

## **The Application of Customer Experience Management in Agriculture Bank of Iran; Necessities and Requirements**

Morteza BIABANI<sup>1</sup>, Farshad MOTALEBI<sup>2\*</sup>, Seyed Mousa MOHAMMADI<sup>3</sup>,  
Mohsen Davoudi MONFARED<sup>4</sup>

<sup>1</sup>Department of Management, Tafresh Branch, Islamic Azad University, Tafresh, Iran

<sup>2</sup>Department of Management, Tafresh Branch, Islamic Azad University, Tafresh, Iran

<sup>3</sup>Department of Accounting, Tafresh Branch, Islamic Azad University, Tafresh, Iran

<sup>4</sup>Department of Basic Sciences, Tafresh Branch, Islamic Azad University, Tafresh, Iran

\*Corresponding Author: [adad7\\_f@yahoo.com](mailto:adad7_f@yahoo.com)

### **Abstract**

This article examined the role of customer experience management as a new method in understanding the customer satisfaction. This descriptive-analytic survey made use of library and documentary methods in order to examine the customer experience management in banks. Then, the determinants of customer experience and its role in customer loyalty was investigated. The conceptual model of this study indicated that there was a significant relationship between components of customer experience management (functional, humanic and mechanic components) and customer loyalty. Once such a useful link is established, one may argue that it will be easier to win the customers back to the bank and achieve the bank profitability. In sum, it can be stated that customer experience management provides some new features and platforms for economic firms so that they may maintain their customers and win their loyalty.

**Keywords:** Customer satisfaction, customer experience management, bank, customer, customer loyalty.

### **1. Introduction**

Undoubtedly, customer satisfaction has been one of the most strategic issues in the last decade. Given the modern global economy, it seems that customers will keep firms alive and, consequently, they can no longer be indifferent to the expectations and demands of customers. Nowadays, the manufacturing or services organizations consider the customer satisfaction as an important criterion in terms of measuring the quality of their activities and initiatives and this trend is still on the rise. The customers and their satisfaction go back to the global competition. Consequently, the customer satisfaction is one of the most important aspects of quality management systems and organizational excellence models, including Malcolm Baldrige (EFQM), Quality Function Deployment (QFD) and Customer Satisfaction Index (CSI). Besides, the customers and consumers are always looking for the suppliers who provide much better goods or services. In today's competitive world, it is indicated that identification of customers' needs and expectations and fulfillment of the requirements before competitors is considered a prerequisite for attaining success in firms. The customer relationship management, which has involved managers, marketing, sales and even other parts of the organization, is considered a unique experience resulting from the interaction between customers and personnel as well as the quality of products or services they

receive from the organization. This experience and memory, which is the result of all interactions among personnel, services and products, plays a decisive role in the quality and consistency of customer relationship and loyalty. In fact, accelerating the changes in business environment, complicating the competitive environment around financial institutions, paying due attention to customer satisfaction in philosophy of management science (as a measure of operating performance and business excellence in any given organization) and addressing the importance of the services sector in the economy of countries have resulted in providing more efficient services to customers over the past few years. In these circumstances, one should be aware that the role of managing the customer experience in these business institutes, including banks, has been more robust. In other words, banks are obliged to achieve customer satisfaction because customer satisfaction is embedded with many benefits and this objective may be achieved through proper marketing. As McCormick puts it, bank earnings depend on good marketing performance. That is why more attention has been directed towards customer experience management in recent years. In fact, the notion of customer experience management aims to provide a reliable and outstanding experience to customers so that the customers may establish an emotional, constant and profitable communication with banks. If the customer interacts with the bank and visits it in person, he/she forms a mental judgment in regards to that specific bank; this will lead to his/her return for further use of the services and recommending or introducing the bank to others or the advent of feeling of dissatisfaction and disappointment.

### **1.1. Statement of Problem**

The role of customer experience management as a strategic tool in the development of manufacturing and service organizations is undeniable. The increasing economic and commercial exchanges in the era of the global village and functional complexity of the diverse monetary, financial and economic systems across national, regional and international levels have paved the way for structuring a set of common, connected and interconnected systems (Hassan Zadeh, 2005, p. 87). Banks, as important elements in economic structures and financial systems, must keep pace with global developments and function as a source of more recent developments. Furthermore, they should take advantage of customer experience management to secure the customer satisfaction. Many world-renowned and outstanding banks have done their best to establish and maintain relationships with stakeholders, including service providers, customers and competitors in the international markets, as their management philosophy. Thus, if banks desire to secure a bright future and hope to survive in the future world, they must inevitably retain their valuable customers and contributions. The Iranian banking industry functions as one of the fundamentals of Iran's economy and plays a decisive role in the country's economic activity. Considering the current gap between Iranian banking industry and global banking system, it seems that there is a significant gap between Iranian banks and international standards. Given such circumstances, it seems essential to revise the relationships between bankers and customers as their main source of income and success. The customers should be taken into account as the organization's fundamental reasons for existence; thus, their clear needs must be identified and, then, their hidden needs should be anticipated and guided thereof. So, service programs are designed and introduced as the basic elements of organization's activities in order to meet the customers' needs and, consequently, attract them. If the famous slogan of "the customer is always right" is executed properly, one can observe successful

trend in the country's banking system. Given this fact that providing services to customers is a complex and dynamic process and regarding this fact that the latter depends on customers' expectations and perceptions and (unlike the manufacturing and distribution of goods) it is not a structured initiative, it seems rational to examine the customer relationship experience as a strategy for attracting customers to the bank. Besides, the latter initiative may attract more customers.

## **1.2. Customer satisfaction**

The marketing theorists have proposed various definitions in relation to the concept of customer satisfaction. Cutler proposes that customer satisfaction is the extent to which the actual performance of a company meets the customer expectations. According to Cutler, if the company can meet customer expectations, the customer will feel satisfied and vice versa (Divandari and Delkhah, 2005, p. 188). The notion of customer satisfaction is among those internal measures undertaken by companies in order to meet the customers' needs and promote the quality of products and services. Juran believes that customer satisfaction occurs when the customer feels that the characteristics of the concerned product are in accordance with his/her expectations. Conversely, dissatisfaction occurs when the customer feels discomfort, complaint and criticism in relation to defects and deficiencies of a given product. In another definition, the customer satisfaction is defined as a reaction expressed by a given consumer or customer in return for consumption or purchase of a given product (Maleki, 2008, p. 27).

Lingenfeld defines the notion of customer satisfaction in terms of psychological aspect and argues that it is a feeling represented as the result of comparison between the received goods or customers' needs and demands and social expectations with respect to the concerned goods. Rapp proposes a personal definition on customer satisfaction and asserts that it is the result of permanent comparisons between actual performance of a given organization and customers' expected performance. Topfer states that customer satisfaction does not depend on the type of business activity or the position of the organization in the market but it depends on the ability and the power of the organization to provide the customer's expected quality. Thus, it can be concluded that the factors affecting customer satisfaction in banks are as follows: customers' past experience, overall justice in the bank, getting customers' feedback, the personnel's perceived organizational support, homogeneity of personnel providing customer services and customers' interest in service personnel. It should be noted that the interaction between the forenamed individuals will improve the level of customer satisfaction in commercial banks.

## **1.3. Customer Experience Management**

Customer experience management is one of the relatively new and attractive issues in customer relationship management. This concept denotes that the experience which is etched in the customer's mind may act as one of the most powerful factors that can cause the customers to return and repurchase or recommend the organization to others. Although there are numerous definitions in this regard, all the parties agree that the customer experience must include interacting with people, processes or system in the organization. Some have argued that the experience includes and results from the interactions of emotional feelings or reactions. Overall, it appears that the customer's perception is located at the center of the customer experience (Janfarsa, 2008, p. 30).

The concept of customer experience has been firstly introduced by Holbrook and Hirschman in 1982. At first, the concept of customer experience revolves around rational decision making on the part of customers. It then examines the factors that are related to customers' behavioral aspects (Holbrook and Hirschman, 1982). From 1960 onwards, many diverse concepts have emerged about the notion of customer experience (Orell, 2005). The customers always hold a real experience in return for the services provided by organizations (Karen, Binachi and Kasavan, 2006). Besides, they may view it as a symbolic and emotional attitude and state created by marketers and customers in favorite, significant and memorable circumstances. Simultaneously, this experience can be tangible, intangible or both (Vertnik and Ross, 2007, p. 66). The customer experience is defined as an attractive action which is jointly created between its creator and the very customers as well as a location in which the customers understand the values and keep them in their memory. Any given customer experience should be embedded with the following five dimensions or characteristics: novelty, learning, personal communication, surprise or amusement and customer involvement (Paulson and Lee, 2004, p. 270). In addition, the customer experience has a number of complex elements that are mentally and physically effective and flexible and when customers encounter them, they subsequently understand them (Peg and Connell, 2006, p. 55). The latter circumstance leads to advent of a controversy between its inherent proximity and complicated elements of any given experience (Gupta and Vajk, 2000, p. 104). Today, the customer experience is widely used by market leaders as an optimal strategy to create value and gain competitive advantage (Carbone, 2004, 392). In general, it can be asserted that customer experience is defined as overall thoughts and feelings resulting from all the perceived impacts – tangible and intangible- on the part of anybody or anything that directly or indirectly represents an organization, a brand or a product. Thus, the customer experience encompasses all the interactive points between a given customer and the organizations, products or services. Regarding a given bank, one may argue that the customer experience will include the following interactive points: making decision to go to the branch site, departing towards that site, opening the door, appreciating the surrounding scent and music, taking turns in line at the bank, existence of a long line of customers, finding a perfect place to sit in the bank branch, associating with the respective cashier, interacting directly with the cashier, encountering the cheerful cashier, tolerating the waiting time for transactions, saying goodbye and leaving the branch. As such, customer experience management is simply managing the customer experience.

#### **1.4. Benefits of customer experience management**

If the customer experience is managed successfully, one can observe increased revenue or reduced costs across the firms. The followings benefits of customer experience management are impressive:

- 1) Increasing the customer loyalty and boosting the process of service repurchase
- 2) Creating an outstanding competitive advantage and attaining the market leadership
- 3) Increasing the revenue and profitability of businesses
- 4) Enlarging the market share
- 5) Multiplying the profitable customers
- 6) Promoting the capability of introduction of targeted innovations and new banking services
- 7) Intensifying the employee commitment.

The experience which is etched in the mind of customers is one of the most powerful factors that can cause them to return and repurchase or recommend others to make use of services provided by the concerned organization.

### **1.5. Implementing the customer experience management**

Although the major problem in modern businesses is that key points are not regarded from the perspective of customers, one should pay due attention to customer retention techniques in order to implement the customer experience management. Besides, managers should attempt to increase the share of current customer's purchase from the company and attract new customers as well.

In the implementation phase, the main focus should be on critical points in the perspective of customers. Accordingly, creating a special and memorable customer experience is directly related to emotional responses which are located within these critical points.

### **1.6. Determinants of customer experience**

1) Personnel's skills: personnel who have contact with customers should be empowered with the following six major characteristics: a) developing the self-esteem and feeling of being a special character, b) handling the first and last encounters, c) maintaining a positive attitude, d) conveying clear messages, e) representing high power and mobility and, f) working well under pressure.

2) Features of products: providing distinctive services can create a unique experience for the customers. Given this, customers attempt to remember the experience and return back to re-experience it.

3) How to provide products and services: multiple factors can offer a positive experience to customers, including:

1) Tangible factors (modern equipment, considerable physical facilities, personnel's appearance in terms of neatness and cleanliness)

2) Reliability (doing the promised work or service exactly and timely, showing interest in solving customers' problems and delivering correct reports)

3) Responsiveness (expressing the exact time of serving customers, providing services without any given delay, willingness to assist customers and answering customers' questions)

4) Reassurance (creating a sense of security in the course of interaction between customers and service providers, representing courteous behaviors, displaying decency and humility and possessing sufficient knowledge to answer questions)

5) Empathy (paying individual attention to customers, understanding customers' specific needs and paying personal attention to customers)

6) Processes: processes are based on their efficacy and friendliness. When a customer visits a (physical, electronic and virtual) bank branch to ask for a service, the bank processes must quickly and easily meet his/her needs and create a good experience for him/her.

## **2. Theoretical foundations**

The results of some research suggest that satisfied customers are not necessarily loyal customers. Although customer satisfaction and his/her loyalty are directly related to each other, they

are not always positively correlated with one another. The results of a research show that 65 to 85 percent of customers who turn their way from one supplier to another supplier have been satisfied or very satisfied from their last supplier (Reichheld, 1996). In another study, it is stated that customer satisfaction does not have a significant effect on customer loyalty. Accordingly, numerous fruitless attempts have attempted to increase the customer loyalty via improving the customer satisfaction. Besides, it is found that meeting the expectations of customers has only helped to improve the business and, conversely, quality of their services has not improved at all. As a result, the latter process has not led directly to customer loyalty (Neal, 1999). Oliver (1999) has also studied the relationship between satisfaction and loyalty in terms of the following scenarios:

**Scenario 1:** satisfaction and loyalty are the elements of an identical concept; actually, both notions express the same concept.

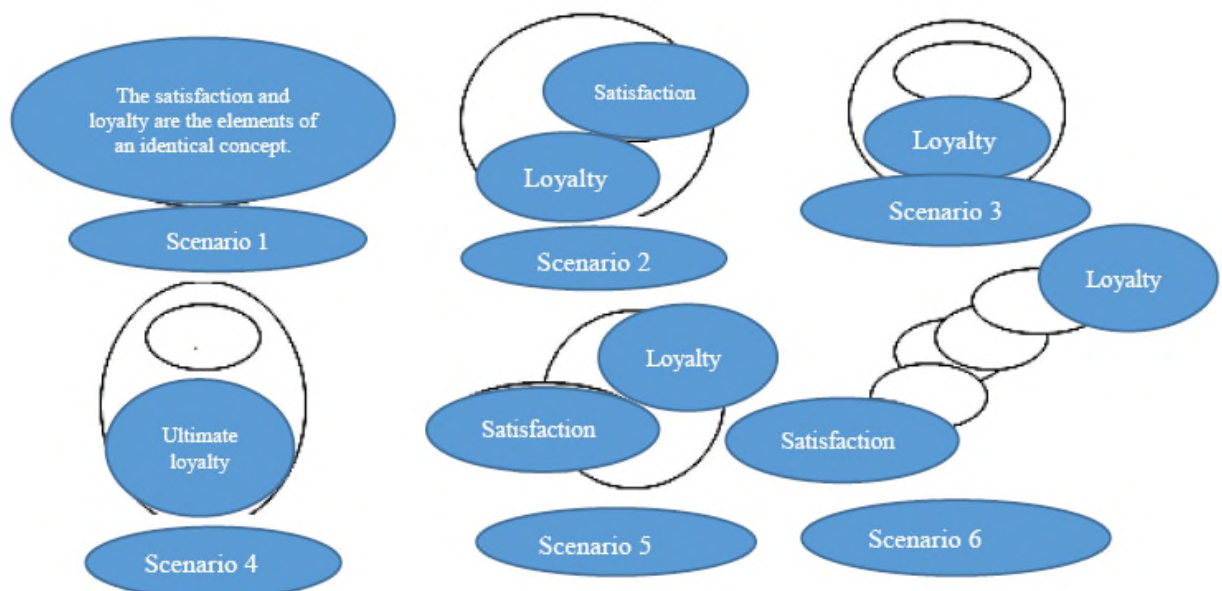
**Scenario 2:** satisfaction is the core notion of loyalty; it is not possible to achieve loyalty without satisfaction and, consequently, satisfaction strengthens loyalty.

**Scenario 3:** the central role of satisfaction is lowered and it is suggested that satisfaction is only a component of loyalty; the second and third scenarios suggest that loyalty encompasses the satisfaction.

**Scenario 4:** the dominant role of ultimate loyalty to loyalty and satisfaction is acknowledged.

**Scenario 5:** satisfaction and loyalty have some points in common and, thus, some elements of satisfaction are embedded in loyalty; these elements constitute a part of loyalty but they are not considered as essential and key elements of loyalty.

**Scenario 6:** satisfaction is the starting point of a sequence transition to loyalty; actually, loyalty and satisfaction can be regarded as separate entities (Oliver, 1999).



**Figure 1:** The relationship between satisfaction and loyalty

According to the Tora, three categories of research have addressed the relationship between satisfaction and loyalty:

The first category of research has addressed the service management literature and the overall relationship between satisfaction and loyalty in firms. According to their studies, satisfaction is regarded a prerequisite for loyalty which affects the profitability of firms.

The second category focuses on the individual level and maintaining (preserving) the customers on the basis of customers' repurchase intention. Given the critical difference between customers' intention and behavior, it seems that there is an essential gap among these factors. This category puts it that even if the type of relationship between loyalty and satisfaction may not be logical, loyalty may be affected by satisfaction.

The third category, who makes up a small group, stresses the relationship between satisfaction and loyalty at the individual level and on the basis of actual purchase data. These findings suggest that there is a weak and unimportant relationship between satisfaction and repetitive buying behavior (loyalty) (Bodet, 2008).

## **2.1. Components of customer experience management**

**Functional component:** Buying products and services by customers depends on functional quality and service delivery reliability as promised to customers. Reliability is an element of quality and it is one of the most important factors in estimating the expectations of the customers (Berry, Parasuraman and Zeithaml, 1994). That is, the concerned product or service should be represented as advertised beforehand and there should be no defect or malfunction in this regard. In fact, the reliability of a customer experience stems from something called "a product's effectiveness" in a firm. Therefore, the main aim of the functional component is to raise the customers' confidence in the reliability of performance of provided services. Actually, the functional component focuses on the technical quality of provided services, especially reliability and service competency. For example, this component refers to the quality and effectiveness of services (SMS banking, internet banking, etc.). Presence or absence of this component at any location will have serious impacts on the customer experience (Berry et al. 2006). So, it worth's examining the reason why customers take action to change their attitude and supplier in their first failure in terms of bad quality products and services. The speed of service process and timely delivery of services is of great importance and it depends on availability and location of services. Although the functional component is not alone sufficient for customers' expectations, the majority of customers expect the services and products they receive should be delivered in accordance with the already given promises (Berry and Carbone, 2007). In fact, the functional component focuses on very nature (what) of service experience.

**Humanic component:** the behavior and performance of personnel during the process of providing services is considered a strong guide and factor in influencing the perceptions of customers and enhancing the service quality (Berry and Carbone, 2007). It is called the humanic component of customer experience management because it mostly affects the actions and appearance of personnel and service providers (such as choice of words, tone and level of enthusiasm expressed by service providers, body language and cleanliness and suitability of clothing) (Berry and Carbone, 2007). The quality of person-to-person and face-to-face interactions between a personnel and a customer determines the way through which the customer judges a given service experience (Henning et al., 2004). The personnel behavior indicates their willingness or

readiness, helps to strengthen the value and creates a strong structure among other personnel (Kohli and Jaworski, 1993). Authority is considered a factor in personnel behavior which plays a vital role in humanic component of customer experience management. Authority refers to the degree to which personnel assist in providing the expected services in a given organization (Ohanian, 1990). Competency is another important factor in the realm of humanic component of customer experience management. It describes the service personnel's judgment and comment on customers' needs and expectations and it stems from their personal knowledge. The importance of personnel competency is consistently estimated in terms of personnel's operating environment. Since the provided services are intangible, the personnel dependency on service personnel increases and, consequently, customer competency can solve customer issues (Derakhshani and Mahmoudi, 2013, p. 54).

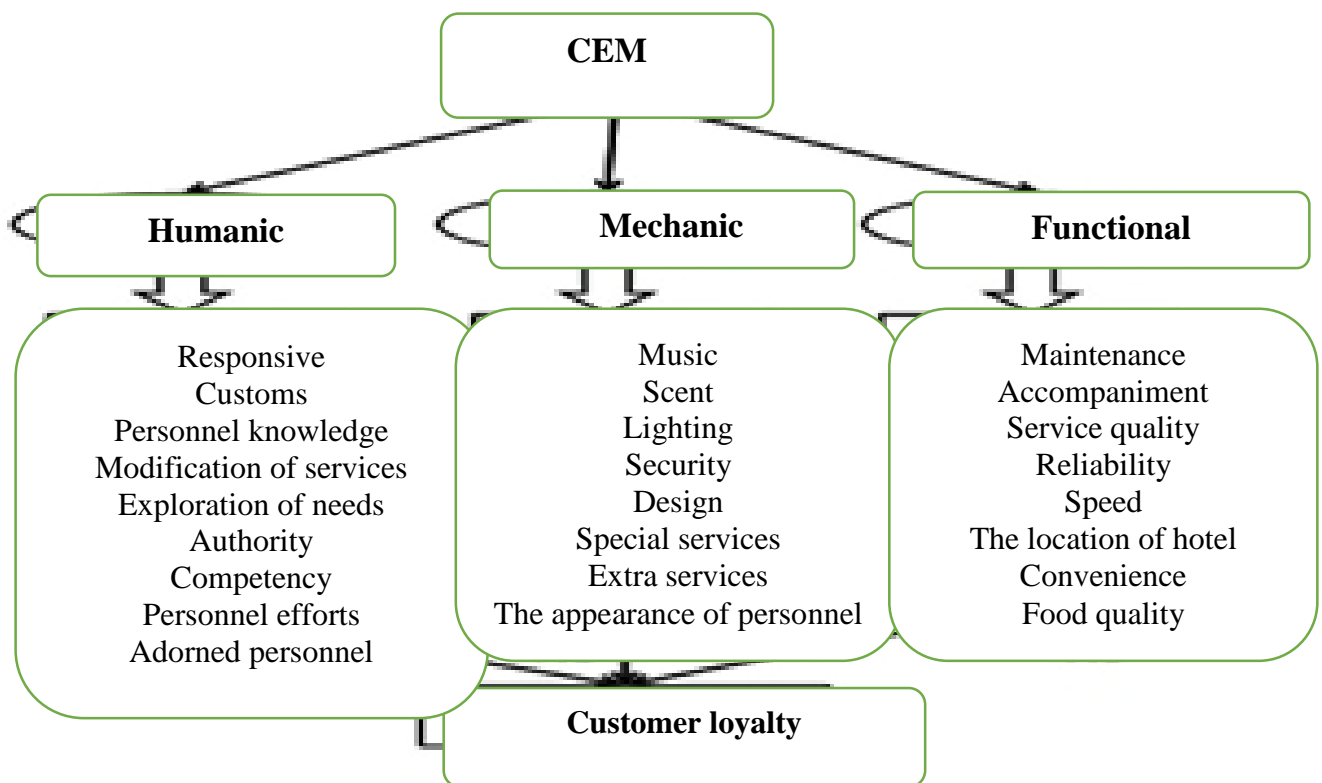
**Mechanic component:** given the mechanic component of customer experience, it may be argued that this component shoulders the formation of overall position of environmental dimensions and providing the core services to customers in this domain (Bitner, 1992). Many scholars have conceptualized the notion of mechanic services in terms of different formats: physical environment (Baker, 1987), atmospheric environment (Cutler, 1973), interactive theater (Wick, 2001), environmental services (Coronene, 2003) and mechanic component (Berry and Carbone, 2007). However, most researchers believe that mechanic impact or component includes an environment in which services are provided or the location in which the seller and the customer interact with each other. It should be noted that the latter environment or location is combined with tangible facilities in order to facilitate the performance or communication of services (Boom and Bitner, 1981, p. 36). In the case of mechanic component, it should be noted that there must be a number of environmental and motivational factors at the disposal of customers, including buildings, equipment or means of service delivery, decorations, display or surrounding appearance, color, music, scent, lighting and any other kind of sensory, visual and symbolic elements which are not actually in contact with the customers (Hackel, Carbone and Berry, 2003). Mechanic factors affect the emotional states of customers (Paulman and Gross, 2004) and when the provided service are understood (Tamek, 2003). In fact, when orders or services are met, the mechanic factors would be efficient and effective in the eyes of customers so that the entire environment would be met accordingly (Palmer, 2005). The customers' primary impression of benefiting from products and services in connection with the mechanic component of customer experience can form a unique experience in this regard. It is argued that such factors as decoration, voice and personal appearance of personnel are parts of mechanic component of customer experience management (Bitner, 1992). The mechanic component of customer experience management refers to the quality of services, selection of services and customer loyalty. In addition, the mechanic component of customer experience management can last the first impact on the customer experience compared to the other two components of customer experience management (humanic and functional components). Hence, the primary impact of goods or services on customers may be considered as one of the most important roles of mechanic component. Thus, it may be asserted that customers experience the mechanic component of customer experience prior to experiencing the functional and humanic components. Besides, the physical component lasts a fixed and lasting impact on the customers' choice and their expectations (Berry, 2007, p. 62).



## 2.2. The effects of satisfaction and loyalty

The customer loyalty is considered a key to business success and this notion has increased the profitability (value creation) at low costs. Given the current tumultuary world, it seems that it is very difficult to create and maintain the customer loyalty. The concept of electronic commerce has lowered many barriers to competitors and, consequently, it has provided unprecedented options and choice at the disposal of customers in terms of selecting their ideal suppliers (sellers).

## 3. The research conceptual model



Many traditional commercial organizations have failed to consider new methods of customer relationships and, subsequently, they have lost numerous customers in this domain. Brown argues that five percent increase in customer retention will double the achievable benefits. Accordingly, organizations should not assume that managing the loyal customers is equivalent to managing the profitable customers. In fact, loyal customers are regarded as excellent marketers and a very valuable source of sales (Maqсуди, 2003).

## 4. Conclusion

In today's turbulent environment, financial and monetary institutions and organizations have realized that the quality of service offered to customers is considered a key element in their survival and success. Nowadays, the advancement of information technology has led to introduction of some modern systems that can assist organizations to lower their internal costs, establish a better

interaction with the environment and ultimately make a more desirable profit. The customer experience management is considered as one of these useful tools which is based on this assumption that the experience which is etched in the customer's mind may act as one of the most powerful factors that can cause the customers to return and repurchase or recommend the organization to others. Regarding the current global market, it appears that customer experience has become a key differentiator in business. Besides, it is not so easy to satisfy customers and, thus, it seems essential to examine the factors that can keep customers loyal. Then, this paper attempted to create a customer experience management in terms of functional, humanic and mechanic components so that the bank customers might become satisfied and loyal. Given the functional component, it was indicated that such factors as speed of banking services, maintenance, location of bank branch, service quality, accompaniment and comfort of customers in the bank played key roles. Regarding the humanic component, it was found that such factors as competency, authority, personnel's cleanliness, identification of needs and expectations, responsiveness, personnel knowledge and modification of services represented the major areas. Finally, the mechanic component comprised such factors as design of bank branch, security, scent, music, lighting, appearance of personnel, special services and extra services. Besides, it is suggested that if the interior decoration of bank branch is improved and updated, customers are reassured about the safety and security of their money and bank, some appropriate special facilities (such as libraries and the Internet within the branch) are provided and a number of special facilities are delivered to people with disabilities, the conditions and facilities for bank customers will improve considerably.

## **References**

- [1] Janfarsa, F. (2008). Customer experience management as a step beyond customer relationship management. *Journal of Banking and Economics*, 92, 62-65.
- [2] Derakhshani, O., and Mahmoudi, O. (2013). Investigating the relationship between customer experience management and customer loyalty in the hotel industry. *Journal of Tourism Management*, 2, 49-63.
- [3] Elahi, S., and Heidari, B. (2005). *Customer relationship management (1st ed.)*. The Commerce Printing and Publishing Company.
- [4] Mahdizadeh Ashrafi, A., Sheibatolhamdi, S. A., and Rabi'I, H. (2014). Checking the relationship between customer relationship management and customer satisfaction in Bank Melli Iran (the case of Damavand Branch). *Journal of Human Science Research (University of Isfahan)*, 32, 73-97.
- [5] Yaqubi, N., and Alizadeh, F. (2006). Investigating the relationship between quality of electronic banking services and customer satisfaction; a case study. *Industrial Management*, 5, 14.
- [6] Berry, L. L., and Carbone, L. P. (2007). Build Loyalty through Experience Management. *Quality Progress*, 40(9), 26.
- [7] Bitner, M. J. (1990). Evaluating Service Encounters: The Effect of Physical Surrounding and Employee Response. *Journal of Marketing*, 54, 69-82
- [8] Berry, L. L., Parasuraman, A., and Zeithmal, V. A. (1994). Improving Service Quality in America: Lessons Learned. *Academy of Management Executive*, 8(2), 32-44.