

The impact of customer experience on customer satisfaction and customer loyalty

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Abstract

This work examines the influence of customer experience on customer satisfaction and loyalty using the case of Starbucks Coffee in Ho Chi Minh City, Vietnam. A research model was developed based on customer experience (including four dimensions: sensory experience, emotional experience, social experience and service quality), customer satisfaction and customer loyalty. Our study adopts a questionnaire-based survey to gather data from 335 respondents using a convenience sampling technique. Partial Least Squared-Structural Equation Modelling (PLS-SEM) was applied to analyse the data set. Our empirical results showed that all four dimensions of customer experience significantly affect customer loyalty via customer satisfaction. Our work offers new insights and suggests several practical ways to help managers enhance customer satisfaction and loyalty in the coffee industry.

Keywords: customer experience, service quality, customer satisfaction, customer loyalty, Starbucks, coffee industry.

1. Introduction

Coffee has been an essential product in the daily life of Vietnamese people for many decades. Drinking coffee is considered to be a culture or a traditional habit in Vietnam. Gartner (2018) revealed that 89% of business leaders and market leaders said that, nowadays, the competitive element for businesses is the customer experience (CX), which is gained from different aspects of customers in a coffee store including the quality of the products and services, the social environment with peers and family, or the personal experience. Customer experiences are widely acknowledged as crucial components in conceiving perceived values (Kusumawati & Rahayu, 2020; Sweeney & Soutar, 2001), especially on customer satisfaction (SATIS) and customer loyalty (LOYALTY). Schmitt (1999) asserts that SATIS and LOYALTY can be achieved via CX, including sensing, feeling, thinking, acting and relating. Indeed, satisfaction with a product or service is a state of mind in which the customer's needs, wants, and expectations on a product or service have been surpassed, resulting in repeat purchases, and LOYALTY (Sondoh et al., 2007). To date, products and services have been turned into commodities because of the rapid

development of global competition and technology. Therefore, providing superior CX is the key strategy for remaining competitive. Many researchers have found out that low prices and innovative products are no longer the best strategy; CX is now considered the key element for businesses to compete effectively in today's dynamic business environment (Verhoef et al., 2009). Starbucks is considered to be a good example of success in this field. Howard Schultz, the founder and executive chairman of Starbucks, believed that Starbucks would be the world's leader in the coffee industry as the Starbucks' team was, and still is, committed to providing customers with the best possible CX. Understanding the importance of the CX, Starbucks has gained the competitive advantage as it offers a number of benefits, such as increasing customer repeat purchases, creating lasting relationships between customers and the company, improving its reputation, and eventually gaining customer satisfaction and loyalty (Kumar, 2012). In short, CX can be considered as a determinant to customers' ratings of satisfaction and their subsequent loyalty.

While goods and services are prone to becoming similar in time (Andreassen & Lindestad, 1998), there are many strong domestic and international coffee brands such as Highlands Coffee, Trung Nguyen Coffee, Starbucks, etc. competing with each other to become the best coffee brand in Vietnam. Furthermore, the competitive advantages that businesses need to win in this competition are to attain both SATIS and LOYALTY. Hence, the key is through CX (Chandra, 2014). Rawson, Duncan and Jones (2013) also described the CX through the article "The Truth About Customer Experience" and concluded that the ingenious management of all the CX will help the company achieve great success: revenue growth, customer satisfaction as well as staff and prevent business uncertainty. Different studies examined the relationships between CX, SATIS and LOYALTY in Vietnam in various sectors, for instance, Ngo and Nguyen (2016) in retail banking sector, Minh and colleagues (2015) in hotel industry, or Cuong and Khoi (2019) in convenience stores. Although there are a few studies on CX, SATIS and LOYALTY in Vietnam but very few studies these relationships in coffee industry.

Given the significance of SATIS and LOYALTY towards the success of businesses, very little or no attention has been paid to examine the influence of CX towards SATIS and LOYALTY especially in coffee industry in Vietnam. This research aims to fill this gap. Specifically, our research questions are: (1) "What are the factors that may affect customer satisfaction and then the loyalty of customers of Starbucks coffee in Ho Chi Minh City (HCMC)?" and (2) "How do these factors affect customer satisfaction and customer loyalty of Starbucks in Ho Chi Minh City?"

2. Literature Review

Our work adopts Schmitt's (1999, p. 53) the theory of customer experience, which identified "five different types of experiences: sensory experiences (sense), affective experiences (feel), creative cognitive experiences (think), physical experiences, behaviors and lifestyles (act) and social-identity experiences that result from relating to a reference group or culture (relate)." As defined

by Schmitt (1999, pp. 61-62), “sense marketing appeals to customers senses”, “feel marketing appeals to customers’ inner feelings and emotions”, ranging from mildly positive moods linked to a brand to strong emotions of joy and pride, “think marketing appeals to the intellect in order to deliver cognitive, problem- solving experiences that engage customers creatively”, “act marketing targets physical behaviors, lifestyles, and interactions”, and finally, “relate marketing contains aspects of SENSE, FEEL, THINK and ACT marketing”. This has attracted many marketers around the globe regarding achieving customer satisfaction and loyalty via CX (Pine & Gilmore, 1998; Schmitt, 1999).

Schmitt (1999), in collaboration with Verhoef et al. (2009), developed sensory experience (SENSOR), emotional experience (EMOTION), and social experience (SOCIAL) as the three dimensions of CX based on the five types of experiences as discussed above. Furthermore, various industries, including the hospitality, sports, retail banking, internet shopping, and convenience stores, have researched these dimensions extensively (Cuong & Khoi, 2019; Kaplanidou & Vogt, 2010; Lin et al., 2009; Ngo & Nguyen, 2016).

2.1. Customer Experience

Nadiri and Gunay (2013) conclude that the only way to remain competitive is to provide exceptional CX. This is seen as an opportunity and challenge for marketing. Sharma and Chaubey (2014, p. 18) characterise CX as “the sum of all experiences that a customer has with a supplier of goods or services, over the duration of their relationship with that supplier.” They emphasised the importance of providing the experience that customers desire. They believed that successful businesses would influence their customers through real engagement and experience, which form the perceived value of customers.

Consequently, CX is recognised as a crucial element that governs the success of a firm (Pine & Gilmore, 1998; Schmitt, 1999; Verhoef et al., 2009). According to Schmitt (2010), CX refers to the customers’ perception, emotion and thought about the product or service when they engage in consumer activities. Product, packaging, communications, store interactions and sales relationships are all examples that may be relevant to experiences as a result of direct offline activities. When customers interact with any goods and services, they receive some kind of experience, which could be anything from positive to negative. For example, this happens when a customer is having a meal at a restaurant, meeting a doctor or purchasing a computer system.

Schmitt (2010) proposes five types of CX: sensory experience that results from aesthetic and sensory qualities (sense), affective experience that results from emotions and moods (feel), creative cognitive experience which refers to analytical and imaginative thinking (think), physical experience that relates to motor actions and behaviours (act) and finally, social experience which refers to a reference group (relate). In a similar vein, the three dimensions, including SENSOR, EMOTION, and SOCIAL as proposed by Verhoef et al. (2009) and Schmitt (1999) are considered critically essential for CX. Fundamentally, these three dimensions symbolise the five types of experiences as discussed above.

2.2. Customer Satisfaction

There are different perspectives on customer satisfaction. One difficulty in considering the cause and effect of customer satisfaction is the lack of consistency among researchers (Caruana et al., 2000). SATIS is viewed as the customer's emotion about the product or service used (Spreng & Mackoy, 1996). It is the consumer perception when the consumption process meets their needs, expectations and goals in a pleasant and interesting way (Oliver, 1997), or simply a sense of satisfaction or disappointment stemming from the comparison of product or service outcomes with expectations (Kotler, 2000). Kotler affirms that the SATIS, which is determined based on the basis of a comparison between the product the customer received and the customer's expectations of the product, was considered at three levels. First, if a product or service performance falls short of the expectations of the customer, the customer may feel disappointed and dissatisfied. Second, if it matches the expectation, the customer may feel satisfactory. Third, if it exceeds the expectation, the customer may feel very satisfactory and happy.

Bachelet (1992) characterises customer satisfaction as a customer's emotional responses through their experiences of a product or service as to how it fulfilled their desires, including the level of response above and below the desired level. Bachelet suggests three general components that formulate the latent variables of customer satisfaction. The first is *response*, namely the type and intensity, which refer to the customer's emotional response that changes in intensity. Second is the *focus* of the response, which identifies the emotional response with a particular goal, such as the choice of the product, the purchase of the goods or the consumption of the product. Third is the *timing* of the response that describes a particular moment at which the emotional response occurred, that is, the consumption experience. However, this adds a restriction that the product must have been consumed before the satisfaction occurs.

A common theory of customer satisfaction, which is widely accepted, is the expectancy disconfirmation proposed by Oliver (1980). This theory proposes that the level of satisfaction is an outcome of the gap between customer expectation of performance and perceived performance. There are several factors of satisfaction which have been identified including customer needs, emotions, service and product features. The experience, for example, of a product or service quality (SERVICE), the layout of the coffee store, or the politeness of the staff members in the store, are factors required when determining the customer satisfaction. There are two different perspectives theorised in customer satisfaction: one is cumulative satisfaction, which is the total evaluation of the customer when experiencing a product or service and the other is transaction-specific satisfaction, which is the estimation about the experience and the consumer's reactions when encountering a company (Boulding et al., 1993). As a result, the product or service performance and delivery are all crucial in the coffee industry so as to provide the customer with great experiences and also to create satisfaction.

2.3. Customer Loyalty

LOYALTY is mentioned as an extensive commitment to the acquisition of products and services (Oliver, 1997), the customer's intention to buy their product or service again (Chaudhuri, 1999),

the customer's willingness to retain their relationship with a company or the service and product of that company (Rai & Medha, 2013). Building customer loyalty is difficult, as the customer becomes loyal only if he or she believes the products or service that the company provides are the best alternative (Oliver, 1997).

As discussed above, customer loyalty can be analysed by consumer behaviour in the market where it can be indicated by repeated purchases or the customer is committed to continuing to purchase the brand as the main choices (Oliver, 1997). The concept of loyalty is expressed by the behaviour or attitudes of customers to the business. Customers are considered to be loyal when they tend to buy the product or use the services of the company repeatedly.

Loyalty consists of both behavioural and attitudinal factors. Let's assume that when a customer behaves loyally to a particular firm, this means the customer prefers that firm rather than the other competitors. However, in some situations where preference behaviour does not indicate loyalty because there are some factors that prevent customers from leaving the company such as there is no alternative option, or the company location is more convenient for customers to visit, etc. Thus, loyalty behaviour should be supported with other indicators, such as the customer's willingness to give recommendations to friends and family. When customers purchase or use the product of Starbucks once, twice, or many times over, they are considered as loyal. They then tell others that the coffee or services are of very good quality and refer Starbucks to others, which means that they are showing loyalty to Starbucks, even though they are sometimes not aware of this. Loyal customers will spread favourable word-of-mouth (WoM) by telling good stories about the coffee store or their experiences to other people and then giving a recommendation to visit. According to Griffin (2002), businesses can benefit from customer loyalty as it is a free and a very effective advertising channel. When customers convey an understanding about the product's information, they have really appreciated the product and want to make a suggestion, even though they do not get any benefit at all. Therefore, other people often believe the recommendation rather than the company's advertising. Ntale & Ngoma (2013) also noted that the real value of loyalty to the firm is about both the revenue that customers generate, and also the impact of customers' referrals on others in their social environment. Thus, other than the behaviours of customers intending to revisit or repurchase, positive WoM may be considered as a measure of customer's loyalty (Chandra, 2014).

2.4 Relationships between CX, SATIS and LOYALTY

All of the five human senses as discussed in Schmitt (1999) contribute to the experience's establishment and the "sensory experience" will be formed when all the senses interact together. Furthermore, Schmitt (1999) described EMOTION as moods and emotions created by a person's response, central, cognitive and arousal during the interaction between the customer and company. Emotional experience helps to create effective experience, as it can progress from a little happy mood to a strong emotion of satisfaction (Yang & He, 2011) which facilitates customer satisfaction (Kaplanidou & Vogt, 2010; Nobar & Rostamzadeh, 2018) and loyalty (Nobar & Rostamzadeh, 2018; Wu & Liang, 2011). Social experience refers to the relationship with others and society, including experiences with family, schooling, peer groups or mass media,

which can have impacts on satisfaction (Kaplanidou & Vogt, 2010; Schmitt, 1999) and loyalty (Ferguson et al., 2010). Similarly, sensory experience refers to the aesthetic and sensory impressions of the shopping setting, ambiance, products, as well as service. To put it another way, SENSOR is centered on the five senses of the human being, including sight, hearing, smell, touch, and taste. The five senses of humans may not be quantified directly, but rather through the reactions of individuals (Schmitt, 1999). SENSOR is considered critical in services context to enhance competitiveness of a brand position and its equity and is found positively related customer satisfaction (Iglesias et al., 2019; Kim et al., 2020; Lv et al., 2021). Furthermore, pursuing positive sensory and emotional experience, customers also consider the importance of building social relations with others (Cachero-Martínez & Vázquez-Casielles, 2017; Fredrickson, 2001). Nasermodeli et al. (2013) found CX positively affects purchase intention. In a similar vein, various studies also found that SERVICE significantly impact on SATIS and LOYALTY, including in sports (Greenwell et al., 2002), retail banking sector (Ngo & Nguyen, 2016), transportation (Jen et al., 2011), information services (Kettinger & Lee, 1994), tourism industry (González et al., 2007), airline industry (Hussain et al., 2015). In addition, Chandra (2014) found that CX, including SENSOR, EMOTION and SOCIAL affects SATIS and then LOYALTY.

From the discussion above, CX is seen as the interaction between a company and a customer, which is a mix of cognitive, affective, emotional, social and physical responses of the customer towards the company (Schmitt, 1999). It is important to take into account all aspects that refers to the customer behaviour, including the emotional and irrational sides, in order to establish and retain a favourable connection with customers. Providing a good experience will make the customer satisfied and become loyal (Johnston & Kong, 2011). In other words, a positive experience will initiate the customer's loyalty and satisfaction; and good experiences can enhance the customer's relationship with the company while bad experiences may ruin it. Hence, it is crucial to provide the customer with an experience that exceeds the customer's expectation. It is therefore appropriate to formulate the hypotheses as below.

Hypothesis 1 (H₁): SENSOR is significantly associated with SATIS.

Hypothesis 2 (H₂): EMOTION is significantly associated with SATIS.

Hypothesis 3 (H₃): SOCIAL is significantly associated with SATIS.

Hypothesis 4 (H₄): SERVICE is significantly related to SATIS.

Hypothesis 5 (H₅): SATIS is significantly related to LOYALTY.

Based on the arguments depicted above, we propose a model to study the effect of CX, including SENSOR, EMOTION, SOCIAL and SERVICE on SATIS and then on LOYALTY. Figure 1 presents the hypothesised model.

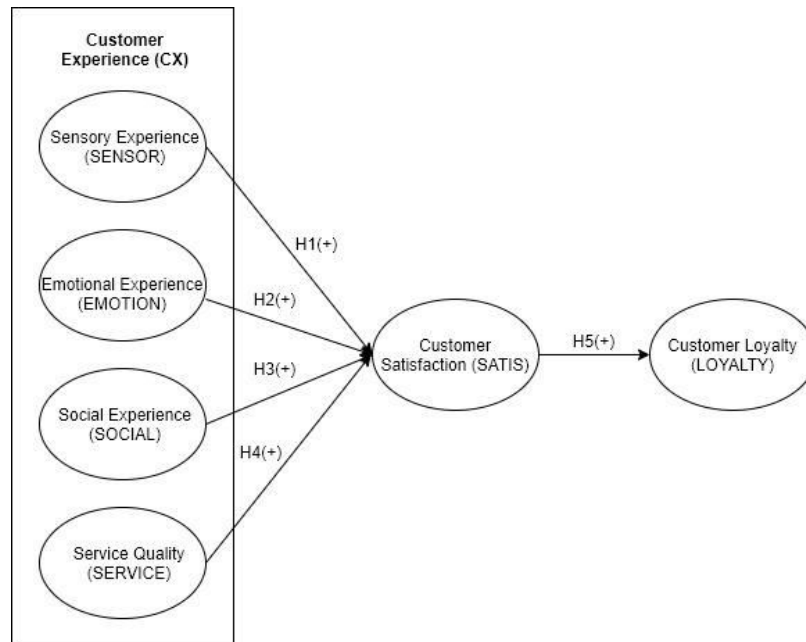


Figure 1. Hypothesised model

3. Methodology

3.1. Data collection and sampling

Our research collected a total of 358 responses during the period from 12 June, 2019 to 8 July, 2019 using convenience sampling method. We choose Starbucks to study because Starbucks is popular and has been successful not only in Vietnam but also in the world (Garthwaite et al., 2017; Krier, 2008; Simmons, 2012). After the screening of all the responses for usability and reliability, 335 responses are completed and valid for the analysing process, resulting in a response rate of 93.57%. This high response rate reduces the likelihood of response bias (Malhotra and Das, 2016). The demographic information of these 335 respondents is shown in Table 2 below. A sample size required for PLS should be “at least ten times the largest number of structural paths directed at a particular latent construct in the model” (Hair et al., 2011, p. 144). Our model (Figure 1) reveals that four constructs (SENSOR, EMOTION, SOCIAL and SERVICE) are directed at SATIS, so the minimum requirement for sample size should be at least 40 responses. Thus, 335 responses should satisfy the sample size threshold value for this study. Before collecting data, the questionnaire was pretested to ensure the content, wording, unusual language, or any issues relating to the questionnaire (Colton & Covert, 2015). The results from the pretest indicate that the questionnaire is clear and understandable and is ready for data collection. Pretesting helps to improve construct validity (Shadish, Cook & Campbell, 2002).

3.2. Measurement Scale

Our study used a seven-point Likert type scale to assess all items, ranging from "1" (indicating "strongly disagree") to "7" (indicating "strongly agree"). All scales were adapted from validated literature and shown in Table 1. The scales of SENSOR, EMOTION and SOCIAL which include seven, four and five items respectively were adapted from Nadiri and Gunay

(2013), Nasermodeli, Ling and Maghnat (2013) and Chandra (2014). The scale of SERVICE, including five items was adapted from Nadiri and Gunay (2013) and Adeleke and Suraju (2012). The scales of SATIS and LOYALTY which include four and five items respectively were adapted from Chandra (2014), Adeleke and Suraju (2012).

3.3 Data analysis

Our study analyzed the data collected PLS-SEM method, which is becoming popular and gains strong interest among academicians in the last few years (Hair, Ringle, & Sarstedt, 2011). PLS-SEM can be a choice with a small sample size and lack of normality (Hair, Risher, Sarstedt, & Ringle, 2019). Hair et al. (2019) describe PLS-SEM analysis that comprises of two steps. The first step is to assess a measurement model where reliability and validity should be achieved first. The second step is to perform an ordinary least squares regression to generate outer weights, loadings, and structural model relationships for the latent constructs and the indicators. Eventually, the bootstrap approach was employed to evaluate the significance of structural paths in the study.

4. Empirical findings

Table 2 depicts a demographic profile of 335 respondents in the study. In this sample, male and female respondents are close to balance. In terms of age, the age group between 20-25 accounts for the majority (69.9%) and nearly two thirds of them (64.8%) have bachelor degree.

Table 2. Respondents’ demographic profile

GENDER	Male	147	43.9%
	Female	188	53.1%
AGE	<20	39	11.6%
	20-25	234	69.9%
	>26	62	18.5%
EDUCATION	High School	51	15.2%
	Bachelor	217	64.8%
	Master	67	20.0%

Source: Author’s calculation.

4.1. Outer model evaluation

The reflective constructs in PLS measurement model are carried out by investigating the following assessments: outer loadings of indicators for each indicator’s reliability, composite reliability to examine internal consistency, average variance extracted (AVE) to evaluate convergent validity, the Fornell-Larcker criterion and cross loadings to assess discriminant validity.

The outer loadings, which denote the reflective indicators’ loadings to their latent variables respectively, are effective to evaluate the reliability of each indicator. If the correlation between individual indicators and the constructs they intend to measure is more than 0.70, the indicators are considered to be reliable (Hulland, 1999). During a reliability test, manifest

variables SEN_2, SEN_5 and SEN_6 were eliminated as they did not pass the threshold of 0.70 (Hulland, 1999).

Table 3 presents the evaluation results of measurement model, including the outer weights, composite reliability (CR), Cronbach’s alpha (α) and average variance extracted (AVE). According to Hair et al. (2019), PLS-SEM analysis requires each block in the model must be unidimensional, which means that the α value and CR value of each block must be more than 0.70. Table 3 shows that, while the CR values vary from 0.872 (SENSOR) to 0.935 (LOYALTY), the α values vary from 0.805 (SENSOR) to 0.913 (LOYALTY), surpassing the requirement value of 0.70. This implies that all six constructs measured with multiple reflective indicators achieve internal consistency reliability.

The convergent validity is examined through the AVE measures in which AVE must exceed 0.50 (Fornell and Larcker, 1981). Our AVEs range from 0.631 (SENSOR) to 0.741 (LOYALTY), surpassing the recommended threshold of 0.50. This indicates that convergent validity is achieved.

Table 3. The results from the measurement model estimation.

Constructs	Code	Outer loading	CR	α	AVE
Sensory Experience (SENSOR)	SEN_1	0.782	0.872	0.805	0.631
	SEN_3	0.779			
	SEN_4	0.785			
	SEN_7	0.830			
Emotional Experience (EMOTION)	EMO_1	0.862	0.915	0.875	0.730
	EMO_2	0.888			
	EMO_3	0.904			
	EMO_4	0.756			
Social Experience (SOCIAL)	SOC_1	0.822	0.920	0.891	0.698
	SOC_2	0.884			
	SOC_3	0.745			
	SOC_4	0.827			
	SOC_5	0.891			
Service Quality (SERVICE)	SER_1	0.829	0.912	0.879	0.673
	SER_2	0.802			
	SER_3	0.861			
	SER_4	0.817			
	SER_5	0.792			
Customer Satisfaction (SATIS)	SAT_1	0.883	0.919	0.882	0.740
	SAT_2	0.814			
	SAT_3	0.882			
	SAT_4	0.859			

Customer Loyalty (LOYALTY)	LOY_1	0.871	0.935	0.913	0.741
	LOY_2	0.897			
	LOY_3	0.850			
	LOY_4	0.855			
	LOY_5	0.829			

Source: Author’s calculation.

In achieving discriminant validity, AVE’s square root measure for each construct should surpass the estimated correlations between the construct and other constructs in the model (Fornell and Larcker, 1981). As illustrated in Table 4, all constructs fulfil the condition of discriminant validity as their square root of AVE measures are exceeding the squared correlation of all other constructs.

Table 4. Discriminant validity results

	EMOTION	LOYALTY	SATIS	SENSOR	SERVICE	SOCIAL
EMOTION	0.855					
LOYALTY	0.707	0.861				
SATIS	0.726	0.825	0.860			
SENSOR	0.792	0.665	0.736	0.794		
SERVICE	0.643	0.514	0.691	0.635	0.821	
SOCIAL	0.693	0.648	0.664	0.627	0.502	0.835

Source: Author’s calculation.

4.2. Inner model evaluation

After examining the outer model, the inner model is evaluated to confirm the hypothesised relationships. The path coefficients for all variables and R-squares are illustrated in Figure 2.

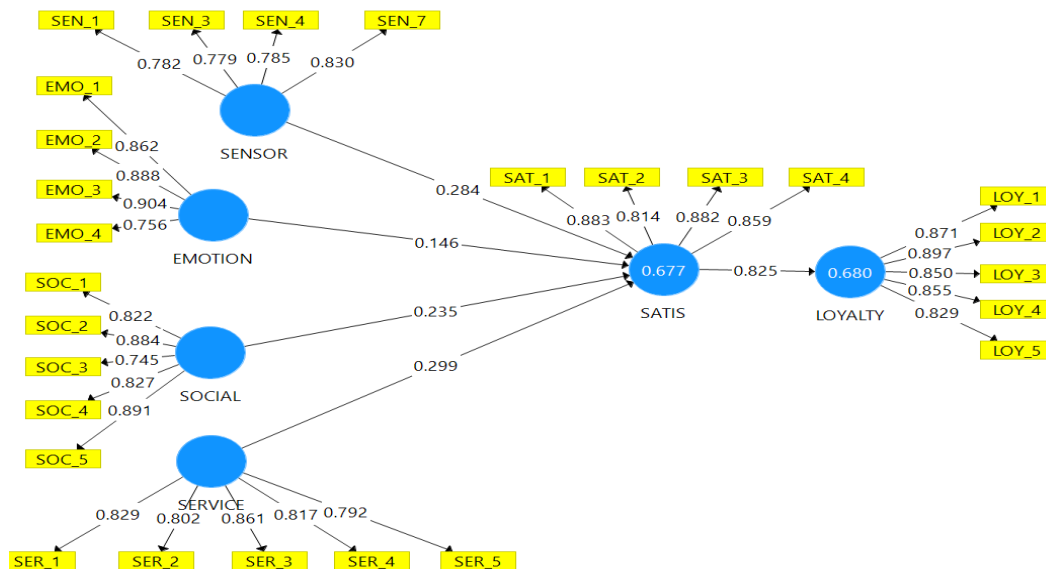


Figure 2. Empirical results.

As shown in Figure 2, the path coefficients indicate just how strong the constructs’ relationships are, whereas the R-square values indicate the constructs’ variance percentage in the model. R-square helps to predict the accuracy of the structural model. According to Chin (1998), when the R-squared value reaches 0.67, 0.33 and 0.19, it means that the value is substantial, moderate and weak, respectively. The results in Figure 2 explain 67.7% of the variance in the SATIS (R-square = 0.677) and 68% of the variance in the LOYALTY (R-square = 0.680). This shows that the empirical results confirm the explanatory power of this study’s research model and appear to be strong.

Additionally, to examine the R-squared values of the constructs, the effect size of the path model (f-square) is specified using Cohen’s f^2 to show how much the R-squared value will change when a specific construct is removed from the model (Hair et al., 2014). According to Cohen (1988), when the effect size has the value of 0.02, 0.15 or 0.35, it is said to have weak, moderate or strong effects, respectively.

Table 5. Effect size of research model

Effect size for customer satisfaction	f-square	Effect size
SENSOR	0.084	Weak
EMOTION	0.019	Weak
SOCIAL	0.150	Moderate
SERVICE	0.086	Weak
Effect size for customer loyalty		
SATIS	2.130	Very strong

Source: Author’s calculation.

Our results in Table 5 show that SENSOR, EMOTION and SERVICE all indicate a weak effect and SOCIAL has a moderate effect, while SATIS has a very strong effect on LOYALTY (Cohen, 1988; Chin, 1998).

Our study also performs a bootstrap of 5000 samples to verify the statistical significance of the hypothesised relationships (Henseler, Hubona, & Ray, 2016). According to Hair et al. (2014), when assessing the bootstrap result, it is noticed that the test statistic observed the t-value, which is used to determine the significant of each indicator. Generally, the results of t-value must be over 1.96 (5% significance level) and 2.57 (1% significance level), so that the path coefficients of variables can obtain the significant difference from zero (Hensler et al., 2016). Table 6 shows that all hypothesised relationships are statistically confirmed as all of the p-values are smaller than 0.05.

Table 6. Bootstrapping results

Relationships	Path Coefficient	Observed T-value	P-value	Results
H ₁ . SENSOR → SATIS	0.284	4.911	0.000	Supported
H ₂ . EMOTION → SATIS	0.146	2.119	0.034	Supported
H ₃ . SOCIAL → SATIS	0.235	4.215	0.000	Supported
H ₄ . SERVICE → SATIS	0.299	6.431	0.000	Supported

H ₅ . SATIS → LOYALTY	0.825	46.787	0.000	Supported
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Source: Author’s calculation.

Our study does not only verify the effect of CX on SATIS and then LOYALTY, but also explores how this mechanism operates through satisfaction. Therefore, indirect effects were computed and presented in Table 7.

Table 7. Indirect effects analysis.

	Specific Indirect Effects
SERVICE -> SATIS -> LOYALTY	0.246
EMOTION -> SATIS -> LOYALTY	0.121
SOCIAL -> SATIS -> LOYALTY	0.194
SENSOR -> SATIS -> LOYALTY	0.234

Source: Author’s calculation.

As to the indirect effects, we can see from Table 7 that it confirms the mediator role of satisfaction between CX and LOYALTY. Moreover, of the four dimensions of customer experience SERVICE is the greatest (0.246) and emotion is the smallest (0.121).

4.3. The overall quality of the research model

Since PLS does not offer overall fit statistics, it is necessary to examine the research model’s overall quality by using a Goodness of Fit Index (GoF), which is considered to be a baseline value for testing the PLS model globally (Wetzels et al., 2009). Hair et al. (2019) suggested a formula to access the GoF by using the average communality (i.e. AVE) and the average R-squared. According to Wetzels et al. (2009), the GoF’s threshold values are 0.1, 0.25 and 0.36 for small, medium and large fit, respectively. Our GoF value equals 0.6902, indicating that the research model is in large fit. This implies that the whole PLS model of this study is totally valid.

5. Discussion

The research findings show that all paths of this model are statistically significant and all of the hypotheses are supported. First, SENSOR is significantly related to SATIS. This finding is confirmed by Nadiri & Gunay (2013), although it contradicts with Chandra (2014) since customers may not focus too much on the tastes, products appearance and music when they become familiar with the store. Second, EMOTION is significantly related to SATIS. This result is consistent with prior studies, including Yang and He (2011) and Chandra (2014). Similarly, social experience is significantly related to SATIS. The power of the influence of social experience has a stronger effect on SATIS than EMOTION (0.146), which is in agreement with Chandra (2014). Additionally, SERVICE is also confirmed to be significantly related to SATIS. This finding is supported by the works of Nadiri & Gunay (2013) and Adeleke & Suraju (2012). This means that Starbucks can achieve higher customer satisfaction through improving its service quality. Lastly, SATIS is significantly related to LOYALTY. This implies that the more satisfied the customers are, the higher the intention they have to revisit the store. This finding is consistent with Chandra (2014), Nadiri & Gunay (2013) and Adeleke & Suraju (2012). Simply

put, when customers feel satisfied, they have higher expectations to revisit Starbucks stores and, when the perceived performance matches their expectation, they feel satisfied and have the intent of providing positive comments and recommendations. Managers in the food and beverage industry need to consider these important experimental marketing outcomes, especially in the coffee industry in HCMC, and in Vietnam as a whole. In addition, our findings confirmed the mediation role of SATIS in the relationship between CX and LOYALTY. This means that CX indirectly affects LOYALTY via SATIS.

5.1 Theoretical contributions

This work provides three theoretical contributions. First, our work can be considered as the first in Vietnam to investigate the influence of CX on SATIS and then on LOYALTY in the coffee industry in Vietnam that no prior research has ever addressed.

Second, Chandra (2014) presumes that CX, which includes SENSOR, EMOTION and SOCIAL, positively affects SATIS and has also called for inclusion of other dimensions such as service quality or music for an expansion of the customer experience. In addition, Chandra (2014) also calls for the application of structural equation modelling (SEM) in data analysis due to the advantages of SEM, including testing multiple relationships simultaneously (Hair et al., 2011). For such a motivation, other than applying PLS-SEM, our work integrates a service quality dimension into customer experience to extend and advance our understanding of how CX influences SATIS and then LOYALTY. Specifically, our findings confirm that CX, including SENSOR, EMOTION, SOCIAL and SERVICE, significantly impacts on SATIS and then LOYALTY.

Third, Chandra (2014) studied shopping mall customers in Surabaya, Indonesia and found that sensory experience is not significantly associated with SATIS whereas both emotional and social experience are. Our empirical findings confirm that CX, including SENSOR, EMOTION, SOCIAL and SERVICE are significantly associated with SATIS and then to LOYALTY. Compared to the findings of Chandra (2014), all four dimensions of CX play a full mediation role in the relationship between CX and LOYALTY. These results theoretically extend and advance our understanding with regard to the different mechanisms as well as the dynamics which customer satisfaction may play as the mediator in the relationship between CX and LOYALTY and in the coffee industry in Vietnam. In addition, our work provides important empirical evidence to enrich the increasing body of literature about customer loyalty with regard to how customer experience affects customer loyalty indirectly via customer satisfaction.

5.2 Practical implications

Our work does provide several practical implications. Following our findings, managers may want to develop effective marketing strategies to improve customers' SENSOR, EMOTION, SOCIAL and SERVICE and customer satisfaction. This will ultimately improve customer loyalty.

Starbucks is one of several international coffee chains in Ho Chi Minh City. It is obvious that, to stand out and survive in this highly competitive market, Starbucks needs to gain and maintain competitive advantages. Our findings reveal that Starbucks basically succeeds in

providing good service and sensory experience to customers, although not enough to leave specific and significant emotional and social experience in the minds of the customers. Customers may become more satisfied if Starbucks can improve these two experiences. Therefore, Starbucks should focus on keeping up the strength and improving these weak points in order to make customers revisit them.

To improve emotional experience, the quality of products represents an important key in evoking customers' moods and emotions. In fact, a product which has a good taste and is visually attractive will make the customer feel happy and satisfied. However, according to Baker (1987), a customised service can be considered to be a key factor in making customers feel pleased. As a result, Starbucks must advance the quality of its products while also ensuring that the qualifications of its employees match the level of service that its consumers expect.

With regard to social experience, the study by Waxman (2006) suggests that the physical features of the coffee store (i.e. hygiene, appealing scent, in-store lighting, comfortable furniture and design, and an outside view), the attitude of the staff and the characteristics of the clients that visited the store has an influence on the social experience. Thus, the managers of Starbucks should consider these factors in their attempts to build an environment where the customer can feel a sense of belonging and improve the ability to connect with their community.

5.3 Limitations and future studies

First, our work was conducted in HCMC only. Usually, the customers who live in HCMC have higher living standards than the people who live in most of the other provinces and cities in Vietnam, so the results of this study may not illustrate the accurate perceptions of customers in other provinces and cities. Furthermore, this study only focuses on the customer experience at Starbucks stores in HCMC. Therefore, future research should consider conducting studies with a multi-regional approach to gain a full understanding about customer behaviours in Vietnam. Second, our study uses the convenience sampling technique which restricts the generalisation of the results. Future research may apply a probability technique such as cluster random sampling to improve generalisation of the results.

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Appendix: Constructs and items in the questionnaire

Construct	Code	Items
Sensory Experience	SEN_1	Drinking coffee at Starbucks arouses strong sensations for me.
	SEN_2	Starbucks has products that are visually appealing (e.g. coffees, sandwiches, cookies).
	SEN_3	Starbucks' interior and exterior design is appealing and attention-getting.
	SEN_4	The furniture is clean and comfortable.
	SEN_5	The products tastes are consistent with my expectations.
	SEN_6	The music system creates a soothing and enjoyable environment.
	SEN_7	The time I spend at Starbucks is worthwhile.
Emotional Experience	EMO_1	I feel happy when drinking coffee at Starbucks.
	EMO_2	I feel relaxed when drinking coffee at Starbucks.
	EMO_3	I feel pleased when drinking coffee at Starbucks.
	EMO_4	I'm satisfied that the Starbucks employees are paying attention to my needs.
Social Experience	SOCIAL_1	Starbucks aids in the development of a positive interaction with my social surroundings.
	SOCIAL_2	Starbucks gives me a sense of belonging.
	SOCIAL_3	My friends, with whom I share a social environment, choose Starbucks, and this influences me to do so as well.
	SOCIAL_4	I get recognition when I visit Starbucks.
	SOCIAL_5	At Starbucks, I feel at ease, as if I am at the right place at the right time.
Service Quality	SERVICE_1	Starbucks always provides excellent service.
	SERVICE_2	In my dealings with Starbucks, I feel secure.
	SERVICE_3	Starbucks follows through on its promises and delivers on schedule.
	SERVICE_4	The staff at Starbucks insist on fully understanding what I want.
	SERVICE_5	The staff at Starbucks appear neat.
Customer Satisfaction	SATIS_1	I'm happy with my decision to get a drink at Starbucks.
	SATIS_2	Starbucks' service is satisfactory to me.
	SATIS_3	The experience at Starbucks is beyond my expectation.
	SATIS_4	The products that I buy at Starbucks are worthwhile.
Customer	LOY_1	I am giving positive comments about Starbucks.

Loyalty	LOY_2	My family and friends, for example, will be urged to drink at Starbucks.
	LOY_3	There is a big chance that I will visit Starbucks again.
	LOY_4	Starbucks is my first choice of coffee store.
	LOY_5	I believe that Starbucks is the best coffee store in Ho Chi Minh City.