Impact of Service Encounter Elements on Experiential Value and Customer Loyalty: An Empirical Investigation in the Coffee Shop Context

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Abstract
The unprecedented dynamism in marketing has led to the transition of economy from service economy to experience economy. Modern age consumers give more emphasis to the hedonic attributes of offerings than to functional attributes. Consequently, the present study aims to provide a deeper understanding of experiential value, its antecedents, and consequences in the context of coffee shops. More specifically, this study examines the effect of service encounter elements on experiential value and the consequent effect of experiential value on customer loyalty. Using purposive sampling, data were collected from 387 customers of coffee shops using a questionnaire survey which was later analyzed using Structural Equation Modeling. The results reveal positive linkages between service encounter, experiential value, and customer loyalty. Positive cognition of service encounters have positive effects on experiential value and customer loyalty. Besides, experiential value also has a positive effect on customer loyalty. Lastly, experiential value partially mediates the relationship between service encounters and customer loyalty.

Keywords
experiential value, service encounter, physical environment, employee interaction, customer loyalty

Introduction
In the modern times, the economic offerings of organizations worldwide have turned out to be all the more deliberately experiential, a key move in the very fabric of the worldwide economy (Rather, 2020). Experiences (i.e., business contributions that connect with customers in memorable ways) are a particular type of economic offerings that hold the way to flourish future economic advancements (Le et al., 2019; Pine & Gilmore, 2014). Today’s consumers do not feel contented with mere functional benefits of goods and services but they demand offerings which are accompanied by experiences in the increasingly commoditized and competitive environment (Batat, 2019; Khan et al., 2020). Customers seek some hedonic features in services which would entertain them, raise their perception of service quality, and give them due return to their physical, monetary, psychological, and/or temporal investments (Ahn et al., 2019). The changing financial condition has changed the way consumers spend their money. Consumers are progressively shelled with adequate choices of goods and services. Accessibility of different goods puts customers in challenging situations to make differentiation amongst varied offerings of market (Khan et al., 2016). Therefore, many organizations discerned that conventional approach of marketing of purveying basic utilitarian attributes are subliminal. According to Warde and Martens (2000), primarily people were motivated to eat outside their homes due to reasons of ease and convenience. But lately, the features of this instance has taken altogether a different meaning; as people now are motivated to eat outside their home for reasons of entertainment and no more for fulfilling the desire to eat food (Jin et al., 2013). Thus, visiting to eat-outs is more for feeling distracted from the daily demands of life and for the sake of feeling contended (Wu & Liang, 2009). Moreover, dining out has become one of the most widespread activities of leisure (Kim & Jang, 2019; Walls et al., 2011). These days, eating out for entertainment/pleasure is no more the reservation for only elite class but, it has progressively become common to all echelons of the population (Rezende & Silva, 2014).

Scholars have hypothesized that good consumer impressions are instilled by customer service encounters (Chen...
customer service encounters are defined as “the enduring personal impressions that customers receive upon encountering a product, service and/or company primarily, which they hopefully take with them and convey it to others” (Pine & Gilmore, 1999; Poulsson & Kale, 2004). Shostack (1985) defined the service encounter as time duration during which a customer gets to unswervingly interact with service dimensions offered by an organization which prove useful to businesses as it provides them with basic details about consumers’ preference which improves their service. Scholarly efforts toward this direction have been made by prior studies in the sectors like retailing, theme parks, online shopping sites, virtual gaming, smartphone industry, and leisure tourism (See e.g., Aziz et al., 2016; Christina et al., 2020; Gallarza et al., 2015; Maghnati et al., 2012; Shobeiri et al., 2015). However, most of these studies suggest a further investigation with regard to the interaction between service encounter elements, experiential value of customers, and their loyalty across industry contexts. As experiential value focuses on the value which has been retained by the customers from their interactions and experiences with a service encounter; to retain old customers and attract new ones, offering memorable experiences has become imperative for marketers to survive and sustain (Islam et al., 2019; Khan et al., 2020; Rather et al., 2019). In this direction, scholars suggest further empirical investigation of how such memorable experiences can be offered and what factors primarily drive such experiences (see e.g., Ahn et al., 2019; Wu et al., 2018). Additionally, prior studies have repeatedly emphasized on personal interactions and their role on making service encounters extra pleasurable, which consequently could reduce the perceived risk associated with getting a service vis-à-vis enhance the overall buying experience (Ahn et al., 2019; Robinson et al., 2020). Lastly, most of studies related to service encounters and experiential value have been conducted in developed economic context, thereby leaving a gap of generalizing such studies in a developing/emerging economy like India.

Responding to the above specified gaps, this study considers service encounter factors in the context of coffee shops and their relationship with customers’ experiential value and loyalty. By examining the associations between service encounter elements, experiential value, and customer loyalty, this study suggests various sustainable measures for promoting experiential value to enhance customer loyalty. By empirically validating the relationships between the chosen constructs in a novel industrial and geographic setting, this study makes significant theoretical contribution. This study also offers value by providing insights for marketing practitioners interested in designing coffee shops in ways that efficaciously attract customers and end up making them loyal and converting them into evangelists rather than merely satisfying them.

The rest of the paper is structured as follows. First, a brief review of literature and theoretical background is presented followed by hypotheses development. Then next section discusses the research methodology adopted by this study. Lastly, the findings as well as key theoretical and managerial implications are presented.

Literature Review

Service Encounters

Service encounter is defined as “the dyadic interaction between a customer and a service provider” (Surprenant & Solomon, 1987, p. 87). In other words, the service encounter was essentially viewed as a “game of people” driven by explicit learned practices suitable for the circumstance (i.e., jobs) (Surprenant & Solomon, 1987). In any case, more extensive translations of the idea immediately turned out to be more widespread. Following Shostack’s work (1985), the service encounter currently alludes to particular moments where consumers connect with a solid service interface. The last can be considered as an assimilation of individuals (i.e., representatives, different consumers), the physical environment, service processes and technology (Patricio et al., 2011). All things considered, service encounters likewise envelop customer interaction with organization components other than human actors, for example, the servicescape and self-service advancements (Lariviere et al., 2017). The influence of the service encounters can be fragmented into two main components (Keng et al., 2007). The first is the encounter of customers with physical environment elements and the second component comprises of interaction with service employees. Physical environment encounters are defined as a time duration during which a consumer gets to interact with physical amenities and other tangible elements (e.g., lighting, music and internal and external environmental design). Over the years, authors have described the term physical environment differently: Parasuraman et al. (1985) described it as “something that outlines the tangible attributes of an intangible service or the service encounter.” Bitner (1992) has coined the term “servicescape” as “the tangible aspects of the service encounter, identified three dimensions including ambiance, space or function, and signs/symbols/artifacts, each of which can have influence on the perception and behavior of both customers and service staff.” According to Bitner (1992), the ambiance dimension includes those aspects “which sense organs observe directly: temperature, aroma, sound, lighting and tactile impressions that direct and modify the behavior of the customers in the service environment.”

Personal interaction encounters are regarded as a time duration during which consumers get to interact with staff (Gaur et al., 2017). The rating of personal interaction encounters can be evaluated based on staff’s attention paying skills, competence, and the level of devotions (Lopez & McMillan-Capehart, 2002). Coye (2004) observed that a service
provider’s demeanor at the point of delivery may impact expectations of consumer toward the service offering. Keng et al. (2007) observed that “personal interaction encounters and physical environmental interaction encounters positively impact customer experiential value.” In hospitality sector, the consumption of service usually happens when both consumer as well as service provider is available in the service environment which makes it possible to impact a consumer’s experience of service.

**Experiential Value**

Mathwick et al. (2001) define experiential value as “customers’ perceptions of products or services through direct use or indirect observation.” Whereas experiential value fluctuates from instrumental (utilitarian) value, which alludes to shopping proficiency and settling on incredible product choices by objectively assessing information with respect to product’s performance and usefulness (Fiore & Kim, 2007). Experiential value perceptions rely upon interactions including either use or valuation for goods and services.

As indicated by Holbrook and Hirschman (1982), experiential value can be partitioned into two sections, one of which is the experience point of view, which alludes to the real personal understanding of an individual, while the other is the rational viewpoint, which is the recognition framed dependent on an information pursuit of a specific product. In view of this perspective, Mathwick et al. (2002) characterized experiential value as “a perceived, relativistic preference for product attributes or service performances arising from interaction within a consumption setting that facilitates or blocks achievement of consumer goals or purpose.”

Mathwick et al. (2001) built up a typology of experiential qualities that includes the estimations of esthetics, playfulness, service excellence, and customer return on investment (CROI). Esthetics refers to the visual intrigue of the retail environment. Playfulness from exchanges mirrors the natural sentiments of a consumer when effectively occupied with an activity, alongside the capacity to distract people from routine life. Service excellence value is communicated in terms of gratitude of a consumer toward service staff who has built up abilities and offer a dependable service performance, and CROI involves the dynamic venture of budgetary, temporal, social and mental assets that possibly yield a return. CROI value mirrors the effective part of exercises commitment, and clarifies dynamic interest in monetary, mental assets, conduct, and feelings that yield rewards (Ahn et al., 2019; Choi et al., 2015; Wu & Liang, 2009; Wu et al., 2018).

**Customer Loyalty**

Oliver (1999) defines loyalty as “a deep commitment on part of a customer to re-patronize a preferred product/service consistently in future, thereby causing repetitive same brand-set purchasing, despite of the strenuous efforts of marketers which often causes switching behavior.” The positive advantages of customer loyalty for organizations are very much recognized (Islam & Rahman, 2016; Islam et al., 2018). Loyal customers are basic to any firm (Fida et al., 2020; Tsai, 2011), in that they are less expensive to serve than procuring new ones, are ready to purchase and pay more, and take part in spreading positive word of mouth (Islam et al., 2020). Actually, loyalty of customers is quite possibly the most referred to ideas in marketing literature, and the scope of advantages it offers to the marketing individuals is acknowledged by both the academicians and practitioners (Islam & Rahman, 2017; Khan et al., 2019). Holding existing customers as opposed to fetching new ones is essentially seen as a financially savvy approach (Anderson & Mittal, 2000; Rather et al., 2019).

Organizations reliably look for and start different actions to construct loyal customer base (Alam & Noor, 2020). An immediate advantage is that loyal consumers should go about as brand advocates, welcoming family members, companions and other (potential) clients to the brand/firm (Kandampully et al., 2015; Shoemaker & Lewis, 1999; Watson et al., 2015). Also, a reliably certain relationship has been recorded between customer loyalty and performance of organizations (Pihl, 2014); vis-à-vis customer loyalty programs are viewed as vital sources of competitive advantage for businesses in the competitive environment (Islam & Rahman, 2016; Winters & Ha, 2012).

Customer loyalty has gotten checked consideration in the service marketing literature, because of its commitment in making sustainable competitive preferred position for service organizations (Islam et al., 2019; Lee & Cunningham, 2001). Numerous examinations bring up that conveying predominant worth got from the total involvement in the service is perhaps the main methods for producing loyalty among customers (Gallarza & Saura, 2006; Kesari & Atulkar, 2016; Yang & Peterson, 2004). Customers consistently look for “a bundle of advantages” to satisfy their needs in a variety of capacities. Numerous eateries offer an item bundle that incorporates food and refreshment. At the point when clients look for different issues like food, refreshment and administrations, they will think about all the issues to pick an eatery (Shamah et al., 2018). Consequently, it is required to perceive the parts that fulfill customer’s needs, so they return to that eatery for another meal (Uddin, 2019).

**Hypotheses Development**

**Service Encounter and Experiential Value**

Studies have mentioned importance of service encounters in the form of sensory clues (tangible, atmospherics) in the consumption environment and suggest sensory data as an important criterion in creation of experiential value (Schmitt, 1999). Studies further mention that “esthetic clues,
Experiential Value and Customer Loyalty

In the service industry, delivery of quality service is a key vital asset that can be utilized to make (and support) a competitive advantage. Current era consumers, in any case, want something beyond the delivery of offerings (Jin et al., 2013). Progressively, eatery regulars likewise want special and cherishable service encounters (Kim & Stepchenkova, 2018; Walls et al., 2011). Now-a-days consumers want more value for their money in terms of both offerings as well as providers of service should discover approaches to satisfy these needs and support their preferences (Line & Runyan, 2012; Oh et al., 2019). Therefore, making consumers experience a unique and differentiated experience can help the food industry to create an edge against competitors in today’s cut throat competition. From the brand executive’s viewpoint, the essential objective of café/restaurant advertising is to create brand unwaveringness among consumers to deter them from changing to other eatery marks regardless of whether the other competing organizations give better offers (Kim & Stepchenkova, 2018). Scholars have, therefore, employed the concept of experiential value to explain such dedicated behavior among customers (El-Adly, 2019; Jin et al., 2013; Wu et al., 2018). They argue that in a service setting, an effective experience oriented-branding strategy can promote customers’ attachment to specific brands which helps customers show dedication and love toward their preferred brands (Kim & Stepchenkova, 2018; Thomson et al., 2005). Therefore, experiential value serves as an important driver for the success of such service brands (coffee shops in our case). Therefore, we also hypothesize as:

H1: Favorable cognition of service encounter has a positive effect on experiential value.

H2: Favorable cognition of experiential value has a positive effect on customer loyalty.

Service Encounter and Customer Loyalty

Prior studies have hypothesized that good consumer impressions are instilled by customer service encounters (Grove et al., 1998; Islam et al., 2019). Customer service encounters are the enduring personal impressions that are being perceived by customers for the first time encountering offerings of an organization, which they carry with them optimistically and talk about it with others (Lariviere et al., 2017; Poullson & Kale, 2004; Wu & Liang, 2009). Shostack (1985) opines about the service encounters as a time duration during which a customer gets to unwaveringly interact with service dimensions offered by an organization. Such encounters prove useful to businesses as it provides them with basic details about consumers’ preference to improve their services. Studies have repeatedly emphasized on personal interaction as such interactions make service encounters extra pleasurable and assist in reducing the perceived risk associated with getting a service vis-à-vis enhance the overall customer buying experience (Julian & Ramaseshan, 1994; Keng et al., 2007; Wu & Liang, 2009). These favorable impression of such elements of service encounters are thus the pre factors of customer loyalty (Chen, 2015; Sigala, 2019). Accordingly, we hypothesize as:

H3: Favorable cognition of service encounter has a positive effect on customer loyalty.

Experiential Value as a Mediator Between Service Encounter and Customer Loyalty

Researchers consider service encounters as basic drivers of customer faithfulness in service settings (Ali et al., 2016; Islam et al., 2019). Perceivers of service in the hospitality industry have relied upon the actual climate and environment to make an extraordinary consumer experience; which, therefore, is recommended to drive customer patronage (Ali et al., 2016; Mossberg, 2007). Inside the physical setting, researcher (see, Ryu et al., 2012) underlined the significance of the service encounters and expressed that because of the distinguished attributes of services, tangible cues serve in giving consumers a thought of the nature of the offering conveyed as a feature of experience of service. Past study takes note of that service encounters help employees place themselves in the personalities of buyers and assist them with making their initial inkling, which impacts the experience of buyers (Ali et al., 2016; Walls et al., 2011).

Organizations across the world perceive that they need to interface better with their customers to develop their trust and dependability (Islam & Rahman, 2016; Kaur et al., 2020). Studies advocate that single direction to improve customer patronage is to have positive interaction and offer
experiential benefit to customers (Keng et al., 2007). Studies further outline that the experience managed by brands through fulfilling and drawing in collaborations and other physical environment inputs of info assembles customer’s emotional connection and faithfulness with the central brand (Islam & Rahman, 2017; Jin et al., 2013; Pansari & Kumar, 2017). Such captivating encounters, hence, make it simple for the customers to share data, make buys, and act additionally dependent on the information sources shared (Kim & Stepchenkova, 2018; Nadeem et al., 2020). Subsequently, when customers see actual natural signs and associations profoundly pertinent and fulfilling, it offers customers improved experiential value that resultantly supports their certainty up toward the company’s capacity to convey guaranteed services. This upgrades customer devotion with the specific brand (Ha & Perks, 2005; Islam & Rahman, 2017). Every one of these discoveries feature the intervening/mediating part of experiential value such that it goes about as a result of service encounter, and resultantly, impacts customer patronage (Figure 1). In view of these affirmations, this study hypothesizes:

\[ H4: \text{Experiential value mediates the effect of service encounter on customer loyalty.} \]

**Methodology**

**Sample and Data Collection**

To empirically examine and validate the proposed research model, this study used a self-administered questionnaire survey among 387 customers of coffee shops in the Kashmir region of Jammu and Kashmir, India. Information about coffee shops was collected from the owners of different coffee shops and from consumers across Kashmir region on the basis of popularity of these outlets. The researcher approached people entering and leaving the selected coffee shops and requested them to take part in the survey. Those who agreed were briefed about the survey purpose and were also assured of maintaining the confidentiality of their responses.

Coffee shops were chosen as the study context because India represents one of the world’s fastest growing coffee markets which is expected to reach USD 855.0 million by the year 2025 (Grand View Research Report, 2018). Growing global exposure, change in urban lifestyle, and dispersion of established coffee brands such as Starbucks are the key trends driving the growth of coffee chain market in India. Considering the staggering growth, it is important to identify avenues that facilitate customer experience across coffee shops and make them loyal.

Out of 387 respondents, 213 (55%) were male and 174 (45%) female. A total of 135 (35%) respondents were in the age group of 18 to 25 years, while as 116 (30%); 97 (25%); and 39 (10%) respondents were in the age groups of 26 to 35 years, 36 to 50 years, and 51 years or above respectively. Likewise, the sample represented respondents with annual income ranging from INR 200,000 (approx. $2,742) to INR 15,00,000 (approx. $20,565). 70 (18%) respondents visit their preferred coffee shops at least once a week, 135 (35%) respondents visit 2 to 3 times, and 182 (47%) respondents visit more than four times to their favorite coffee shops.

**Measures**

The questionnaire for this study was developed by incorporating items from various established scales already used in some previous studies. The questionnaire was framed in consultation with two subject experts. Customers’ perception about service encounter was measured using 12 items from Wakefield and Baker (1998), Wu and Liang (2009), with a sample item as “This coffee shop has an appealing furnishing.” Experiential value was measured by adopting items from Mathwick et al. (2001) and Ryu et al. (2012), with a sample item as “Drinking coffee in this Coffee Shop makes me forget all my worries.” To measure customer loyalty, seven items were adopted from Tong and Hawley (2009), with a sample item as “I speak positive about this coffee shop to others.” All the items used in the survey instrument of this study have been measured using a “7-point Likert scale” ranging from 1 (for; “strongly disagree”) to 7 (for; “strongly agree”).

**Data Analysis**

To test our proposed hypotheses empirically, a multi-step data analysis procedure including “confirmatory factor analysis” (CFA) and “structural equation modeling” (SEM) was
adopted using SPSS 20.0 and AMOS 20.0. Initially, data screening was done to check for missing data, unusual observations and non-normal items (potential outliers). Descriptive statistics were employed by calculating mean and standard deviations in order to get an overview of the sample (Nazir & Islam, 2020b; Nazir et al., 2021).

Next, an examination of the reliability and validity of the construct scales was undertaken (Hair et al., 2010). The overall goodness of fit of the CFA model indicated a good model fit to the data: \( \chi^2 = 1,431.45, df = 499, p < .001 \); CMIN/DF = 2.86, RMSEA = .07, CFI = .903, GFI = .900, and AGFI = .894, NFI = .896, TLI = .911). The Cronbach alpha values were used to assess construct reliability. The Cronbach alpha values for the factors ranged between .844 to .901 (i.e., greater than the minimum acceptable value of .70) which indicates good internal consistency among all the items, thereby confirming the reliability of all the constructs (Anderson & Gerbing, 1988). After examining the reliability, convergent and discriminant validity of constructs was evaluated. Convergent validity was assessed by analyzing factor loadings and the “average variance extracted” (AVE). All the factor loadings were above the suggested minimum value of 0.5, thereby confirming the convergent validity criteria (Hair et al., 2010). An acceptable level of convergent validity was also demonstrated by the AVE values, which was above 0.50 for each of the variables. Composite reliability (CR) values ranged from 0.813 to 0.923, thus signifying the acceptable values (Fornell & Larcker, 1981). The results related to the reliability and validity of the constructs are presented in Table 1.

Besides, discriminant validity was confirmed by comparing each construct’s squared AVE with the inter construct correlation values (Hair et al., 2010). As shown in Table 2, the squared AVE values were above the corresponding interconstruct correlations, reflecting an acceptable discriminant validity (Fornell & Larcker, 1981).

**Results of Structural Model**

After confirming the measurement model, the structural model was estimated to test the proposed hypotheses. To check the model’s goodness-of-fit, this study used \( \chi^2 \) and key fit indices viz. CFI, GFI, IFI, NFI, TLI, and RMSEA (Nazir & Islam, 2020a). The model fit indices for structural model fall within the acceptable limits \( \chi^2 = 1,029.127, df = 386, p < .001 \); CMIN/DF = 2.66, RMSEA = .07, CFI = .914, GFI = .896, and AGFI = .886, NFI = .882, TLI = .901), confirming that the structural model fits well (Hair et al., 2010). As evident from Table 3, the study findings suggest that service encounter positively affects experiential value (\( \beta = .44, p < .001 \)), supporting H1; experiential value positively affects customer loyalty (\( \beta = .35, p < .001 \)), supporting H2. Service encounter was also found to positively affect customer loyalty (\( \beta = .24, p < .001 \)), which supports H3.

**Mediation Analysis**

To test the mediating effect of experiential value in the relationship between service encounters and customer loyalty, we used “Baron and Kenny’s (1986)” approach. Successively, bootstrapping was used. As suggested by recent studies (see, e.g., Kaur et al., 2020; Khan et al., 2019; Rasool et al., 2021), in full mediation, the predictor (service encounter) affects the outcome variables (customer loyalty) only through its effect on the mediating variable (experiential value). Conversely, in partial mediation, the predictor (service encounter) affects the criterion variable (customer loyalty) directly, as well as indirectly through its effect on the mediator variable (experiential value; Baron & Kenny, 1986). As depicted in Table 4, service encounter has a direct positive effect on customer loyalty (\( \beta = .24, p < .001 \)) and also an indirect effect via experiential value (\( \beta = .21, p < .001 \)). These results demonstrate that the effect of service encounter on customer loyalty is partially mediated by experiential value, thereby supporting H4.

**Discussion**

This study was motivated by the need for deeper insights regarding the drivers and outcomes of experiential value (MSI, 2016). The study was also motivated to respond to the recent calls for further investigation of interaction between service encounter elements and experiential value across industrial and geographic contexts. Correspondingly, this study identifies service encounter elements as antecedents to experiential value and proposes customer loyalty as an outcome of both service encounter elements and experiential value. Conducting an empirical study in the context of coffee shops, this study hypothesizes three conceptual relationships and one mediating relationship. All of the four hypotheses were accepted. H1 proposed a positive impact of service encounter elements on experiential value and was supported by our results. This finding is in conformity with past studies carried out in different sectors which postulated that the staff and service environment like ambiance, style, lighting, temperature, aroma, and attitude of personnel and their friendly approach, promptness, appearance etc. significantly influence customer service encounters (e.g., Andaleeb & Conway, 2006; Keng et al., 2007).

Second hypothesis of this study proposed a positive impact of experiential value on customer loyalty. Our results revealed the strong relationship between these two variables and, therefore, support H2. Our finding related to this relationship is in conformity with previous studies carried out across industrial contexts (e.g., Bilgihan et al., 2013; Reinius & Fredman, 2007). Thus, when coffee shop employees satisfy experiential desires of customers through atmospherics appeal, giving due return for customers’ efforts, time, money, and risk, making them feel fully entertained, they
leaves coffee shops with remarkable landmarks on their minds leading to the development of deep emotional connection with customers. Such customers may collaborate with barista to prepare a customized cup of coffee leading to the co-creation of value.

Third hypothesis proposed a positive effect of service encounter on customer loyalty. Our results also supported the proposed relationship. Our results provide an empirical support in a different contextual setting to the studies that propose if environment elements are beautifully manifested to consumers’ senses to create a tranquil, then it can lead to their contemporary respite from the clamor of the fast-paced world (Chen, 2015; Keng et al., 2007; Mariani et al., 2019).

The interaction with service employees makes customers

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**Table 1. Reliability and Validity of the Constructs.**

| Construct (Items) | Factor loadings | Cronbach α | Composite reliability | Average variance extracted |
|-------------------|----------------|------------|-----------------------|---------------------------|
| Service encounter (SE) | SE1 0.813 | .844       | 0.923                 | 0.687                      |
|                   | SE2 0.778 |            |                       |                           |
|                   | SE3 0.791 |            |                       |                           |
|                   | SE4 0.800 |            |                       |                           |
|                   | SE5 0.802 |            |                       |                           |
|                   | SE6 0.818 |            |                       |                           |
|                   | SE7 0.798 |            |                       |                           |
|                   | SE8 0.757 |            |                       |                           |
|                   | SE9 0.813 |            |                       |                           |
|                   | SE10 0.732|            |                       |                           |
|                   | SE11 0.834|            |                       |                           |
|                   | SE12 0.826|            |                       |                           |
| Experiential value (EV) | EV1 0.778   | .901       | 0.897                 | 0.594                      |
|                   | EV2 0.879 |            |                       |                           |
|                   | EV3 0.766 |            |                       |                           |
|                   | EV4 0.792 |            |                       |                           |
|                   | EV5 0.681 |            |                       |                           |
|                   | EV6 0.669 |            |                       |                           |
|                   | EV7 0.708 |            |                       |                           |
|                   | EV8 0.784 |            |                       |                           |
|                   | EV9 0.806 |            |                       |                           |
|                   | EV10 0.792|            |                       |                           |
|                   | EV11 0.699|            |                       |                           |
|                   | EV12 0.772|            |                       |                           |
|                   | EV13 0.717|            |                       |                           |
| Customer loyalty (CL) | CL1 0.814  | .877       | 0.935                 | 0.612                      |
|                   | CL2 0.796 |            |                       |                           |
|                   | CL3 0.807 |            |                       |                           |
|                   | CL4 0.899 |            |                       |                           |
|                   | CL5 0.712 |            |                       |                           |
|                   | CL6 0.811 |            |                       |                           |
|                   | CL7 0.700 |            |                       |                           |

**Table 2. Mean, Standard Deviation, and Correlation Values.**

| N=356 | Service encounter (SE) | 3.923 | 0.977 | 0.828 |
|-------|-------------------------|-------|-------|-------|
|       | Experiential value (EV) | 3.311 | 1.012 | 0.770 |
|       | Customer loyalty (CL)  | 3.161 | 1.173 | 0.303 |

Note. SD depicts standard deviation. The bold numbers in the diagonal line are the square root of AVEs. All values are significant at p < .001.)
feel delighted, by offering customized services, by dealing with them patiently, by converting humdrum activity into memorable encounter. This whole package makes customers loyal to such coffee shops.

This study also investigated the mediating effect of experiential value between service encounter and customer loyalty. Our results also support this hypothesis (H4) and reveals experiential value as a partial mediator between the proposed relational variables. Therefore, captivating service encounter elements such as physical environment cues and employee interactions are perceived by customers as providing positive experiential value thereby making them fall in love with such service providers and become loyal for a long time. Overall, the results of this study offer some valuable implications for both academicians and industry, as discussed in the next section.

**Implications of the Study**

The key contribution of this study is the development of a model predicting the impact service encounter on experiential value and customer loyalty vis-à-vis examining the mediating effect of experiential value on the proposed relationships in a fast growing but an almost neglected industrial context (the coffee shops). The study further contributes by undertaking the sample of an emerging economy into account, thereby broadening the generalizability of the studied constructs to a different geography which is culturally and economically different from the developed economies.

The major implication stemming from this study for management, precisely in coffee shops, is significance of developing customer patronage to gain competitive advantage and eventually lasting success. Managers should provide consumers with hedonic benefits by orchestrating all the sub dimensions of the experiential value to give the total experience to consumers. It guides managers that customers’ senses should be stimulated by creating suave ambiance, air-conditioned spaces, funky modern décor, architecturally intriguing building, appealing fittings, furnishings, patterned carpets, coffee aroma, ambiance music, lighting, soothing temperature etc., which is comfortable and welcoming.

As the study reveals that if consumers’ assessment of service encounter elements happens to be positive then their experiential value gets enhanced. Therefore, managers should keep availability of supporting services viz. hygienic washrooms, parking facilities etc. to put the consumers in comfortable situation. Since the Covid-19 pandemic, service encounter elements have gained even more significance. It has now become crucial for coffee shops and restaurants to keep hand sanitizers and facemasks readily available for customers alongside facilitating social distancing through proper signage. This will make customers enjoy the total flow of experience without any interruption. Also, all nuances of experience should be worth savoring. Mundane experiences should be replaced with the entertaining ones to make rendezvousconstitute memorable. Each of the consumer touch points should be made pleasurable and each moment of truth should be made memorable. Training should be imparted on coffee purveyors to make them more observant, receptive and welcoming. Customers should find themselves being pampered and handled with utmost care and subtlety. Coffee purveyors should find themselves as the providers of memories and experiences rather than providers of just services.

Furthermore, coffee shop managers should make consumers’ holistic experience engaging by making coffee shops focus on reunions, business meetings, book club discussions, hosting some cultural/artistic events. Cozy nooks for bibliophiles should be crafted; beautiful book shelves should be curated and stacked with wide novel collection, magazines etc. to make it appealing to the coffee-loving bookworms of all ages. Also, a place for gaming zone should be reserved to keep toddlers engaged. Also, backyard patio within a coffee-house will give an open environment to the cluttered minds of consumers.

**Limitations and Future Research Directions**

This study acknowledges certain limitations. First, the present study investigated the relationship between service encounter, experiential value, and customer loyalty while as
a number of other related constructs exist (e.g., co-creation, agility, service innovation etc.) that may be used in future research to check for their potential mediating/moderating effects. Additionally, the role of various moderators like age, gender, income, mood, sensitivity, perceived risk etc. can be explored. The study was restricted to Kashmir valley which has its own peculiarities and may not be generalizable in different cultural/social, political, and economic settings. Therefore, future studies can test the proposed model in some other geographic and contextual sectors (viz. health care, airlines etc.). The study can be extended to the transformation economy as more customization of experience will lead to creation of transformational value.

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