

**SERVICE QUALITY, SERVICE CONSUMPTION EXPERIENCE AND  
RELATIONAL EXCHANGE IN ELECTRONIC MEDIATED ENVIRONMENT**

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## ABSTRACT

*There is an increasing concern in academic research that conventional knowledge on services management may not adequately inform management in constructing an IT-driven services strategy to succeed in the emerging Electronic Mediated Environment (EME). To provide insights into consumers' perception of service consumption experience and its potential influence on the development of long-term exchange relationship between consumers and service providers in the EME, this study examines how service quality and service consumption experience affect long-term relational exchange in the EME. An analytical framework is developed and tested to validate a comprehensive research model of service consumption experience and its antecedents and consequents. This study contributes to the development of the service consumption experience construct in the EME and informs firms in developing an integrated experiential strategy to meet customer requirements and expectations for long term exchange relationship.*

## INTRODUCTION

Consumers are considered as co-producers in the service consumption process and intimately involved in defining, shaping, and integrating the service; therefore, such interactions, between consumers and service providers, are conceptualized to be built around episodic experiences (Chesbrough and Spohrer, 2006). According to the US Department of Labor and AFL-CIO Fact Sheet 2011 forecast, the service sector will account for about 78.8 percent of the US economy by 2018. Services in most of the developed nations account for more than 70 percent of the respective country's GDP in 2009. Interestingly, increasing number of these services are offered and consumed through some form of Electronic Mediated Environment (EME) with little or no direct human intervention. By extending previous definitions of E-Service (Rust and Lemon, 2001; Fassnacht and Koese, 2006), we define services in EME *as being mediated via information technology (IT) where the consumer interacts with an appropriate user interface such as web site, mobile phone, iPhone, PDA, iPad, virtual world environment, tablets, etc., in order to gain a consumption experience and pursue desired benefits for another entity or the entity itself (self-service).*

Literature in marketing and traditional service research has identified service as an intangible form of goods that possesses several unique characteristics—intangibility, heterogeneity, inseparability, and perishability (Lovelock and Gummesson, 2004). Today services are delivered with recognizing that consumers' experience is formed across all moments of contact with the firms (Sousa, and Voss, 2006). In this experiential economy, companies and service providers are wrapping experiences around traditional offerings to sell them better and they will find that the next competitive battleground lies

in staging experience and “business success will be bestowed upon companies who are able to embrace and deliver compelling and emotionally engaging customer experience—everyday, for all customer, every time” (Pine and Gilmore, 1998, pp. 5). Services are essentially “value jointly created through the interaction of providers and clients” (IBM, 2008).

However, the transition from selling the service to selling the experience is not easy – especially in the Electronic Mediated Environment (EME). The experiences have to meet consumers’ needs and eventually have to work and be deliverable (Pine and Gilmore, 1998). Increasingly, information and communications technologies (ICT) along with electronic devices allow consumers and business vendors to connect and share an experiential universe with each other (Schmitt, 1999; Zysman, 2006). Today, the increasing application and use of information technology (IT) in business functions, and the high dependence on IT in the service delivery system add more complexity in service innovation to meet consumers’ demand. Therefore, understanding the unique characteristics of the service consumption experience in the Electronic Mediated Environment (EME) should help companies design, stage and provide better online service consumption experience to the consumers; ultimately help both services providers and customers achieve the desired benefits and build long-term exchange relationship in the EME.

A large number of marketing studies have focused solely on the emotion or hedonic dimension of consumption experience (Ladwein, 2002). In addition, most literature on consumers’ consumption experiences, in the traditional business environment, did not differentiate the product consumption from service consumption. In the information systems (IS) literature, measuring customers’ acceptance to adopt electronic services has been a significant part of electronic service research. On the basis of technology acceptance model (TAM) and theory of reasoned action (TRA), many adjusted models were developed to measure the acceptance of users to technology and services in electronic mediated environment (Davis et al, 1989, Bruner and Kumar, 2003, Venkatesh et al, 2003). Recently, Wetzels, Odekerken-Schröder and van Oppen (2009) addressed the empirical aspect of assessing Experiential Value using hierarchical PLS path modeling approach. Although they present a fourth-order formative empirical model of experiential value, they do not directly address the issue of theoretically conceptualizing Service Consumption Experience in the EME, its various dimensions nor a nomological net. Given the importance of services in EME and the varieties of services available in such an environment, it has become increasingly important to develop adequate conceptualization and empirical validation of service consumption experience and its role in the development of long term exchange relationship between the consumer and the service providers in EME.

We believe that it is not sufficient to just understand consumer's perception to generate corresponding services in this value creation process, but to develop a deeper understanding of how that value transfers to the long-term relationship and how this transfer is affected by the service consumption experience in EME. However, the extant information systems (IS) literature has not adequately addressed this gap by providing analytical framework that addresses the comprehensive view of service consumption experience and its dimensions, antecedents and consequents in the electronic mediated environment. While some research has alluded to service consumption experience being multi-dimensional ((Thompson, 2000; Caru and Cova, 2006), extant IS research neither provides the required theoretical foundation nor empirical validation of the service consumption experience construct. It is important to understand not only the underlying dimensions of the service consumption experience in EME, but also to correctly conceptualize the construct and its relationship with the underlying dimensions. This is important for both theory development and empirical validation as well as for practical reasons related to the increasing use of Information Technology in composing, delivering and consuming services in EME. Development of a long-term exchange relationship by providing service consumption experience through the electronic mediated environment is vital for any business to compete in this largely service-based experiential economy (Pine and Galimore, 1998; Brown, 2000).

Additionally, a number of empirical studies have investigated the impact of service quality on customer relationship variables such as customer value, commitment, attitudinal loyalty, Word-of-Mouth communications and purchase intentions. However, studies have differed widely in terms of conceptual model as well as in terms of statistical significance, direction, and magnitude of service quality effects (Carrillat *et al.*, 2009). Some studies have failed to find a significant link between these two constructs (Roberts *et al.*, 2003), whereas other studies have found that service quality accounted for more than 60 percent in the variance of attitudinal loyalty (Zeithaml *et al.*, 1996). These contradictory findings and inconsistencies raise important questions about the impact of service quality on customer outcomes such as commitment and attitudinal loyalty – a proxy for customer retention.

Several IS studies investigated some of the antecedents of online service quality such as navigation, visual appeal, timeliness, access, content customization and reliability (Palmer, 2002; Jiang and Benbasat, 2007) and others investigated loyalty, value and Word-of-Mouth communication (Kim and Son, 2009; Chang and Chen, 2009; Parboteeah *et al.*, 2009; Turel *et al.*, 2010; Luong, 2005). Interestingly, studies that have investigated antecedents of service quality (Palmer, 2002; Jiang and Benbasat, 2007) do not develop a comprehensive model integrating these antecedents with service quality and subsequent impact on customer outcome variables such as commitment, value and loyalty. Conversely, studies that have investigated online service and online service quality (i.e., Parboteeah *et al.*, 2009; Turel *et al.*, 2010; Kim and Son, 2009; Chang and Chen, 2009;

Cyr *et al.*, 2006) do not consider antecedents of service quality and their impact on customer outcome variables. Commitment, value and loyalty are critical constructs that directly impact customer retention and growth for online services firms (Reicheld, 2003). Consequently, there is an increasing need for further conceptual development as well as empirical assessment about the antecedents of EME service quality and the effect of service quality on customer relationship outcomes (Carrillat *et al.*, 2009) such as commitment, Word-of-Mouth communication, loyalty and value. Moreover most of these studies have not considered the role of service consumption experience in conjunction with service delivery quality and service content quality and their potential effect on customer exchange relationship in terms of value, commitment, loyalty and word-of-mouth communication. It is unclear how antecedents of online service quality, service content and delivery quality along with service consumption experience affect exchange relationship among consumers and online service providers. In this paper we address this gap in IS research.

## **CONCEPTUALIZATION OF SERVICE CONSUMPTION EXPERIENCE IN THE EME**

The Havlena and Holbrook (1986) indicated that consumption experience consist of a mix of utilities/hedonic, tangible/intangible, or objective/subjective components. They conceptualized experience aspects of consumption as “involving a steady flow of fantasies, feelings, and fun. Consumption is regarded as a primarily subjective state of consciousness with a variety of symbolic meanings, hedonic responses, and esthetic criteria.” More recently, Mathwick et al (2002) defined consumer perceptions of experiential value, which is “a perceived, realistic preference for product attributes or service performances arising from interaction within a consumption setting that facilitates or blocks achievement of customer goals or purpose”. Consumption experience has been largely considered as a multidimensional construct, which includes several sub-dimensions (Havlena and Holbrook, 1986; Hirschman, 1984). Recently concerns have been raised about the limitation of focusing solely on emotion construct (Ladwein, 2002) that “tends to overestimate the influence of sensorial factors of on consumer’s emotions” (Caru and Cova, 2006, pp.4). According to Pine and Gilmore (1999), an experience may engage consumers on several dimensions. Caru and Cova (2006) traced immersion dimension and emphasized it as one significant dimension of consumers’ consumption experience. However, there is no consensus on the constitution of dimensions of consumption experience in existing marketing, consumer behavior and information systems literature. Thus, there is a need to develop a more holistic and multidimensional model of consumer’s perception of consumption experience (Thompson, 2000; Caru and Cova, 2006).

Moreover, the notion of service consumption experience is an under-explored area in the electronic mediated environment and in the IS literature. Since there is not much research available in the extant IS literature that has investigated the underlying dimensions of service consumption experience and relational exchange in the electronic mediated environment, we develop and present a multi-dimensional conceptualization of service consumption experience in this study along with a nomological network of its antecedents and consequents including relational exchange. We define *service consumption experience in the EME as consumer's perceptions related to the facets of emotions, sensation, immersion, participation, and playfulness arising from interaction with service providers during consumption process of the service in the EME*. Here, we adopt Hirschman and Holbrook (1982), Hirschman (1984), Pine and Gilmore (1998), Van der Heijden (2004), and Caru and Cova (2006) conceptualization of consumption experience and propose five dimensions of service consumption experience in the EME, which incorporates extensive integration of past research, and is built upon a robust and solid theoretical foundation. Although alternate conceptualization of service consumption experience is available in the marketing and consumer behavior research, we believe that the rigorous theoretical analysis presented by Hirschman and Holbrook (1982), Hirschman (1984), Pine and Gilmore (1998), Van der Heijden (2004), and Caru and Cova (2006) provide a strong theoretical underpinning for our conceptualization of service consumption experience in EME.

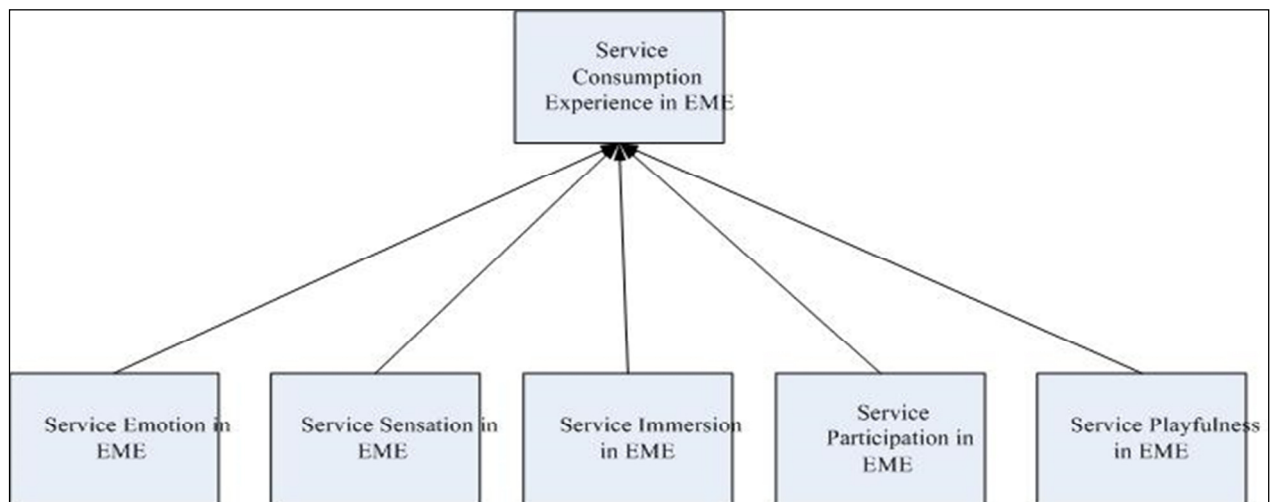
### **Dimensions of Service Consumption Experience**

Drawn from the extant literature on consumer behavior, marketing, and the technology-based service innovation (Hirschman and Holbrook 1982; Hirschman 1984; Pine and Gilmore, 1998; Van der Heijden, 2004; Caru and Cova, 2006), we identify five dimensions of service consumption experience in the EME (see Figure 4.1) as consisting of (1) service emotion, (2) service sensation, (3) service immersion, (4) service participation, and (5) service playfulness.

***Service Emotion in the EME:*** Laros and Steenkamp (2005) identified two-side effects of consumer emotions. The negative effects include anger, fear, sadness, and shame, while the positive effects are contentment, happiness, love, and pride. Schmitt (1999) indicated that consumers are emotionally driven because consumption experiences are directed to achieve fantasies, feelings, and fun. Russell (1979) identified that the consumer has two major dimensions of emotion: pleasantness—unpleasantness and arousal-quietness. Emotion has been considered as a very significant dimension of the consumption experience. Previous studies have found that consumer emotions could be evoked by marketing stimuli, product/service, advertisement, and brands (Schmitt, 1999). In the EME, Dabholkar (1996) found a strong positive effect of enjoyment of using self-service technology on perceived overall service quality. For example, the consumer who is

buying and using the online entertainment service would feel happy when consuming this service.

**Service Sensation in EME:** Human beings apply all of their perceptual senses when engaging with their immediate environment. It was shown that the more effectively an experience engages the senses, the more memorable it will be (Hirschman, 1984). Hirschman gave the example of service sensation in a physical environment, where consumers could seek sensory simulation from both an internal and external nature like watching a horror movie or ingestion of hallucinogenic drugs. In an online environment, the reputation system provides reviewers who are also consumers in the EME a great platform to share their sensation. With the advances in technology, companies are providing real life experience and sensation in the EME, such as the Second Life online virtual world.



**Figure 1: Formative Second Order Service Consumption Experience Construct and Underlying Dimensions**

**Service Immersion in EME:** Caru and Cova (2006) have indicated that “...immersion concept literally implies becoming one with the experience and therefore conveys the idea of a total elimination of the distance between consumers and the situation, the former being plunges in a thematised and secure spatial enclave where they can let themselves go” (pg. 127). Consumers’ immersion becomes physically or virtually a part of experience itself. For example, when consumers participate in the mobile game services, they are connected with a network and gaining real time experience when playing against opponents on the other side of the world. Pine and Glimore (1999) emphasized that five senses should be all engaged in consumers’ consumption experience; the more senses an experience engages, the more effective and memorable it can be.

***Service Participation in EME:*** This dimension demonstrates the level of consumers' participation in the spectrum where on one end of the experience lies passive participation such as reading news and advertisement in the online environment; on the other end the experiences are actively gained which means that consumers personally affect the performance or event that yields the experience. For example, this could be searching on the internet for a specific service (Pine and Gilmore, 1998; 1999). The online education service is a typical EME service to engage the consumer in an active participation experience.

***Service Playfulness in EME:*** The service playfulness is defined as the degree to which the consumer perceives the online provider's website to be enjoyable (Wulf *et al.*, 2006). Seiders *et al.* (2007) indicated that hedonic consumer's view buying a product/service as an enjoyable and rewarding experience in the entire purchasing process. Novak *et al.* (2000) developed a structural model and indicated that playfulness is an important dimension of online consumers' experience. They further concluded, "*such experiential uses lead individuals to see the Web as a more playful environment*" (Novak *et al.*, 2000, pg.30). Previous literature did not differentiate emotion from playfulness. In this research, the emotion dimension relates to consumers' valenced affective reaction to perceptions of service in the EME, while the playfulness reflects intrinsic enjoyment that comes from engaging in activities in which consumers participate or immerse themselves (Mathwick *et al.*, 2001).

Past research points to service consumption experience as being a multi-dimensional construct and some studies have alluded to an emergent second order factor model to parsimoniously capture this important construct (Havlena and Holbrook, 1986; Schmitt, 1999; Firat, 1987; Pine and Gilmore, 1998; Mathwick *et al.*, 2001; Hirschman, 1984). Following this line of reasoning, this research proposes a second order factor model for service consumption experience in the EME (see Figure 4.1) where the first-order factors such as service emotion, service sensation, service immersion, service participation, and service playfulness are all latent formative factors underlying service consumption experience. This allows us to model the five latent dimensions under a unitary representation. In this conceptualization, it is assumed that these formative first order factors 'cause' the second order factor (Chin, 1998) -and in our research it is the service consumption experience in the EME construct. The formative second order model provides a coherent and parsimonious representation of this multi-dimensional phenomenon in explaining exchange relationship development between consumers and service providers in the EME (Pavlou *et al.*, 2008). In our research, we conceptualize that this second order service consumption experience construct plays a mediating role in the context of exchange relationship development between the consumers and service providers.



Each of the first order dimensions of Service Consumption Experience is conceptualized as reflective. In our theoretical consideration for each of these first order dimensions, each construct is assumed to drive the symptoms or measures used in measuring or assessing these constructs.

## **RESEARCH FRAMEWORK AND HYPOTHESES**

### **Antecedents of Service Consumption Experience**

Electronic service quality is a well-established concept in prior service and MIS literature (Tan et al, 2013; Parasuraman et al, 2005; Liciacono et al 2000; Fassnacht and Kose, 2006; Collier and Bienstock, 2006). The service quality in the electronic mediated environment is defined as the extent to which the electronic device facilitates efficient and effective consumer activities at service encounters (Parasuraman et al., 1985; Zeithaml et al., 2000). On the basis of prior service quality theories and electronic commerce studies, Tan et al. (2013) claimed that conceptualization of service should include considerations of both service content and delivery. With the available technology in EME consumers can instantly find price comparisons on the web at the click of a mouse, has created considerable challenges for online service providers in retaining their existing customers in comparison with the traditional services provided by offline channels (Chea and Luo, 2006). Since, it is much easier to compare the technical features and prices of products/services online in an EME than through traditional channels, service quality becomes a key factor for consumers in judging their service consumption experience (Santos, 2003). As online consumers can spend less time and effort to exit a transactional relationship and switch to an alternative service provider, the quality of e-services has become even more critical (Jiang and Rosenbloom, 2005).

### **Determinants of Service Delivery Quality**

Service delivery quality is defined as *the manner in which EME functionalities are made accessible to consumers via the service provider's website as a delivery channel* (Tan et al, 2007; 2013). EME service providers have realized that consumers are concerned with the service delivery process and outcome. Based on the literature (Turel et al, 2010; Cyr et al, 2006), we highlight the following three antecedents of service delivery quality: accessibility, reliability, and timeliness.

#### ***Accessibility***

Accessibility is related to the actions taken by the service provider to ensure no service interruption. More and more customers now look for company access and support via EMEs (De Ruyter et al., 2001). Potential service failures impact future business because

they weaken the customer-company bonds and perceptions of service quality (Bolton and Drew, 1992). In this research, accessibility is defined as the level of efforts taken to minimize service disruptions. Since it is generally not always easy to contact a 'live person' in a traditional service environment, EME providers have begun to provide 24\*7 customer support with instant messaging to improve accessibility. Therefore we expect:

***Hypothesis 1: Accessibility of the service system is positively associated with EME service delivery quality.***

### ***Reliability***

In offline contexts, reliability is defined as the "ability to perform the promised service dependably and accurately" (Parasuraman et al., 1988). Similarly, EME reliability is concerned with the delivery of the service in good condition, on time, and exactly as it was displayed. A study of online failures stated that consumers noted delivery issues as the most frequently stated problem (Holloway and Beatty 2003). Consumers place significant emphasis on service outcome and service quality, which will suffer if a service provider fails to deliver as expected (Zeithaml, Berry, and Parasuraman 1993). Such failures can result in significant costs to the firm, such as lost customers and negative word of mouth (Bitner et al, 2000). Consequently, service failure is a driving factor explaining customer switching behaviour (McCollough et al, 2000). Thus, based on these arguments we expect:

***Hypothesis 2: Reliability of the service system is positively associated with EME service delivery quality.***

### ***Timeliness***

One of the significant EME benefits is the near-time or immediate service delivery (Holloway and Beatty, 2003). EMEs lack most of the interactional human elements so vital to the traditional service experience which typically lead to service delivery lag times. In terms of online versus offline purchasing, online purchasers' benefit in the fact that they receive timely information directly from the website without having to seek a salesperson (Zeithaml et al., 2002). Szymanski and Hise (2000) were one of the first to empirically test a conceptual model finding that convenience and timeliness of website performance were primary determinants in consumer online experiences. Access speed and performance appear as critical to the assessment of quality in EMEs. As a result we expect:

***Hypothesis 3: Timeliness of the service system is positively associated with EME service delivery quality.***

## **Determinants of Service Content Quality**

Service content quality is defined as *the extent to which complete, accurate, and timely content is provided to online consumers during the interaction process with the user interface in the EME* (Tan et al, 2007; 2013). The user interface is a critical component in the EME service experience. In the context of the online environment, the store layout and design particularly influences the consumer's service consumption experience (Seiders et al, 2000). To capture service content quality we have identified the following three antecedents based on the literature: visual appearance, navigation, and preview. These antecedents have been found to be important in the context of online services in past IS studies (Ozment, and Morash, 1994).

### ***Visual Appearance***

A consumer's perception of the visual appeal projected by the service is driven by the design, physical attractiveness, and beauty inherent to the service interface (Hirschman and Holbrook, 1982). Visual appearance in EMEs can be defined as an overall output of image or personality generated from website components such as text, style, graphics, colors, logos, themes and slogans (Srinivasan et al., 2002). Websites with a more visually acceptable interface often result in greater service quality and can influence a consumer's EME experience and ultimately his or her long-term service provider relationship (Cyr et al., 2006; Dai and Salam, 2010). Consequently, the interface appearance is one of the most important aspects of the EME experience. The above arguments lead to the following hypothesis:

***Hypothesis 4: The visual appearance of the service system is positively associated with EME service content quality.***

### ***Navigation***

Consumers want and demand websites that are simply designed and easy to use (Novak et al, 2000). Ease of navigation has surfaced as a critical element, since the EME lacks most of the interactional human elements so vital in offline service delivery (Holloway and Beatty, 2003). Navigation challenges, such as getting lost is often associated with a consumer's confusion, frustration, and anger, and thus negative experiences. To negate this danger, EME navigation features have been developed to prevent consumers from becoming lost anger (Rosenfield and Morville, 2002). A considerable amount of freely available information, if it is well organized and easily accessed, is frequently mentioned by consumers as an important reason to interact with an EME anger (Rosenfield and

Morville, 2002). The ease of navigation in the EME is expected to enhance service content quality. As a result, we expect:

**Hypothesis 5:** *The navigation of the service system is positively associated with EME service content quality.*

### **Flexibility**

Flexibility has been considered as one of the important criteria of perceived good service quality in traditional service mode (Grönroos, 1990). In service context, it refers to “*the degree of flexibility in responding to the customer’s needs which was beyond the routine service provided by the organization*” (Johnston, 1995, pg.61). EME provides consumers with more options to choose the mode of service—traditional employee service or self-service (Berry *et al.*, 2002). Within the context of EME, services are delivered via the web through a software interface where customers engage in self-service and interact with web content offered by service provider. Consumers have more choices and methods to access and use services. Recent studies on e-service quality all consider service content flexibility as one of important dimensions of service quality (Zeithaml *et al.*, 2002; Parasuraman *et al.*, 2005; Wixon and Todd, 2005; Buckley, 2003). Based on these arguments we expect:

**Hypothesis 6:** *The flexibility of online service is positively associated with service content quality in the EME.*

### **Service Delivery Quality and Service Consumption Experience**

Within the context of EMEs, services are delivered via the web through a software interface where customers engage in self-service and online service delivery. One example of an EME service is the FedEx online package tracking system. By utilizing an online tracking system, FedEx can respond to customers’ needs very rapidly, without any human intervention on Fed Ex’s part. The customers, who enter in all of the information, do not mind, because they get the latest, accurate, and authoritative information. FedEx saves money on having to update and notify customers when packages will arrive, while customers are much more satisfied. Therefore, this choice should improve consumers’ entire service experience of using or buying services. *Service delivery quality* is defined as the manner in which IT mediated service functionalities are made accessible to the consumers via the service providers’ website as a delivery channel. Service providers in the EME have realized that consumers are concerned with the process of how the service is delivered along with the outcome of the service (Katz, 2001). “*Experience, like goods and services, have to meet a customer need; they have to work; and they have to be deliverable*” (Pine and Gilmore, 1998, pg.102). Thus, the service delivery quality will have important influence on consumers’ consumption experience in the EME and therefore, we propose following hypothesis:

**Hypothesis 7:** *Service delivery quality is positively associated with service consumption experience in the EME.*

### **Service Content Quality and Service Consumption Experience**

Applying content and delivery concepts in our study, we define *service content quality* as the extent to which complete, accurate, and timely content is provided to online consumers during the interaction process with user interface in the EME. Mathwick *et al.* (2001) have indicated that in online environment, the use of color, graphic layout and photographic quality combine to influence a desirable consumption experience. Ethier *et al.* (2006) have demonstrated that web site quality has positive impact on the cognitive appraisal including liking, joy, pride, dislike, and frustration. We propose the following hypothesis in relation to service content quality.

**Hypothesis 8:** *Service content quality is positively associated with service consumption experience in the EME.*

### **Service Consumption Experience, And Value, Satisfaction, Loyalty, WOMC**

Building strong customer relationships has been suggested as a means for gaining a competitive advantage in both marketing and IS literature. Dwyer *et al.* (1987) have indicated that “*consumer marketer benefit from attention to conditions that foster relational bonds leading to reliable repeat business*” (pg.12). Conditions conducive to developing relational bonds could be created that lead to customer retention and growth (Dwyer *et al.*, 1987; O’Malley and Tynan, 2000; Goldberg, 1988). Today information technology and electronic devices have largely improved the conditions for relationship development between consumers and service providers in the EME.

### **Perceived Value**

Consumer perceived value consists of subjective hierarchical preferences based on an individual’s situation-specific comparisons of one object with another. As one major component of service evaluation, we believe that there is positive relationship between consumers’ perceived value and service consumption experience. “*Such interactive relativistic preferences shape the essence of the consumption value in the sense that products perform services that provide the relevant value-creating experiences*” (Holbrook, 2006, pg.715). Therefore, following hypothesis has been proposed.

**Hypothesis 9:** *Service consumption experience will positively influence consumers’ perceived value of service in the EME*

## **Satisfaction**

Oliver (1992) defines service satisfaction as consumer's post-purchase evaluation and effective response to overall consumption experience. Researchers have identified that consumers' satisfaction is highly correlated with the overall consumption experience, which would exert a positive influence on consumers' future purchase behavior (Oliver, 1980). By applying expectancy-disconfirmation theory, Philips and Baumgartner (2002) clarified the role of consumption emotion in the satisfaction response and discovered that both positive and negative emotions influence satisfaction. Thus, we present the following hypothesis:

***Hypothesis 10:** Service consumption experience positively influences consumers' service satisfaction in the EME.*

Hallowell (1996) indicated that consumer satisfaction is the result of consumers' perception of received value. Adapted from Bagozzi (1992) research on appraisal and emotion response, Lin and Wang (2006) suggest that more cognitively-oriented value appraisal precedes affectively oriented satisfaction. Therefore, we propose the following hypothesis:

***Hypothesis 11:** Consumer perceived value is positively associated with consumer service satisfaction of service in the EME.*

## **Loyalty**

Perceived value and satisfaction involved in service evaluations are believed to summarize consumer knowledge and judgment with particular service providers and guide subsequent actions and loyalty of the consumer (Garbarino and Johnson, 2006). Prior literature has confirmed that perceived value and satisfaction are important determinants of consumer loyalty in the online environment (Lin and Wang, 2006; Gefen, 2002). Accordingly, in order to develop long-term mutual relationships, managers must make great efforts to improve service consumption experience of their services in the electronic environment from the first encounter, from purchasing, to delivery and beyond, as this can influence the service retention (customer loyalty) and service growth (word-of-mouth communication) (Bolton *et al.*, 2000). Thus, the following two hypotheses are proposed:

***Hypothesis 12:** Consumers' perceived value positively influences their loyalty in the EME.*

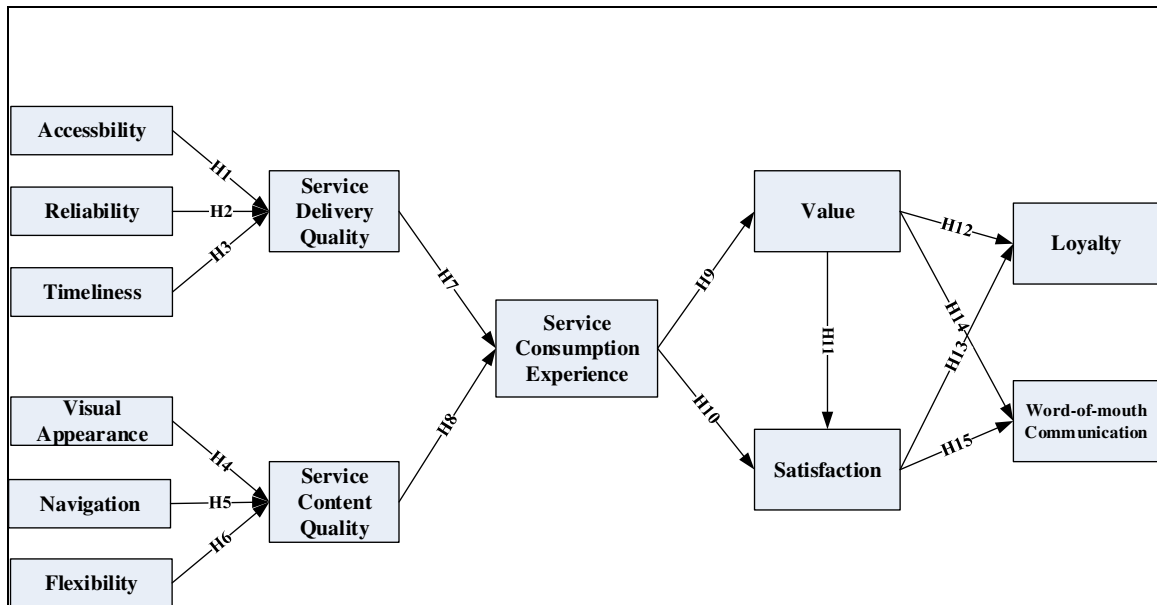
***Hypothesis 13:** Consumers' satisfaction positively influences their loyalty in the EME.*

## Word-of-mouth Communication

Word-of-mouth communication has been recognized as an essential ingredient for successful long-term relationships and growth, and points to the value of existing customers who spread good words about the company and its products and services. (Anderson, 1998; Richins, 1983). Word-of-mouth communication has been found to be an important outcome of the exchange relationship between service providers and consumers (Richins, 1983; Srinivasan *et al.*, 2002; Walker, 2001). Loyal consumers more frequently refer new consumers to service providers. In the online environment, “word-of-mouth” spreads even faster than “word-of-mouth” since online customers can, for example, use e-mail to broadcast a recommendation for a favorite service provider to dozens of friends and family members (Reichheld and Schefer, 2000). In this study, we have included word-of-mouth communication as an outcome of the relational exchange between the consumers and service providers.

**Hypothesis 14:** Consumers’ perceived value positively influences their word-of-mouth communication in the EME.

**Hypothesis 15:** Consumers’ satisfaction positively influences their word-of-mouth communication in the EME



**Figure 2: Proposed Research Model**

## CONCLUSION

This study investigated various dimensions of service consumption experience in the EME. Five first order dimensions of service consumption experience have been identified

and defined: service emotion in the EME, service immersion in the EME, service sensation in the EME, service participation in the EME, and service playfulness in the EME. A second order formative construct is conceptualized to represent a global abstraction of service consumption experience. A theoretical research framework is developed to demonstrate antecedents and consequents of service consumption experiences. The next step for this study is the empirical test of the model through survey research. A survey will be developed to collect data from EME consumers to empirically test our proposed research framework and hypotheses. At this stage, the contributions of the paper are basically conceptual. Since service consumption experience dimensions are intuitively and logically critical success factors to engender online consumers' value perception and satisfaction, a rigorous development and validation of service consumption experience constructs should prove beneficial. The comprehensive framework provides a nomological network for future research to investigate service consumption experience in different settings so that systematic knowledge can be accumulated. Managers might want to analyze their business and examine the core issues underlying each service consumption experience dimension in EME. To develop an experiential strategy for consumption in the EME, service providers in the EME must design, engineer, organize, stage, and engage the wonderful and memorable consumption experience into the services in the EME (Pine and Gilmore, 1998; 1999; Dueb and Menon, 2000).



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