The Effect of Expectations and Service Quality on Customer Experience in the Marketing 3.0 Paradigm

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ABSTRACT

The Marketing 3.0 era calls for a holistic approach to marketing practices, where value creation is driven by positive customer experiences that stimulate customer engagement and interaction. It is thus increasingly important for firms, particularly in the service sector, to improve customer experience to enhance value and brand success under this marketing paradigm. This study thus examined how customer expectations and perceived service quality influence multidimensional aspects of customer experience (cognitive, emotional, hedonic, and sensory) in the context of the airline service industry. Data was collected from 400 low-cost airline travellers in Malaysia and analysed with partial least squares structural equation modelling (PLS-SEM). The results show that both customer expectations and service quality have a significant positive effect on all dimensions of customer experience. The findings have important implications for marketing and consumer behaviour researchers as well as practitioners in the service sector.

Keywords: Customer Expectation, Service Quality, Customer Experience, Experiential Marketing

INTRODUCTION

The Marketing 3.0 era (Kotler et al., 2010) entails a 'value-driven' and 'holistic' approach, wherein marketing practices are expected to lead to valuable and inspirational product creation driven by customer interaction, engagement, and brand relationships. In this era, engaging customers to participate and interact with a company's multiple touchpoints through their consumer experience is key to value creation and relationship management (Lemon & Verhoef, 2016; Zhang et al., 2017). Marketing 3.0 also emphasises a company's value communication and product positioning in the market by collaborating with its customers. Therefore, marketers play an important role in generating more interactive communication with customers by engaging them not just to fulfil their material, emotional, and spiritual needs through their consumer behaviour but also to share their consumer experiences. This holistic approach further addresses the complex and multi-dimensional nature of today's consumers, who increasingly demand product offerings that match the values of their mind, heart, and spirit (Kotler et al., 2010). The holistic marketing approach is thus highly relevant in studying the notion of customer experience by engaging customers' thoughts, emotions, social interactions, and physical senses to create value.

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In recent years, the term 'experience' has been used as a marketing strategy in promoting a variety of brands, products, and services. The concept of experience has become an economic offering (Pine & Gilmore, 1998) as well as a vital element of consumer behaviour research (Holbrook & Hirschman, 1982). The tenet of 'experience' enables firms to brand their distinct product or service in the form of the valuable, memorable, and hedonic experiences of consumers. This practice is known as experiential marketing (Schmitt & Zarantonello, 2013), whereby firms sell their products and services with experiential elements created via stimulation factors such as technology. Most marketing and consumer behaviour researchers share the view that consumers engage themselves physically, mentally, emotionally, socially, and spiritually in the journey of consumption to gain meaningful and memorable experiences (Verhoef & Lemon, 2016).

Given the strong association between customer experience and product branding, leading organisations are now aware that customer experience is the key to strategic synergy in the consistent delivery of value to consumers. However, firms face challenges in understanding how to fulfil or improve customer experience in terms of product/service development and innovation. In particular, issues exist in identifying the product attributes and benefits that customers expect when experiencing a product or service. Businesses are also concerned about the perceived importance of experiences to customers in their consumption. In addition, existing methods of examining customer experience indicate limited reliability and validity in measuring perceptions of customer experience.

To fill these gaps, the present study researched the roles of customer expectations and perceived performance in customer experience from a multidimensional perspective. Specifically, it examined how a firm's offerings can generate cognitive, emotional, sensory, and hedonic dimensions of customer experience in the consumption journey. The findings of this study can drive and enhance well-designed technological developments and innovations that enrich customer experience.

LITERATURE REVIEW

Consumers' motivation to fulfil their needs has shifted over time from utilitarian to hedonic drives. Today, consumers are seeking more than just functional and instrumental benefits (e.g. features and quality) to satisfy their needs and wants and achieve their desired lifestyle. Experiences are now viewed as expressions of the hedonic well-being attributes sought by consumers to fulfil their basic human needs of emotional well-being, pleasure, and self-realisation (Addis & Holbrook, 2001; Schmitt & Zarantonello, 2013). Consequently, numerous efforts have been undertaken by research scholars and practitioners to examine the importance of customer experience in the marketplace. Their work has generally emphasised the approaches, methods, tools, ideologies, and techniques behind improving consumers' perceptions of value through experiential elements in the long run.

Experience

The notion of experience has been defined as a mental phenomenon rooted in an individual's consciousness when external stimuli affect his or her emotions and senses as expressive or memorable occurrences (Jantzen et al., 2012; Jüttner et al., 2013). The Cambridge Advanced Learner's Dictionary (2010) defines experience as "something that happens to you that affects the way you feel" while the Compact Oxford English Dictionary (2010) terms it "knowledge or skill gained over time" or "an event or occurrence which leaves an impression." In general, these

definitions explain that phenomena that happen to an individual influence his or her behaviour, knowledge, skills, and way of thinking. In addition, experience can result from physiological reactions towards external stimuli and can subsequently be expressed as feelings and memories towards those particular external stimuli (Cham et al., 2020a; Cham et al., 2020b; Hellén & Gummerus, 2013; Jaakkola et al., 2015). Individuals' experiences involve their personal intense feelings, which they share with their society either orally or behaviourally in their daily life activities (Coru & Cova, 2003, 2015). After an initial overview of the literature, the present research examined specific prior work on the concepts of experiential consumption, experiential marketing, and customer experience.

Experiential Consumption

The concept of experience in consumer behaviour entails the emotional and subconscious natures of rational information processing in consumption decisions (Berry & Carbone, 2007; Holbrook & Hirshman, 1982; Meyer & Schwager, 2007). In the literature, experience has been extensively investigated as a key element for understanding the cognitive, affective, and hedonistic aspects of consumption (Akaka et al., 2015; Bigne et al., 2008; Gilovich et al., 2015). The findings of prior research have proposed a new theoretical perspective of behavioural consumption in which consumers' perceived experience reflects their subjective state of consciousness carrying symbolic meanings, hedonic responses, and aesthetic criteria. This builds the view of experiential consumption as the process that addresses consumer perceptions of an experience through their behavioural reactions. Consumers do not actually buy products for the latter's functional benefits alone; rather, consumers seek to purchase a pleasurable experience via the product consumed. Schmitt and Zarantonello (2013) provided a detailed explanation that consumers want products, services, and marketing communication campaigns to dazzle their senses, touch their hearts, and stimulate their minds. They expect that product usage should not just related to their lifestyle but also be incorporated into it as their experiences.

Experiential Marketing

Today, customers' satisfaction with a product's functional features and quality is no longer the primary concern, given that they also seek extraordinary experiential benefits to fulfil their human needs for emotional-wellbeing, sensory pleasure, and self-realisation. The role of experience was put forth by Pine and Gilmore (1999) as a 'new economic offering', while Schmitt's (1999) proposition of 'experiential marketing practices' inspired numerous subsequent works on the experiential elements of value creation for customers. In the sectors of retailing, tourism, and automobile, for example, the development of customer experience involves encouraging businesses to promote their offerings by creating some stimulation that affects the senses and feelings of consumers (Gupta & Vajic, 2000; Laming & Mason, 2014; Schmitt & Zarantonello, 2013). Research in this area has predominantly focused on how experiential marketing enables firms to brand their product offerings in terms of good value and memorable benefits, which in turn leads to successful competitive advantages and brand positioning (Adhikari & Bhattacharya, 2016; Laming & Mason, 2014; Schmitt & Zarantonello, 2013).

Customer Experience

Based on a review of the literature, the present study examined customers' perceived experiences in their consumption journey. Several studies have defined customer experience as a personal feeling about an occurrence, which reflects customers' cognitive perception about a particular consumption activity as well as their involvement and interaction in it (Gupta & Vajic, 2000; Kim

et al., 2016; Mossberg, 2007; Walls et al., 2011). Customers undergo and interact in a consumption activity through a series of touchpoints (e.g. service encounter, technological application, product performance, etc.) which may form sensations and perceptions that arouse their affective feelings (Krishna, 2012; Meyer & Schwager, 2007; Pullman & Gross, 2004; Schmitt & Zarantonello, 2013; Shaw & Ivens, 2002). From the experiential consumption perspective, an individual may be motivated to consume a product or service due to a desire for hedonic and emotional arousal experiences that elicit affective feelings of pleasure, enjoyment, and even entertainment. Thus, customer experience is viewed as the expressive feelings people seek through purchasing in order to fulfil their own goals (Verhoef & Lemon, 2016). Similar findings have been revealed by others (Bigné et al., 2008; Sundbo, 2015), who indicate that customer experience is a mental phenomenon within individual consciousness that is triggered by external stimuli. This conceptualisation of customer experience highlights two main aspects that generate an affective emotional state: first, the internal cognitive appraisal of a product's or service's performance; and second, personal feelings about the consumption of the product or service. Overall, it is generally accepted among researchers and practitioners that customer experience positively affects customers' behavioural outcomes related to branding, such as satisfaction, loyalty, and word-of-mouth.

Customer experience has been of interest in various studies attempting to conceptualise and measure this concept (e.g. Brakus et al., 2009; Grewal et al., 2009; Pucinelli et al., 2009; Verhoef et al., 2009). A systematic review of the literature on how consumers perceive their experience posits that customer experience can be categorised into cognitive, affective, hedonic, and sensory responses in the consumption environment. Therefore, the current research adopted this multidimensional perspective of customer experience, which comprises consumers' cognitive evaluation of their expectations and rational buying decisions (Sundbo, 2015), their emotional affective feelings (Frijda, 2009; Titz, 2008), their hedonic responses (Jantzen et al., 2012; Weijers, 2012) and their sensory feelings (Hulten et al., 2009). Extant research has provided strong and significant evidence that these dimensions are formative variables in the measurement of customer experience. However, the effect of customer expectations and perceived service quality on the formation of customer experience remains complex.

Customer Expectations

Most scholars consider customer expectations about a product or service attribute as the standard or reference point to justify customer purchasing judgements and evaluations (Ariffin & Maghzi, 2012; Guiry et al., 2013; Gures et al., 2014; Higgs et al., 2005). Accordingly, customer expectations reflect a functional measurement of the forecasted or predicted quality performance of a product or service prior to consumption (Boulding et al., 1993; Higgs et al., 2005). Previous studies have further elaborated customer expectations as consumers' perceptions of what should occur, how realistic and feasible a product or service is, as well as the minimum level of tolerance that should ideally be attained by a product's or service's performance.

Prior research on expectations (e.g. Ariffin & Maghzi, 2012; Lim et al., 2020; Motwani & Shrimali, 2014; Sheng & Chen, 2012) has proven that consumption expectations may impact the evaluation of customer experiences. This argument is based on the expectancy disconfirmation theory, which describes that an experienced product or service performance is either better or worse than expected (Bigné et al., 2008; Hamer, 2006). The contrast between actual perceived performance and expected performance embodies the cognitive dimension of experience evaluation (Brown et al., 2008). The cognitive experience explains how perceived product/service performance compares to customers' needs and expectations for well-being and pleasurable feelings (Johnston & Kong, 2011; Kim et al., 2016). Therefore, perceptions of cognitive

experience result from either confirming or disconfirming one's expectations based on the judgment of discrepancy between one's expectations and product/service performance (Bigné et al., 2008). The extant literature corroborates that customer experience is shaped by the comparison between perceived performance attributes and the degree of fulfilment of expected benefits (Mason & Simmons, 2012; Qazi et al., 2017; Veale & Quester, 2009; Verleye, 2015). Based on this discussion, the current research postulated that:

H1: *Customer expectation has a significant relationship with perceived customer experience.*

Perceived Service Quality

Services are consumption activities that prioritise the delivery process and interactions between individuals, with technological connotations at multiple touchpoints in the consumption process instead of acquired objects (Cheng et al., 2019; Kumar et al., 2019; Robledo, 2011; Sundbo, 2015). In the service sector, service attributes can be assessed from the physical context of the environment and the performance of the service by the service provider at the different points of interaction. The physical environment is referred to as the 'servicescape', which comprises the elements of ambience, layout, equipment, and facilities. Artifacts and symbols further provide 'mechanics clues' on the appearance and image of the service provider (Berry et al., 2006; Cham et al., 2016; Walls et al., 2011), thereby embodying the tangibility of a service performance setting. In the service delivery process, functional performance is known as service quality. The concept of service quality has been examined widely from the perspectives of reliability, responsiveness, assurance, and empathy, as per the SERVQUAL model developed by Parasuraman et al. (1994, 1988).

Consumers evaluate overall service performance attributes in their journey of consumption (Laming & Mason, 2014; Sundbo, 2015, Tan et al., 2019). Perceived service quality, as a proxy for perceived performance, is thus perceived to be highly relevant to customer experience perceptions (Cham & Easvaralingam, 2012; Cheng et al., 2014; Jaakkola et al., 2015; McColl-Kennedy et al., 2015). Customers' perceptions of a service incorporate their judgement of performance quality, which forms the cognitive and emotional affective dimensions of experiences (Edvardsson, 2005; Jüttner et al., 2013). This is because perceived quality generates the sense of reality and feelings about a service's performance. Further, scholars have argued that the tangibility of service attributes play an important role in experience as customers respond to physical stimuli and interactions (Dong & Siu, 2013; Jüttner et al., 2013). Specifically, physical contact or touchpoints in a tangible surrounding give rise to holistic hedonic and sensory experiences (Bravo et al., 2019; Pareigis et al., 2012).

In the journey of consumption, customer experience forms over time and across multiple touchpoints and interactions (Verhoef & Lemon, 2016) that shaped by the perceived service quality performance. Therefore, customers tend to develop experiential judgements to justify their cognitive impressions and emotional feelings towards the received service performance (Helkkula, 2011; Laming & Mason, 2014; Sundbo, 2015; Walls et al., 2011). Thus, overall perceived service quality has a direct relationship with customers' holistic experience, as it arouses emotional feelings and satisfaction (Juttner et al., 2013; Laming & Mason, 2014). Moreover, the effect of perceived service quality is prevalent in multiple dimensions of customer experience (Bosque & Martin, 2008; Bravo et al., 2019; Edvardsson, 2005). Therefore, this study hypothesised that:

H2: *Perceived service quality has a significant relationship with perceived customer experience.*

RESEARCH METHOD

Research Context

The present research examined customer experience in the context of the airline service sector; that is, in terms of airline traveller experience. In airline services, passengers evaluate their traveling experiences by comparing the airline service's perceived quality against their expectations of the airline service's multiple performance attributes (Gronroos, 2012). This context allowed the present research to examine customer experience in its multi-dimensional facets (i.e. cognitive, affective, hedonic, and sensory) in addition to the performance of service attributes that were both expected and perceived by airline travellers. Prior research has scarcely paid attention to the antecedents of airline travel experience, with the most common research stream in the existing literature being service quality perceptions and satisfaction (Singh, 2015). Merely examining perceptions of service quality does not reflect the multiple dimensions of experience in the consumption journey of airline services. Thus, the lack of empirical evidence on traveller experience in airline services must be addressed. In addition, most commercial airlines are strategising towards service differentiation to achieve branding excellence, which enhances customer satisfaction and loyalty (Laming & Mason, 2014). Therefore, the present research's investigation of customer experience in airline services also has useful implications in terms of recommendations on experiential marketing for airlines.

Research Design and Data Collection

The present research was conducted following the positivist paradigm to test the hypothesised relationships and generate empirical evidence on the study constructs (Penaloza & Venkatesh, 2006). It employed the quantitative research method using statistical tools to develop a structural model for hypotheses testing. The research process included sampling strategy, item measurement, data collection, and data analysis. To develop a survey instrument, valid and reliable measurement scales for customer experience, customer expectations, and perceived service quality were sourced and adopted from a synthesis of the existing literature. These measurement items were pre-tested and pilot tested to ensure the applicability and reliability of each scale.

Sampling Strategy and Design

The present study targeted respondents who had travelled regularly with low-cost carries airlines (LCCs) to examine the perceived customer experience on the airline service performance with compromise the no-frill services. In addition, the traveller's decisions on choosing LCCs were mainly determined by the airfare pricing factor with lower expectation on the service performance (Curras Perez & Sanchez-Garcia, 2016; Koklic et al., 2017). Therefore, study on the LCCs airline travelling experience provides the cognitive and affective of evaluation on low-cost determinations in the quality performance.

As there was no sampling frame available for the study population, the non-probability sampling technique was used to determine the sampling units. The literature (Evans & Rooney, 2013; Reynolds et al., 2003) suggests that non-probability sampling does not cause problems in testing theoretical predictions or hypotheses. Therefore, the present research employed the purposive sampling method, wherein the selection criterion for respondents was that: First, they were passengers of low-cost airline carriers who had travelled to and from Malaysia's Kuala Lumpur International Airport 2 (KLIA2), and second, the targeted respondents had to have communicated with airline staff at least one in the journey of travelling. The respondents were drawn randomly

at the waiting area of lounge and restaurants in KLIA2 with face to face interview. Another source of targeted respondents were from two local travel agency company who supported the present study to allow the researcher to conduct the survey interview with their tour visitors.

The total sample size for the present research was 400, based on the rule of thumb that 350 samples is considered a good and reasonable size to represent a large population (Manning & Munro, 2007; Saunders et al., 2012). The sample size determination also considered the requirement of the partial least squares structural equation modelling (PLS-SEM) analysis technique, which calls for an ideal sample size between 150 and 400 (Hair et al., 2010; Kline, 2005). The targeted sample size of 400 further achieved reliability and validity of the data at the five percent confidence level (Hair et al., 2010), with outer loadings exceeding the threshold of 0.70 for the measurement model (Cohen, 1992).

Data Analysis

The data collected from the surveys was cleaned and coded before further analyses. The issues of missing data, outliers, multicollinearity, and data normality were subsequently addressed. In addition, descriptive analysis was performed with the Statistical Package for the Social Sciences (SPSS) software to understand the respondents' demographic characteristics.

Using PLS-SEM as the analytical tool, measurement model assessments of items' reliability and validity were determined using internal consistency, convergent validity, and discriminant validity (Hair et al., 2010; Sekaran & Bouie, 2010). Next, to test the study hypotheses on the interrelationships between the dependent and independent variables, PLS-SEM was utilised to evaluate the structural model (Hair et al., 2010). This involved assessments of the path coefficients, significance, coefficient of determination (R2), effect size (f2), and predictive relevance (Q2). The results of the PLS-SEM analysis are reported in the next section.

RESULTS

Measurement Model Assessment

The first stage of PLS-SEM analysis is the assessment of the measurement model. The constructs in this study (i.e. customer expectations, perceived service quality, and perceived customer experience) comprised both reflective and formative items as well as first (1st) order and second (2nd) order variables (refer to Table 1). In particular, customer expectation was a 1st order reflective construct while perceived service quality and customer experience were 2nd order formative constructs with 1st order reflective dimensions. The four reflective dimensions of service quality are Tangibility, Responsiveness, Reliability and Assurance, and Empathy. Similarly, the four reflective dimensions of customer experience are Cognitive, Emotional, Hedonic, and Sensory experiences. Thus, the measurement model was analysed separately for these constructs.

Table 1: Types of Measurement Models

Construct	Measurement Model	Reference
Customer Expectation	Reflective	Farooq et al. (2018)

Service Quality	Reflective (1st order)	Tsafarakis et al. (2018);
	1. *Tangibility*	Suki (2014);
	2. *Responsiveness*	Martinez and Martinez (2010)
	3. *Reliability & Assurance*	
	4. *Empathy*	
	Formative (2nd order)	
Customer Experience	Reflective (1st order)	Adhikari and Bhattacharya (2016);
	1. *Cognitive*	Klaus and Maklan (2012)
	2. *Emotional*	
	3. *Hedonic*	
	4. *Sensory*	
	Formative (2nd order)	

Reflective Measurement Model Assessment

The evaluation of the reflective measurement model is based on internal consistency, convergent validity, and discriminant validity. Specifically, composite reliability (CR) was used to represent internal consistency by taking into consideration the different outer loadings of the indicators. The acceptable value of CR is in the range of 0.60 to 0.70 (Nunnally & Bernstein, 1994). Table 2 shows that the reflective constructs in this study showed satisfactory internal consistency with CR values between 0.854 and 0.952. Next, average variance extracted (AVE) indicates convergent validity, which ensures that the variance of a construct's indicators must positively correlate with each another. As shown in Table 2, all the AVE values were above the threshold of 0.50 (Hair et al., 2014), confirming the constructs' convergent validity.

Table 2: Reflective Measurement Model Results

Construct	Items	Loadings	AVE	CR	Cronbach's alpha
Expectation	Expect_1	0.823	0.646	0.901	0.863
	Expect_2	0.802			
	Expect_3	0.800			
	Expect_5	0.760			
	Expect_6	0.831			
Service Quality (Tangibility)	SQ_1_T	0.843	0.663	0.854	0.748
	SQ_2_T	0.862			
	SQ_3_T	0.732			
Service Quality (Responsiveness)	SQ_5_RP	0.795	0.687	0.868	0.771
	SQ_6_RP	0.879			
	SQ_8_RP	0.811			
Service Quality (Reliability & Assurance)	SQ_10_RA	0.894	0.822	0.932	0.892
	SQ_11_RA	0.909			
	SQ_12_RA	0.916			
Service Quality (Empathy)	SQ_7_EM	0.874	0.711	0.880	0.793
	SQ_9__EM	0.894			
	SQ_13_EM	0.755			

Cognitive Experience	CxCog_3	0.826	0.671	0.891	0.836
	CxCog_4	0.794			
	CxCog_5	0.825			
	CxCog_6	0.829			
Emotional Experience	CxEmo_1	0.800	0.608	0.903	0.871
	CxEmo_2	0.745			
	CxEmo_3	0.836			
	CxEmo_4	0.773			
	CxEmo_5	0.772			
	CxEmo_7	0.747			
Hedonic Experience	CxHed_1	0.822	0.668	0.923	0.901
	CxHed_2	0.741			
	CxHed_3	0.875			
	CxHed_4	0.862			
	CxHed_5	0.819			
	CxHed_6	0.777			
Sensory Experience	CxSen_1	0.883	0.770	0.952	0.940
	CxSen_2	0.847			
	CxSen_3	0.896			
	CxSen_4	0.891			
	CxSen_5	0.873			
	CxSen_6	0.872			

The assessment followed by the Fornell-Lacker criterion analysis to examine discriminant validity that indicate the construct measurement was distinct from other constructs by the empirical standards. As per results shown in table 3, the Fornell and Lacker criterion presents the establishment of discriminant validity, that determine each construct's AVE values square root is the highest correlation as compare to any other constructs in all cases than the off-diagonal elements in their corresponding row and column. In addition, the discriminant validity assessment was confirmed by Heterotrait-Monotrait (HTMT) Ratio analysis test as the multitrait-multimethod matrix analysis, where the confidence interval value (as shown in table 4) did not have the value of 1 in any of the constructs.

Formative Measurement Model Assessment

Service Quality (SQ) and Customer Experience (CX) were measured formatively as 2nd order reflective–formative models. The dimensions of each construct were assumed as the indicators that create the construct in the formative measurement model. The assessment of the formative measurement model in PLS-SEM includes tests for convergent validity, collinearity, and the significance and relevance of each formative indicator. Based on Table 5, convergent validity was achieved by the 2nd order formative constructs, as all the indicators' path coefficients were above the threshold value of 0.80 (Henseler et al., 2015).

Table 3: The Fornell and Lacker Criterion Results

	Cognitive	Emotion	Empathy	Expectation	Hedonic	Reliability& Assurance	Responsive	Sensory	Tangible
Cognitive	*0.819*								
Emotion	0.597	*0.780*							
Empathy	0.445	0.383	*0.843*						
Expectation	0.462	0.539	0.342	*0.804*					
Hedonic	0.433	0.522	0.213	0.435	*0.817*				
Reliability & Assurance	0.338	0.341	0.610	0.333	0.248	*0.906*			
Responsive	0.593	0.484	0.675	0.524	0.433	0.466	*0.829*		
Sensory	0.339	0.428	0.159	0.416	0.518	0.333	0.327	*0.877*	
Tangible	0.445	0.423	0.417	0.387	0.451	0.458	0.533	0.505	*0.814*

Note: diagonal (in bold) represent the square root of average variance extracted (AVE) while other entries represent the correlations.

Table 4: Heterotrait-Monotrait (HTMT) Ratio Analysis Results

	Cognitive	Emotion	Empathy	Expectation	Hedonic	Reliability& Assurance	Responsive	Sensory	Tangible
Cognitive									
Emotion	0.683								
Empathy	0.544	0.458							
Expectation	0.541	0.614	0.410						
Hedonic	0.493	0.550	0.246	0.479					
Reliability & Assurance	0.384	0.382	0.724	0.376	0.262				
Responsive	0.737	0.580	0.853	0.648	0.518	0.557			
Sensory	0.380	0.465	0.191	0.461	0.558	0.362	0.393		
Tangible	0.545	0.498	0.530	0.472	0.554	0.551	0.693	0.616	

Table 5: Convergent Validity Results for Formative Indicators

Construct/Indicator	Weight	Path Coefficient
Service Quality (Tangibility)		0.958
SQ_1_T	0.282	
SQ_2_T	0.481	
SQ_3_T	0.453	
Service Quality (Reliability & Assurance)		0.971
SQ_10_RA	0.322	
SQ_11_RA	0.379	
SQ_12_RA	0.401	
Service Quality (Responsiveness)		0.949

	SQ_5_Rp	0.426
	SQ_6_Rp	0.337
	SQ_8_Rp	0.447
Service Quality (Empathy)		0.959
	SQ_13_Em	0.299
	SQ_7_Em	0.468
	SQ_9_Em	0.406
Customer Experience (Cognitive)		0.930
	CxCog_3	0.317
	CxCog_4	0.349
	CxCog_5	0.299
	CxCog_6	0.257
Customer Experience (Emotion)		0.950
	CxEmo_1	0.255
	CxEmo_2	0.278
	CxEmo_3	0.143
	CxEmo_4	0.191
	CxEmo_5	0.199
	CxEmo_7	0.216
Customer Experience (Hedonic)		0.941
	CxHed_1	0.267
	CxHed_2	0.158
	CxHed_3	0.191
	CxHed_4	0.239
	CxHed_5	0.125
	CxHed_6	0.239
Customer Experience (Sensory)		0.953
	CxSen_1	0.202
	CxSen_2	0.182
	CxSen_3	0.159
	CxSen_4	0.239
	CxSen_5	0.148
	CxSen_6	0.209

In order to detect multicollinearity issues (i.e. high correlations between formative indicators) in the formative model (Hair et al., 2014), the Variance Inflation Factor (VIF) was used as the assessment tool. The VIF represents the amount of variance of one formative indicator explained by the other indicators in the same block. The results in Table 6 reveal that the VIF values for the formative constructs were all below 5.0, confirming the absence of collinearity issues in this study's model (Hair et al., 2011).

Table 6: Variance Inflation Factor (VIF) Results for Formative Indicators

Service Quality	VIF	Customer Experience	VIF

Tangibility	1.480	Cognitive	1.561
Reliability and assurance	1.704	Emotional	1.732
Empathy	2.263	Hedonic	1.578
Responsiveness	2.097	Sensory	1.439

The final step of the formative model assessment was testing for significance and relevance of each indicator to the construct. The formative indicators were assessed via the bootstrapping technique with 1000 re-samples, whereby t-values were generated to assess the significance of each indicator's weight. The results in Table 7 exhibit that the formative indicators of Service Quality and Customer Experience were significant and relevant, as the indicators for both constructs reported t-values above the threshold of 1.645 and p-values below 0.05.

Table 7: Significance and Relevance Results for Formative Indicators

Formative Indicators	Beta	Standard Error	*t*-value	P value
Empathy → SQ	0.304	0.006	50.273	0.000
Reliability & Assurance → SQ	0.336	0.007	48.188	0.000
Responsive → SQ	0.304	0.007	46.273	0.000
Tangibility → SQ	0.303	0.006	54.642	0.000
Cognitive → CX	0.232	0.006	40.855	0.000
Emotion → CX	0.334	0.007	49.864	0.000
Hedonic → CX	0.347	0.008	45.630	0.000
Sensory → CX	0.369	0.008	45.840	0.000

Note: SQ = service quality, CX = customer experience

Overall, the results of the reflective and formative measurement model assessments established the satisfactory validity and reliability of the study's constructs. Thus, the data was deemed fit for the next stage of PLS-SEM analysis, i.e. structural model assessment.

Structural Model Assessment

The structural model assessment examines the model prediction and the relationships among the constructs. This includes testing for collinearity issues, path coefficients' significance, coefficient of determination (R^2), effect size (f^2), and predictive relevance (Q^2). Collinearity was traced with Variance Inflation Factor (VIF) values to avoid estimation bias within the predictor constructs. The VIF values shown in Table 8 range from 1.000 to 2.263 (less than 5.0), indicating that there was no collinearity issue in the model.

Table 8: Variance Inflation Factor (VIF) Results for Structural Model

Construct / Indicator	VIF
Cognitive experience	1.561
Emotional experience	1.732
Hedonic experience	1.578

Sensory experience	1.439
Tangibility	1.480
Reliability and assurance	1.704
Empathy	2.263
Responsive	2.097
Expectation	1.413
Service quality	1.777

Next, path coefficients for the hypothesised relationships were evaluated using the bootstrapping analysis (1000 re-samples). Table 9 shows the path coefficients (β), which were all significant at p<0.05.

Table 9: Path Coefficient Results of Structural Model

	Relationship	Beta	Standard Error	t-value	P value
H1	Expectations → Customer Experience	0.251	0.034	7.303	0.000
H2	Service Quality → Customer Experience	0.376	0.048	7.893	0.000

The results show that customer expectation and perceived service quality have significant effects on customer experience with beta values of 0.251 and 0.376, respectively. Therefore, both hypotheses (H1 and H2) were supported in this study. Moreover, the beta values suggest that service quality has a stronger effect on customer experience compared to customer expectations.

The structural model also assessed R^2, which is the extent to which the endogenous variable is explained by the exogenous variable (Hair et al, 2011). In this study, the R^2 value for customer experience was 0.590; that is, a substantial 59 percent of the variance in customer experience is due to variances in customer expectation and perceived service quality.

Next, the effect size, f^2 was tested to measure the changes in R^2 when a specific exogenous construct is withdrawn from the model. Table 10 shows that customer expectation has a small effect of 0.104 on customer experience while service quality has a medium effect of 0.186 on customer experience construct. The interpretation of effect size was based on Cohen's (1992) guidelines on small ($f^2 = 0.02$), medium ($f^2 = 0.15$), and large ($f^2 = 0.35$) effects.

Table 10: Effect size, f^2, Results

| Path	f^2	Effect size
Expectation → Experience	0.104	small
Service Quality → Experience	0.186	medium

Finally, predictive relevance (Q^2) measures the prediction accuracy of the indicators. When Q^2 is larger than zero, the exogenous constructs are deemed to have predictive relevance for the endogenous constructs in the structural model (Hair et al., 2014). Table 11 shows the Q^2 value

obtained using blindfolding procedure with an omission distance (D) of 7, which affirms that this study's model demonstrated predictive relevance.

Table 11: Predictive Relevance, Q^2

Construct	Q^2
Expectation	0.466
Service Quality	0.329

Figure 1: Illustrates the Results of the Structural Model.
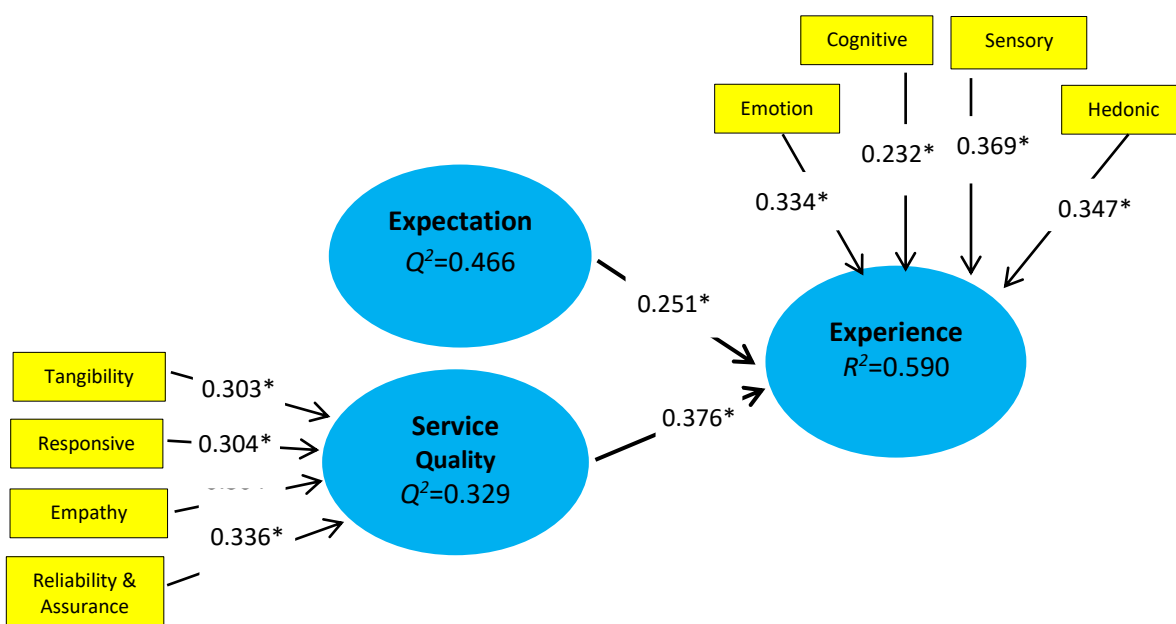
DISCUSSIONS

Perceived customer experience is formed by customers' cognitive, emotional, hedonic, and sensory responses to their consumption decisions. The present study has provided empirical evidence that in the service sector, specifically in airline services, perceived customer experience is influenced by travellers' (i.e. customers') expectation and perception of the airline's service quality. This finding contributes to the literature on marketing and consumer behaviour by enhancing the understanding of customer experience development. Through expectations and service performance attributes, the experiential elements of consumption are important for consumers, whose individual experiences are expressed as intense feelings and memories to be shared in their social setting.

MANAGERIAL IMPLICATIONS

In the service sector, customer experience encompasses the interactions and touchpoints between customers and firms, which require firms to thoroughly understand the preferences, expectations,

and desired outcomes of consumers so they can create and deliver engaging and memorable experiences (Teixeira et al., 2011). This study's findings raise several important considerations for marketers in terms of understanding the nature of customer experience and its implications for a holistic approach to experiential marketing practices. Firms must prioritise product and service attributes (e.g. utilitarian, emotional, and hedonic benefits) that customers expect in their consumption experience. Furthermore, they must continuously maintain and improve service quality to enhance customers' experiences. In addition, experiential marketing activities must be able to engage customers through unique and enjoyable stimulation of customers' cognition, emotions, hedonism, and senses. Ultimately, a holistic experience enriches consumers' lives by realising their desired lifestyles; thus, they are more likely to use and relate to brands that provide such experiences.

FUTURE RESEARCH DIRECTIONS

In the era of Industry 4.0, customer or user experience should be emphasised as the ultimate goal of all technological developments in consumption. Technological innovations must adopt a customer-oriented perspective and focus on enhancing consumer experience through product design. By understanding users' interactions with technology, user experience can be designed to fulfil users' needs based on their mental or emotional state, system characteristics, and user interaction contexts (Hassenzahl & Tractinsky, 2006). In conclusion, there a growing necessity to understand and improve customer experience in product and service design from the perspective of technology development and innovation in Industry 4.0.

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