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Dominance of Affective over Cognitive Customer Satisfaction in Satisfaction-Loyalty Relationship in Service Encounters

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Abstract

The paper reports on a study which aims to understand the role of cognitive and affective components of customer satisfaction in service encounters. The paper is structured to explore a brief synthesis of the extant literature on key conceptual issues concerning the role of emotion in service encounters. Subsequently, the paper explores the satisfaction–loyalty relationship when both cognitive and affective component are included. The focus of this study is to investigate the relationship between emotional satisfaction, service quality, customer loyalty, and relationship quality within a retail setting. A total of eight retail stores of Jalandhar city participated in the study. During a two-month data collection period, 200 customers were surveyed. Convenience sampling was employed and self-administered surveys were used to collect data. The Findings emphasize the dominant role of affective component in satisfaction loyalty relationship.

Keywords: Affective, Cognitive, Customer Loyalty, Customer Satisfaction, Service-Encounter.

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Introduction

In the customer marketing community customer loyalty has been regarded as an important goal (Reichheld&Schefer, 2000). According to (Hartline et al., 2000) customers evaluate the behaviors of frontline service employees when they face any service encounter. (Gronroos, 2001) further suggests that by providing exceptional service delivery process organizations can have differentiated and sustainable competitive edge. It has been emphasized in the traditional approaches to the study of consumer behavior that the concept of consumer satisfaction is the core of the post purchase period. Marketing literature vigorously discusses customer-employee service encounter (Butcher et al., 2002; Hartline and Ferrell, 1996.). It has been seen in many cases that the customer's positive behavioral response towards the contact employee determines how the customer feels about the contact employee and the organization. Moreover, Liljander and Strandvik (1995) contend that if the customer develops positive emotional response towards individual contact employees it shows that the customer have developed stronger relationship with and will be more committed to the organization. It has been suggested by some researchers that in a service encounter both the amount and type of information processing that the customers are involved in varies based on the emotional responses. (Schwarz and Bless, 1991) suggests that the customer's emotional response to service failure influence their satisfaction and their responses depend upon their emotional states and vary according to various types of recovery efforts.

In service quality management, the role of emotion as a central element is gaining attention. Recent studies suggest that in customer satisfaction emotion is gaining the position of fundamental attribute and a separate emotional component should be included in the customer

satisfaction. (Cronin et al., 2000). Further Stauss and Neuhaus (1997) has contended that most of the studies on satisfaction have ignored the affective component of emotion and focused mainly on the cognitive component of emotion. Indeed, it has been argued by Liljander and Strandvik (1997) that customer satisfaction should include both affective and cognitive components. Many authors have found that on satisfaction with quality negative emotions have stronger effect than the positive emotions. Despite of the above fact many scholars of consumer behavior have limited information about the nature of emotions in the consumption environment (Richins, 1997), and yet no conclusive guidance for management have been found (Gronroos, 2001). Consequently, the paper reports on a study which aims to understand the role of emotion in service encounters. The paper is structured to explore a brief synthesis of the extant literature on key conceptual issues concerning the role of emotion in service encounters is presented. Subsequently, the paper explores the satisfaction–loyalty relationship when the emotional component is included. According to Bettman, 1979; Howard 1989, satisfaction mediates consumer learning from prior experience and explains the key post-purchase activities like WOM and Product Usage.

Service Quality and Customer Satisfaction:

Service quality has been defined by Gronroos (1984) as a perceived judgment, resulting from an evaluation process where customers compare their expectations with the service they perceive to have received. Further the author also suggests that the service quality issues can be divided into technical quality (what is done) and functional quality (how it is done). (Bitner, 1990; Cronin and Taylor, 1992; Oliver, 1993) have explained that from review literature of services, earlier the research efforts concentrate on determining the distinction between customer satisfaction and service quality in order to diminish the confusion between the two. Indeed, customer satisfaction

is different from service quality. (Bitner, 1990; Bolton and Drew, 1991; Chadee and Mattsson, 1996; Cronin and Taylor, 1992) explained the difference between perceived service quality and satisfaction as that perceived service quality is a form of attitude that has a long run overall evaluation and customer satisfaction is a measure that is transaction specific. There are several examples where services were not of high quality but still the consumers were satisfied with that particular service which is proved by Parasuraman et al. (1985) by conducting a qualitative research and hence supporting the view of the above mentioned researchers. Later (Cardozo, 1965; Fornell, 1992; Halstead and Page, 1992; Taylor and Baker, 1994) suggested that consumer satisfaction mediates the relationship between service quality judgments and behavioral intentions customer satisfaction behavioral intentions by acting as an intervening variable. Based on the view of (Kristensen et al., 1999; Martensen et al., 2000) who consider perceived service quality as one of the primary drivers of customer satisfaction the following hypothesis is proposed:

H1. Increase in Service quality will enhance emotional satisfaction.

A brief review of Customer Satisfaction Research:

The concept of consumer satisfaction that has received the greatest support has been defined by (Day 1984) as a post choice evaluative judgment concerning a specific purchase selection.

(Cronin and Taylor, 1992; Oliver, 1993a) argued that in the early stages of services research by determining the distinction between the customer satisfaction and service quality and exploring their antecedents the researchers attempt to diminish the confusion between them. Further to confirm the Oliver's conceptual model Spreng and Mackoy's (1996) further study and tests the model and accepted that customer satisfaction is a different construct from service quality and on

the basis of the study of (Shemwell et al., Taylor and Baker, 1994) the emphasis has been made on studying the relationship between the two.

As it has been found that service quality leads to customer satisfaction and service quality and satisfaction are two different constructs moved the research interest towards studying the linkages between the customer satisfactions, service quality and customer loyalty. On the basis of the number of researches that show a significant relationship between customer satisfaction and customer loyalty the overall research proposition is suggested as follows:

H2: Increased Customer satisfaction will strengthen customer loyalty.

There is a debate in the various satisfaction literatures about whether satisfaction is an emotional construct or a cognitive construct which includes an emotional component (Babin and Griffin, 1998; Bagozzi, 1991). Wirtz and Bateson (1999) also suggested evaluation of consumption experience on the basis of satisfaction as partly cognitive and partly affective (emotional) and for the purpose of modeling the consumer behavior in service settings the separation between the two is both valuable and necessary. It has been further suggested by Oliver (1997) that in producing satisfaction emotion coexists alongside with various cognitive judgments which is essential in understanding customer's consumption experiences.

Cognitive component in customer satisfaction studies:

Brookes, 1995) work supported the expectancy disconfirmation theory as the dominating model for measuring customer satisfaction. Further supported by (Danaher and Haddrell, 1996)

determines satisfaction on various service items as the confirmation or disconfirmation of expectations with the perceptions of the perceived performance.

For many customer satisfaction studies the model that has been proven to be successful and has been applied is the multi item disconfirmation model. (Andreassen and Lindestad, 1998; Colgate and Stewart, 1998) who focus on the cognitive component of satisfaction suggests that there is a positive relationship between satisfaction and loyalty and on the basis of this study the following proposition is proposed:

H2a: There is a strong positive relationship between the cognitive component of customer satisfaction and customer loyalty.

Affective Measures in Customer satisfaction:

Although there is still a debate about whether satisfaction is itself an emotional construct or a cognitive construct which includes an emotional component (Babin and Griffin, 1998). According to the (Dube and Menon, 2000) one of the core components of the satisfaction is the emotions. Further it is suggested by (Oliver, 1993a) that for distinguishing customer satisfaction from service quality emotions is the component. According to the recent studies one of the core attribute that suggest that customer satisfaction should include a separate emotional component is emotion (Cronin et al., 2000). It is argued that the main issues in the satisfaction research is the focus of the satisfaction studies on only the cognitive component and the omission of the affective component (Stauss and Neuhaus, 1997) and this proposition is further supplied by Liljander and Strandvik (1997), whose argument is that customer satisfaction should include both affective and cognitive components. It is further suggested by Stauss and Neuhaus (1997) that in the same score for their overall satisfaction level assuming that the consumers experience same emotions and cognition is inappropriate.

It is therefore proposed as the major contributor to the affective element in satisfaction a separate emotional component is included. Further it is proposed that behavior is influenced by ones emotions. Due to human nature, to maintain positive emotion such as happiness and avoid a negative emotion such as depression one person responds in certain ways to an event. To be more specific it can be said that to stay or continue with what he/she been doing the decisions of the person are linked with his/her positive emotions. According to the (Bagozzi et al., 1999), conversely negative emotions tend to be linked to the opposite decisions such as to leave and discontinue involvement. Supporting by the previous findings that there is a connection between emotions and behavior (Bagozzi et al., 1999) study, which found that there is a significant relationship between emotions and loyalty, we propose

H2b: There is a strong positive relationship between the affective component of customer satisfaction and customer loyalty.

Overall Relationship Quality:

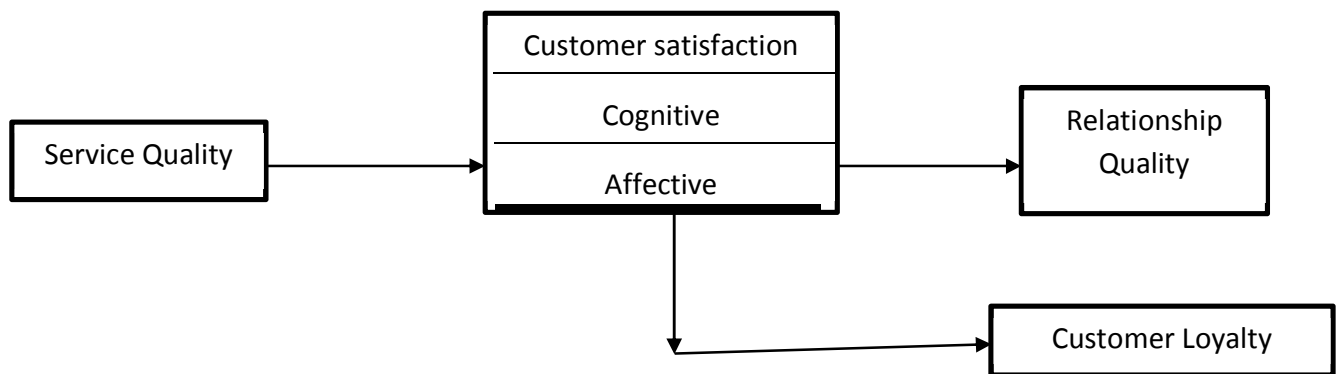
Past research has not studied quality from a relationship perspective; therefore the concept of relationship quality has not reached a generally accepted definition (Holmlund, 2001). Within the marketing literature, relationship quality has been discussed as a bundle of intangible values which augments products or services and results in an expected interchange between buyers and sellers (Levitt, 1986). The more general concept of relationship quality describes the overall depth and climate of a relationship (Johnson, 1999). Moreover, relationship quality refers to a customer's perceptions of how well the whole relationship fulfils the expectations, predictions, goals, and desires the customer has concerning the whole relationship (Jarvelin and Lehtinen, 1996). Consequently, it forms the overall impression that a customer has concerning the whole relationship including different transactions. According to Bateson and Hoffman (1999), when a consumer purchases a service, he or she purchases an experience created by the delivery of that

service. During the consumption experience, various types of emotions can be elicited, and these customer emotions convey important information about how the customer will ultimately assess the service encounter and subsequently, the overall relationship quality. Therefore, the following is put forth:

H3. Customer satisfaction is positively related to relationship quality.

Conceptual Model:

Figure 1: Proposed research model.



Based on the preceding literature, the research model for the study shown in figure 1, focuses on emotional satisfaction and its consequential impact on customer loyalty and overall relationship quality.

Methodology:

Sampling frame and context:

The emotional nature of retail shopping has been widely discussed by researchers for some time. For example, Donovan and Rossiter (1982) suggest that emotional states of shoppers can affect

their retail patronage, store search, interactions with store personnel, and in-store behaviors. Specifically, the focus of this study is to investigate the relationship between emotional satisfaction, service quality, customer loyalty, and relationship quality within a retail setting. A total of eight retail stores of Jalandhar city participated in the study. During a two-month data collection period, 200 customers were surveyed. Convenience sampling was employed and self administered surveys were used to collect data. The average age of the respondents was 26.

Scales Employed:

Service quality

A four-item overall service quality scale was employed (Dabholkar et al., 2000). Customers were asked to indicate their feelings on the following seven-point Likert-type scales-in terms of service delivery of the retail store: “Has an excellent overall service”; “Has a service of very high quality”; “Provides a high standard of service”, and “Delivers superior service in every way”. Cronbach’s alpha coefficient of reliability for this component measure of overall service quality was 0.92.

Customer satisfaction of cognitive component:

A Seven point likert scale was employed to measure both customer satisfaction and loyalty. The scale employed to measure the cognitive component of the customer satisfaction was customized from the instrument developed by Dean (1999). It is based on the multi item disconfirmation model and uses a single column format. The scale includes six groups of service attributes. At the end of each group an overall value for satisfaction with the focus of the items was obtained. The cronbach’s alpha coefficient of reliability for this component measure of overall customer satisfaction came out to be .89.

Customer satisfaction of affective component:

To gain the insights into the affective component we used the emotional scale developed and tested by Liljander and Strandvik(1997). A typical scale reads “So far, my overall experience with this retailer makes me feel happy”. Responses were on Likert scale from 1 (never) to 7 (often). The cronbach’s alpha coefficient of reliability for this component measure of overall customer satisfaction came out to be .91.

Customer loyalty:

A four-item customer loyalty scale was adopted (Parasuraman et al., 1994). Using a seven-point Likert-type scale, customers were asked to indicate their loyalty towards the retail store along the following: “positive word of mouth”, “complaining behavior”, “switching behavior” and “willingness to pay more”. Consistent with prior research (Parasuraman et al., 1994), the composite reliability alpha of the scale was 0.94.

Relationship quality

To measure customer’s evaluation of relationship quality, a two-item direct relationship quality scale was developed. Customers were asked to state their overall assessment of the quality of their relationship with the contact employee and the company on a seven-point Likert scale.

Cronbach’s alpha coefficient for this component measure of relationship quality was 0.90, thus suggesting adequate reliability.

Results and Analysis:**Factor Analysis: Affective Scale**

It was intuitively expected that the emotions scale would be divided into two factors representing positive and negative emotions. Principal components analysis with the varimax rotation

confirmed this expectation with the two factors explaining 46.1 percent and 19.1 percent of variance respectively (see table 1). However, feelings related to anger loaded more highly with the positive emotions than with negative. This result is not easily explained but it is possible that as anger is usually directed at someone, its interpretation is confused. Or anger might represent a third dimension of the emotional component and need to be further explored. This possibility is consistent with the model conceptualized by Debe and Menon (2002) which suggests that negative emotions have three components, “other attributed”, self- attributed” and “situation attributed”. In their model both positive and negative emotions can exist at same time at a high level, thus anger loads on both factor. In this study, a possible interpretation is that the respondents have simultaneously experienced high levels of positive emotions and anger.

Table 1: Emotions scale: factor loadings and reliability values.

Description	Factor Loadings		Reliability
Positive Emotions			.814
Happy	0.794		
Hopeful	.778		
Positively Surprised	.810		
Negative Emotions			0.77
Angry	.852	.546	
Depressed		.657	
Guilty		.828	
Humiliated		.771	

Note: Factor loadings less than .50 have been omitted.

Factor analysis: Cognitive Scale.

The dimensions of the cognitive scale, the service attributes have been developed and tested previously (Dean, 1999). However, few items were reduced from the original scale, the account for different service attributes provided and a factor analysis was performed. Principal component analysis with varimax rotation identified five factors with eigenvalues greater than one, accounting for 76.1 percent of the variance. The factors are shown in the Table 2 provided below.

Table 2: Affective scale: factor loadings and reliability values

Description	Factor Loadings				
	1	2	3	4	5
<i>Physical Environment</i>					
The store environment is comfortable for shopping	0.821				
Ambient conditions in store makes me purchase more	0.763				
Physical environment in the store insist to stay for a longer time in store	0.782				
<i>Interaction and support</i>					
Sales force in the store is always helpful		0.879			
Interaction with the sales force helps me to select the product.		0.817			
Salesforce guides me towards the product of my choice		0.811			
<i>Administration</i>					
Effectiveness			0.790		
Efficiency			0.834		
Friendliness of Staff			0.665		
<i>After sales Service</i>					
The retail store keeps in contact for further assistance.				0.814	
Regular updates of fresh stokes are provided by the retail store				0.897	
<i>Technology</i>					
The technology of the store is up to date					0.776

Factor Analysis for Loyalty Scale:

When the items for loyalty scale were analyzed, four factors emerged as shown in Table 2. These factors (positive word of mouth complaining behavior, switching behavior and willingness to pay more) accounted for 28.9%, 19.2%, 10.7% and 9.3%. Consistent with the Parasuraman et al(1994) study, the best reliability was demonstrated by “positive word of mouth”. In relation to other factors, “Willingness to pay more” has the same items as that of Parasuraman et al(1994) but it is not internally consistent, while the items in “External Response to problem” and “propensity to switch” have been customized and are shown in Table 3.

To conclude the discussion on the scales, we found that they have proven sufficiently reliable to work with, and the items have generally loaded as expected on the various dimensions. Having established that the instrument was adequate to pursue the aim of the study , we now report and discuss the findings with respect to the specific aims.

Table 3: Loyalty Scale: Factor Loadings and Reliability values

Description	Factor Loadings				Alpha value
	1	2	3	4	
					0.94
Positive word of mouth					
I say positive things about the retailer	0.887				
I recommend retail store to someone who seeks my advice	0.954				
I encourage friends to visit the retail store	0.933		0.476		
Complaining Behavior					0.67
My complaints are easily solved		0.782			
I complaint to retailer if I experience problems.		0.777			
Switching Behaviour					0.87
Try to switch to other retail stores if I experience problems		0.591	0.689		
Try to decrease my purchase if problems occur.		0.563	0.691		
Willingness to pay more					0.75
Continue the same retail store even if price increases				.732	
Pay a higher price for the benefits received.				.780	

Factor Analysis for Service Quality and Relationship Quality:

A five item scale was developed for service quality and is shown in Table 4. Consistent with the Parasuraman et al (1994) study, the scale was developed and showed a high consistency. The reliability was shown to be 0.92. Whereas for the Relationship quality a two item scale was developed. A reliability of 0.90 was seen for the scale. The factor loadings are shown in the table below.

Table 4: Scale for service quality and relationship quality:

Item/Construct	Standardized Loading	T- Value	Reliability
Overall Service Quality			0.92
In terms of service delivery, retail store:			
Has an excellent overall service.	0.95	45.10	
Has a service of very high quality.	0.96	46.47	
Provides a high standard of service.	0.92	45.52	
Delivers superior service in every way.	0.90	41.38	
Relationship Quality			0.90
What is your overall assessment of the quality of your relationship with the employees at the retail store	0.85	35.23	
What is your overall assessment of the quality of your relationship with retail store?	0.89	37.51	

Investigating the relationship between Service Quality and Customer satisfaction:

The first aim of the study is to investigate the relationship between service Quality and Customer satisfaction. For this a regression was run between service Quality as dependent variable and Customer satisfaction as independent variable. The results on the regression are shown in table 5, which clearly depict a significant relationship between customer satisfaction and service quality. A very important finding of the result is that the affective component of customer satisfaction has a stronger relationship as compared to cognitive. The B values came out to be 0.217 and 0.395 respectively for cognitive and affective components. The value of R² was 0.429 and F value came out be to 28.9. So the results prove the first hypothesis of the study that there is a strong relationship between customer satisfaction and service quality.

Table 5: Standardized B coefficients (Dependent variable service quality)

	B	t	Sig.
Cognitive Component	0.217	2.46	0.000
Affective Component	0.395	3.58	0.000

Investigating the Satisfaction- Loyalty Relationship:

The aim of the study is to test the satisfaction and loyalty relationship when both cognitive and affective components of satisfaction are included. To investigate the role of Customer satisfaction (cognitive and affective) in predicting customer loyalty, the first regression used overall customer loyalty as the dependent variable with cognitive and affective independent variables. The result of the multiple regression is shown in table 6. The adjusted R²= 0.336 and F value came out to be 26.325, sig= 0.000. The B value for Cognitive component was seen to be 0.183 and for the affective component was seen to be 0.274. The results explained that the emotional component is an important factor for explain customer loyalty, apparently more important than the cognitive component. The results prove our first hypothesis that customer satisfaction (Cognitive and effective) have a positive relation with the customer loyalty.

Table 6: Standardized B coefficients (Dependent variable Customer Loyalty)

	B	T	Sig.
Cognitive Component	0.183	1.94	0.000
Affective Component	0.274	2.51	0.000

Investigating relationship between Satisfaction and relationship Quality:

Another very important role of the study is to study the relationship between Customer satisfaction and Relationship Quality. For this we conducted a regression analysis keeping relationship quality as the dependent variable and customer satisfaction as independent variable. The results on the regression are shown in table 7, which clearly depict a significant relationship between customer satisfaction and relationship quality. A very important finding of the result is that the affective component of customer satisfaction has a stronger relationship as compared to cognitive. The B values came out to be 0.234 and 0.482 respectively for cognitive and affective components. The value of R² was 0.481 and F value came out be to 38.9. so the results prove the third hypothesis of the study that there is a strong relationship between customer satisfaction and relationship quality.

Table 7: Standardized B coefficients (Dependent variable Relationship Quality):

	B	T	Sig.
Cognitive	0.234	2.32	0.000
Affective	0.482	5.18	0.000

Conclusion and Implications:

This research empirically examined the role of emotional satisfaction in service encounters. This study used the relationship between emotional satisfaction, service quality, customer loyalty, relationship quality as a context, as well as data from a sample survey of 200 retail customers concerning their evaluation of their shopping experiences to address this issue. Specifically, service quality is positively associated with emotional satisfaction, which is positively associated with both customer loyalty and relationship quality. Further investigations showed that

customers' feelings of enjoyment serve as the best predictor of customer loyalty, while feelings of happiness serve as the best predictor of relationship quality.

Table 8: Results of Proposed Research Model

Path Direct Effects	Standard Estimate (t-value)
H1: Service Quality → Emotional Satisfaction	0.69 (21.84)
H2: Emotional Satisfaction → Customer Loyalty	0.66 (20.06)
H3: Emotional Satisfaction → Relationship Quality	0.68 (18.80)

Given the significant relationships between emotional satisfaction and both service quality ($t = 21.84$; $p = 0.001$) and customer loyalty ($t = 20.06$; $p = 0.001$), managers need to pay particular attention to how customers feel during the service delivery process. Consequently, being well informed about the feelings of customers can bring forth valuable management initiatives. To achieve this, employees can be trained to observe evoked emotions in customers and to report them to the organization. This can increase the potential for imposing a significant and positive impact on customer loyalty and relationship quality.

Not surprisingly, emotions play a critical role in the customer-contact employee interaction. Moreover, Czepiel and Gilmore (1987) suggest that human interactions are always more engaging than impersonal ones, and that it is possible for a customer to display mixed attitudes towards a service firm and its employees. In line with previous findings (Bagozzi et al., 1999; Liljander and Strandvik, 1997), this study generally supports the connection between emotions and behavior. Indeed, feelings take on monetary worth as customers' emotional displays often

influence their future behavioral intentions such as intent and word-of-mouth (Fox, 2001). The significant role of emotional satisfaction in influencing behavioral intentions presents a new challenge to retailers. More importantly, retailers should shift their efforts from a single concentration on merchandise breadth, depth, and quality, to include an emphasis on creating a pleasant and entertaining experience for customers who are interested in more than just the product. In doing so, retailers can effectively position and distinguish their store by building on the relationship between store atmosphere and customers' emotional states.

Another significant finding of the study is the role of affective component of customer satisfaction. It was seen that although there is a strong relationship between customer loyalty and emotional satisfaction but role of affective component is stronger than the cognitive component. Similarly in the relationship between customer satisfaction and relationship Quality, the impact of affective component was seen to be more effective as compared to cognitive. So we can analyze that the role of emotions in customer loyalty and relationship Quality is very important.

Fundamentally, research has shown that attracting new customers costs organizations more than trying to retain existing ones (Griffin, 1998; Gronroos, 2001). Therefore, it seems feasible that managers should seek to enhance service quality and build customer loyalty by implementing customized customer-contact employee relationship programs (Beatty et al., 1996). Successful customization in service encounters requires that the contact employee actively recognizes the subtle emotional cues from the customer and then adapt the service delivery accordingly (Bitner et al., 2000). These efforts are of great importance, given the significant relationship between emotional satisfaction and relationship quality ($t = 18.80$; $p = 0.001$), which suggests that customers' feelings of emotions can be experienced from the start of the service consumption

process to the termination of the service experience, and even long after the actual consumption has ended. In addition, a pleasant experience can also encourage customers to build a more lasting relationship with the store and seek to return.

Limitations and future research directions:

This research contributes to a richer and more systematic understanding of the role of customer satisfaction in service encounters. In particular, this study examined the role of emotional satisfaction and its relationship with service quality, customer loyalty, and relationship quality.

The findings demonstrated both components of customer satisfaction are important in enhancing customer loyalty and relationship quality. The results imply the need for a service firm to strategically leverage on the key antecedents of customer loyalty and relationship quality in its pursuit of customer retention and long-term profitability. In interpreting the results, the limitations of the study have to be considered. First, the use of a specific type of retail store (i.e. chain departmental store) is a limitation of this study. Future research should replicate these findings by using samples from both within and across various industries, as larger informant samples would provide greater breadth of understanding. Second, the employment of a cross-sectional design poses as another limitation. Future efforts could benefit from testing the proposed research model and hypotheses in a longitudinal design, so that actual behaviors of shoppers can be taken into account. Also, customers' past behaviors were collected on a self-report survey basis. Future research could obtain customers' actual behaviors through real-time electronic data collection in order to minimize the disadvantages associated with self-report data. Also of interest would be further triangulation research, where interpretive and phenomenological approaches could be undertaken to provide additional insight into the various facets of emotional satisfaction.

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