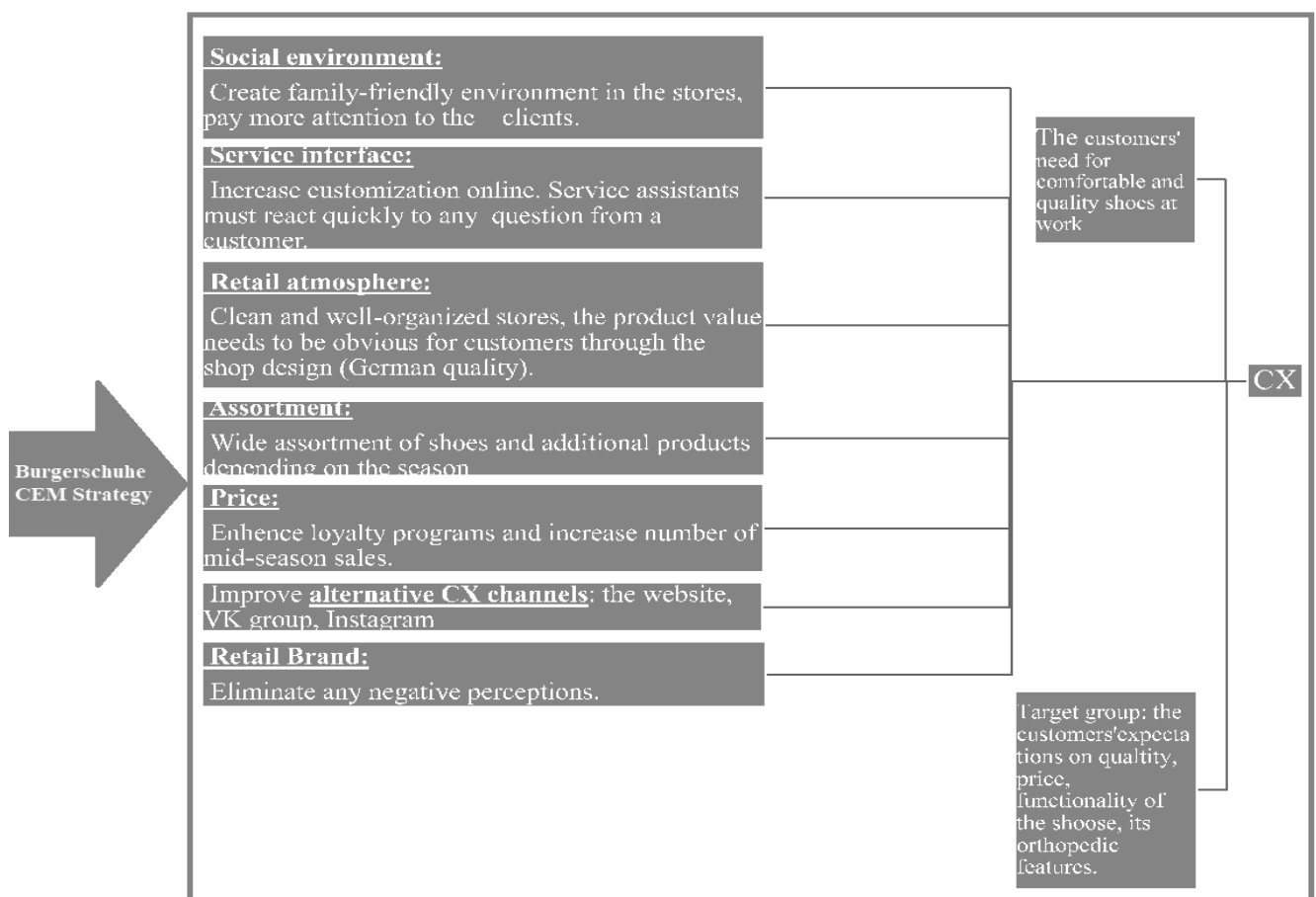


FIGURE 7. A conceptual model of CX creation for Burgerschuh (adapted from Verhoef et al. 2009; Journal of Retailing 85, 2009).

Installing a CEM strategy requires a lot of efforts not only from the departmental level but from a corporate level in general. Based on the study of P.C. Verhoef et al. (2009, 31 - 41), I have elaborated

the basic aspects required for CX creation. Driven with the current situation and the customers' desires, CEM strategy must influence the social environment at the stores (mentally and physically), the quality of service, the assortment and its prices. Additionally, the brand image must be improved at the physical stores and online. The main emphasis should be on the customer's perceptions. Every single detail should be changed according to customers' expectations. Even the well-working online platforms must be more user-friendly to eliminate self-service failures. Every characteristic of the target group (working people more than 30 years old) should be considered when implementing the CEM strategy. Furthermore, the CEM should be reformed according to the current situation when the first results are received.

I believe every decrease in sales can be solved based on the example of Burgerschuhe. Several modern studies have proved the efficiency of the creation CX for sales (i.e. Nicholson (2017), Valdez (2018), Sutter (2018), MacDonald (2018), etc.). CX is essential for any kind of business. However, small businesses usually do not consider great customer experience as a competitive advantage. As in the case of Burgerschuhe, a company's executives tend to ignore modern trends in the competition. They do not assume the importance of service innovation and CX development. They are more concentrated on their products.

Nonetheless, as discussed above, most people choose a company depending on the quality of the offered service. It means that the role of frontline employees is just as crucial as that of executives. It is frontlines who directly communicate with customers and represent the company. Therefore, a small- or medium-sized B2C company needs to pay more attention to those. Moreover, the general atmosphere at a facility/store must correspond with customers' expectation.

These actions, indeed, influence the entire operation of a company and require more profound actions at different levels. However, the result of these efforts worth it. According to what could we see in the case of Burgerschuhe, poor customer experience causes several problems in different areas. It directly affects the revenues, and indirectly affects the atmosphere at work. Therefore, I believe having a great product value is not enough nowadays. Companies must elaborate and constantly develop the way they deliver value to their customers. That is competitive advantage.

5 CONCLUSION

The research was aimed to study the phenomenon of customer experience and find the reasons it is crucial when doing business. Furthermore, during the study, several research objectives were covered: different perceptions on customer experience (physical and emotional parts, 10 principles, 7 philosophies, etc.), great customer experience advantages and its implementation to a company's strategy. Furthermore, by using the primary data, I needed to realize do all employees of a company know about such phenomenon as customer experience and how does it affect a company's operation.

For answering these research questions, I have partially applied Maxwell's conceptual framework for qualitative researches. Moreover, it is a problem identification research mainly based on the theoretical study. There was a problem found throughout the different sources of secondary data: different kinds of literature. Apparently, there is a lack of CX in small or medium businesses. The analyzed company Burgerschuhe has been positively examined for this problem via an interview. Furthermore, the solution to this problem was discussed with an interviewee.

Speaking about the research itself, it is important to specify that the research does not cover the topic completely. To increase its accuracy more interviews should be done. Additionally, I believe the interview with one representative is not enough. However, the listed research questions have been covered throughout the research. The secondary data applied has helped me to cover the main part of the research questions.

Nevertheless, there were several limitations what should be eliminated in the future. The number of modern sources applied should be higher. Then, the analysis is more relevant and accurate. Furthermore, the study should go deeper. Even though it might add more research objectives and slightly change the aim, the methodology of the research should be extended. First, the interviews should be conducted with representatives of different organizational levels at a company. Furthermore, not only one company should be involved but several (preferably from different industries). Finally, to discover the actual customers' expectation, there must be an interview with a customer focus group. Then, the study will help companies to implement CX more efficiently.

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APPENDICES

APPENDIX 1. Interview questions

1. Can you introduce yourself?
2. Can you tell a little bit about Burgerschuh?
3. What is your position at the company?
4. What are your responsibilities?
5. How long have you been working for the company?
6. What are the projects you have been working on last years?
7. What are the current projects of the company under your responsibility?
8. How does communication with customers look like at the company? What means of communication are applied? What are the touchpoints?
9. Can you name some positive aspects of your work (i.e. salary, environment, executives, policies, projects, etc.)?
10. What aspects should be improved, in your opinion?
11. Are there any current issues at the company?
12. What is your opinion about it?
13. What is the opinion of your employees?
14. How can the issue(s) be improved?
15. What is your supervisor's opinion?
16. Have you heard about the term "customer experience"? Is it related to customer satisfaction?
17. How do you evaluate its importance to a company? What about Burgerschuh? At which levels is it essential? Who is responsible for CX?
18. Which activities are organized to improve CX in your company?
19. Can CX resolve the current issue(s)?
20. What is the opinion of your employees?
21. What is your supervisor's opinion? Does he agree with you?
22. What will happen to the company if no improvements are made?