



THE EFFECTS OF EXPERIENTIAL MARKETING AND EXPERIENTIAL VALUE ON CUSTOMER SATISFACTION IN GELARE CAFÉ IN SURABAYA

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Abstract: This study aimed to analyze the effect of experiential marketing and experiential value on customer satisfaction at Gelare Café in Surabaya. The observed sample includes 200 respondents and the sampling method used is judgmental sampling. The analysis tool employed in this study is Structural Equation Modeling (SEM).

Results of the study show that experiential marketing and experiential value has significant effects on customer satisfaction in Gelare Café Surabaya. Thus it can be concluded that increase or improvement in experiential marketing can increase or improve experiential value, and significantly affects customer satisfaction.

Keywords: Experiential marketing, experiential value, customer satisfaction

INTRODUCTION

The booming of cafés in Surabaya have largely promoted product innovations. Cafés usually do not provide substantial food, they only offer snacks and drinks. Customers' favorite drinks are coffee and ice cream. At first, ice cream is only a processed product of milk which is regarded as having a relatively high fat content. Because of this, lady customers carefully watch their consumption of ice cream, so that it will not harm their looks. Later, ice cream makers develop low fat ice cream which has less calories, which is known as Gelato. The difference between ordinary ice cream and Gelato is in their milk content and in their freezing method. Gelato uses milk which has been separated from its water content so that the taste is softer and there is no ice crystals (source: official website of *Gelare Café*). One among the cafés which offer Gelato is *Gelare Café* in Galaxy Mall and Tunjungan Plaza shopping centre in Surabaya. Low fat ice cream continues to develop and yields a new product which is called frozen yogurt. Frozen yogurt is also made from milk, but it undergoes the fermentation process. The fermentation process causes frozen yogurt to acquire certain bacteria which are good for human digestive system. Besides, frozen yogurt does not contain fat like Gelato. Because of

this frozen yogurt becomes popular quickly and is liked by many customers especially ladies who does not want any harm to befall their looks.

This trend is also seen by Gelare Café in Galaxy Mall and Tunjungan Plaza shopping centre which experienced a descent in sale because of the booming of frozen yogurt which is accompanied by an increase of frozen yogurt stalls. Frozen yogurt has some advantages over the gelato products offered by Gelare Café in Galaxy Mall and Tunjungan Plaza shopping centre. In order to retain their customers, Gelare Café in Galaxy Mall and Tunjungan Plaza shopping centre compensates for this deficiency by improving customers' experience while the customers are enjoying gelato products in Gelare Café in Galaxy Mall and Tunjungan Plaza shopping centre.

According to Schmitt (1999), the experiential marketing strategy can help to revive a descending product brand, differentiate a product from competitors' products, create company's image and identity, and persuade customers. However, to win in a tight market competition, café's owners in Indonesia need to observe the variables which influence experiential value and customers' satisfaction, namely experiential marketing.



Experiential marketing is a process of identifying and satisfying customers' needs and aspirations, which involves and benefits both customers and vendor, which employs two way communication in order to give characteristics to a brand so that it will survive and also give added value to customers (Shaz Smilansky, 2009). Experiential value refers to customers' perception of product or service through direct usage or indirect observation (Mathwick, Malhotra, & Rigdon, 2002). Kotler and Keller (2016) define satisfaction in general as a feeling of joy or disappointment which arises when customers compare the actual performance of a product with their expectations. If the performance of a product meets the customers' expectations, customers will feel satisfied. If the performance of a product exceeds their expectations, customers will feel very satisfied. Customers' appraisal of the performance of a product depends on many factors, one of which is customers' loyalty to a brand. Customers often make a favorable perception towards a product which they already consider as good or positive.

Experience happens as the result of facing things, thus experience is a stimulus produced by an activity, for example an activity before marketing and after purchasing (Mathwick, Malhotra, & Rigdon, 2002). Experience includes the whole element of life, and happens because of direct observation or participation in an activity, which might be real activity or dream or virtual activity. Experience is usually unprompted but induced, which indicates that the increase of quality and intensity of meaning, and value are the results of experience. Therefore, well planned experience which involves the customers will become sweet memories and give room for free interpretation since it is non-partisan. The director of Yahoo, Sanders, states that the present time is the time to experience economy. No matter what product or service is being offered, a marketer should give a memorable experience to customers because customers greatly appreciate it. Memorable experience will make customers satisfied, and motivate them to purchase again.

To find the answers to the problem mentioned previously, we would like to study the effects of experiential marketing on experiential value and customer satisfaction in Gelare Café, Surabaya. In carrying out this study we cooperate

with the management of Gelare Café, Surabaya, in order to find out the effects of experiential marketing on the experiential value and customer satisfaction in Gelare Café, with the hope to help Gelare Café survive the tight competition in café industry in Surabaya.

1.2 Problem Formulation

Based on the backgrounds mentioned previously, the formulation of the problem to be solved in this study is as follows:

1. Does experiential marketing have a significant effect on the experiential value in Gelare Café in Surabaya?

2. Does experiential value have a significant effect on customer satisfaction in Gelare Café in Surabaya?

1.3 Aims of the Study

The aims of this study are:

1. To find out whether experiential marketing influences experiential value in Gelare Café in Surabaya.

2. To find out whether experiential value influences customer satisfaction in Gelare Café in Surabaya.

1.4 Benefits of the Study

The benefits expected from this study are:

1. For companies

The results of this study are expected to contribute ideas for optimizing the experiential marketing of a company which will raise experiential value and customer satisfaction which in turn will help the company to survive and develop in the long run.

2. For academicians

The results of this study are expected to add the knowledge about the benefits of good experiential marketing on experiential value and customer satisfaction in a company, and to prove the accuracy of a concept which has been existing in the field.

DEFINITIONS

Definition of marketing

According to Kotler and Keller (2016), marketing is “a social and managerial process which causes an individual or a group of people to obtain what they need and want, through the production and exchange of product and value with other people” (p.6). Thus, marketing is an organizational function and a set of processes for producing, communicating, and submitting values to



customers and for establishing a profitable relationship between an organization and its stakeholders.

Definition of service

To reach agreement on the definition of service, we will look at several definitions from experts, among others:

Service is “a collection of benefits, tangible or intangible, which accompanies the facilitation of a product”.

Service is “an action which is offered by a party to another party, which is intangible and does not inflict any ownership. Its product can be attached or not attached to a physical product”. (Kotler and Armstrong, 2018, p.8).

According to Kotler, Bowen, and Makens (2010, p.42-44) there are 4 characteristics of service, namely

1) Intangibility

2) Inseparability

Service inseparability also implies that customer is a part of the product.

3) Variability

Service is always changing, which is determined by the service provider, and when - where - how the service is given.

4) Perishability

A service can not be saved. A hotel with 100 rooms which only sells 60 rooms can not keep or make inventory of the service of the other unsold 40 rooms.

Definition of restaurant and café

Restaurant is “a commercial venture which offers service of food and drinks to people, and is professionally managed” (Soekresno, 2000, p.16).

Café

This type of restaurant is often found in big cities, usually it also offers entertainment like music, live show, et cetera.

Definition of experiential marketing

Experiential marketing is derived from two words, experience and marketing. Experience is events happening to individuals which are produced by certain stimuli (for example, the ones given by marketer before and after the purchase of an object or a service (Schmitt, 1999, p.60).

Experience is also regarded as a subjective part in the construction or transformation of an individual through direct emphasis on emotion and senses in submersion, by sacrificing the cognitive dimension (Grundey, 2008, p.138).

The tools for measuring experiential marketing

Schmitt (1999, p.63) suggests that experiential marketing can be measured through five chief factors, namely:

1) Sense / Sensory Experience

2) Feel / Affective Experience.

3) Think / Creative Cognitive Experience

4) Act / Physical Experience and Entitle Lifestyle

5) Relate / Social Identity Experience.

In this study we only use three factors, namely sense, feel, and think.

Experiential value

Besides the intrinsic/extrinsic aspect, Holbrook (1994) adds the active/reactive dimension to experiential value. The active value comes from the increasing cooperation between customer and seller, while the reactive value comes from customers’ evaluation, response, and understanding of the service or product they want to purchase. The interaction between the perception (intrinsic/extrinsic) and the active dimension (active/reactive) classifies experiential value into four categories, namely consumer return on investment (extrinsic/active), service excellence (extrinsic/reactive), aesthetics (intrinsic/reactive), and playfulness (intrinsic/reactive).

Consumer Return on Investment includes customers’ firmness concerning money, time, and emotion. When vendor fulfill their commitment, customers will add value to service excellence (Zeithaml, 2018).

Aesthetics reflects two aspects, namely visual characteristics and delightful service, which gives joy to customers and supports customers in finishing their jobs.

Playfulness is a feeling which attracts customers. It is also a way by which customers can escape from reality (Huizinga & Ludens, 1955; Unger & Kernan, 1983).

Customers can obtain experiential value from various experiences. Experiential value focuses on the value gained by customers from the experience.

2.6 Customer satisfaction

According to Zeithaml, Bitner dan Dwayne (2013), customer satisfaction is

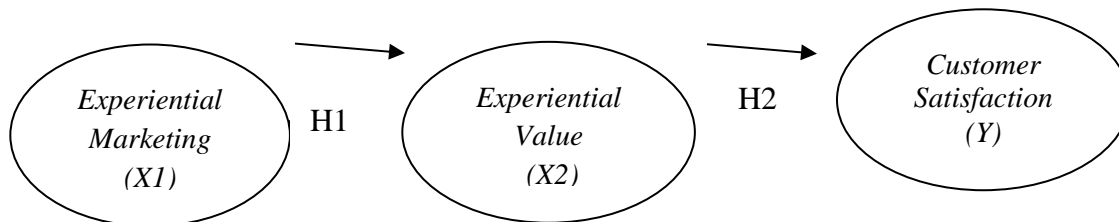
“customers’ evaluation of a product or service in terms of whether that product or service meets the their needs and expectations”.



Another definition from Kotler dan Keller (2016, p.164) is, “Satisfaction is a person’s feelings of pleasure or disappointment that result from comparing a product’s perceived performance (or outcome) to their expectations”. Customers’ satisfaction of the solution of complaints can be seen from the gap between customers’ expectation and customers’ perception. Thus it can be concluded that customers’ satisfaction is customers’ perception whether their expectations are exceeded or met.

Hypothetical Frame of the Study

Experiential marketing helps to revive a descending brand, differentiate a product from competitors’ products, create company’s image and identity, and persuade customers. However, to win in a tight market competition, café’s owners in Indonesia need to observe the variables which influence experiential value, and subsequently customer satisfaction.



Hypothesis :

H1: Experiential marketing has a significant effect on experiential value. (X1→X2)

H2: Experiential value has a significant effect on customer satisfaction. (X2→Y)

RESEARCH METHOD

Research Object

Gelare Café is a franchise which originates from Fremantle, a city in Australia. The café was first opened in January 1987. Then Gelare Café opened many branches in Australia. The first franchise was opened in Bunbury, followed by other franchises in Australia. Gelare Café in Surabaya was opened for the first time in Galaxy Mall in January 2006, followed by the one in Tunjungan Plaza shopping centre which was opened in August 2007.

Type of research

The type of this study is causal conclusive, which is aimed to obtain conclusion from the data about causal relationship between the variables discussed in this study, which has been collected and processed. According to Malhotra (2005, p.100) causal conclusive study is a study which is performed to obtain the proof of causal relationship and which has a conclusion at the end of the study.

Population

The population of this study is the customers of Gelare Café in Galaxy Mall and Tunjungan Plaza shopping centre

in Surabaya who enjoy the services and facilities of both cafés during three months since the first time the questionnaires of the study are distributed. The number of the population is not knowledgeable (infinite), in which not all members of the population can be taken as samples (non probabilistic).

Sample

According to Hair et al (in Ferdinand, 2002, p.47), the proper sample is between 100 – 200. Therefore, the number of samples used in this study is 200 respondents. To fulfil the sample calculation of SEM (Structural Equation Modelling), we will distribute 200 questionnaires to customers of Gelare Café in Galaxy Mall and Tunjungan Plaza shopping centre after they finish eating and drinking in the café.

Structural Equation Modelling (SEM)

This model is the appropriate model for this study since it can cover more problems than multi equation and data inputs in the form of observable and unobservable variables. The data is analyzed by employing the SEM (Structural Equation Modeling) of AMOS program (Arbuckle, J.L & Wothke, W. 1999).

ANALYSIS AND DISCUSSION

General picture of the repondents

The greater part of the respondents are female, which comprises 130 of 200 respondents, while the 70 other respondents are male. This disparity of sex is because



ladies are more likely to assemble and care for lifestyle than gentlemen. In terms of age, majority of the respondents are between 21 – 25 years of age, namely 82 respondents, which indicates that quite many people of young and productive age spend their time in cafés. The subsequent data in terms of age is: 16 – 20 years of age: 44 respondents, 26 – 30 years of age: 40 respondents, 31 – 35 years of age: 12 respondents, older than 35 years: 22 respondents. In terms of profession, students: 96 respondents (students and young people like ice cream), businessmen: 26 respondents, employees: 22 respondents, others including housewives and lecturers: 56 respondents. Majority of the respondents have a monthly allowance of Rp 800,000.00 – Rp 1,250,000.00, namely 102 respondents. The other allowance data is subsequently: Rp 1,250,000.00 – Rp 1,750,000.00 : 66 respondents, Rp 1,750,000.00 – Rp 2,250,000.00 : 20 respondents, and larger than Rp 2,250,000.00 : 12 respondents.

Hypothetical verification.

The hypothetical verification of this study examines the causal relationship, or the direct and indirect effect

Table 1

Confirmatory Factor Analysis of Experiential Marketing variable

Indicator	Validity Test			GFI
	Estimate	Category	Construct Reliability	
<i>Satisfaction.</i>	0,991	Valid	0.816	Reliable
<i>Experience marketing.</i>	0,644	Valid		
<i>Sense</i>	0,836	Valid	0.728	Reliable
<i>Feel</i>	0,664	Valid		
<i>Think</i>	0,545	Valid		
<i>Emotional value</i>	0,962	Valid	0.752	Reliable
<i>Functional value</i>	0,558	Valid		

From Table 1 we find that all the question indicators in experiential marketing (X₁), experiential value (X₂), and customer satisfaction (Y) variables have the standardized regression weight larger than 0.5 and construct reliability

relationship between the variables of the model. The causal relationship between the variables has been asserted in two hypotheses. Before we test the hypotheses we need to test the instrument which forms the variables of the study, which are latent variables. There are three latent variables in this study, namely Experiential Marketing, Experiential Value, and Satisfaction. Before we test the hypotheses, we perform validity test and reliability test on the instrument which form the variables of the study.

Validity Test and Reliability Test

Below is presented the Confirmatory Factor Analysis to measure the validity and reliability of each construct in the table.

The measurement of the indicators which set a construct is accurate if the value of standardized regression weight > 0.50 and the GFI value is 1 or close to 1. To find out the consistency of a construct measurement, we calculate the value of construct reliability which should be larger than 0.70 (Ghozali, 2005).

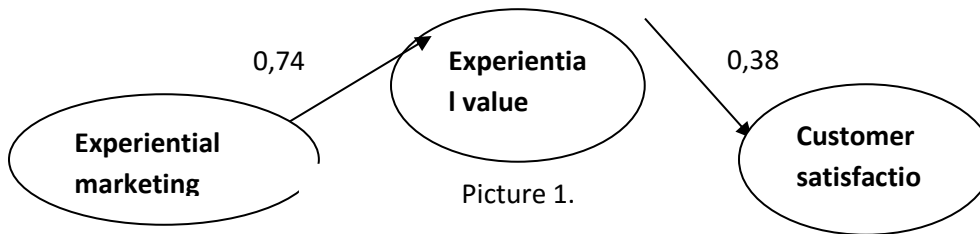
values of 0.816, 0.728, dan 0.752 subsequently, which belong to reliable category. The GFI value is 0,982 which indicates that the model fits the data. Thus the indicators which form the experiential marketing (X₁), experiential



value (X_2), dan customer satisfaction (Y) variables are valid and reliable (Ghozali, 2005).

Goodness of Fit Test for the Full Structural Model

In compliance to the problem formulation and the aims of the study, we will analyze the structural model with the data of 200 respondents, using AMOS software



Picture 1.

Path model SEM

Goodness of Fit test on the model should be performed to ascertain whether the structural model can explain the direction of the relationship and the direction of the effect accurately and does not allow any biases. From Table 2 we

Table 2

Goodness of Fit Test for the Full Structural Model

find out that the criteria of Goodness of Fit test for the structural model has been met, which is indicated by the measurements of Goodness of Fit which meet the requirements.

Goodness of fit index	Cut-off value	Result of the Model	Category
Sig. Chi-Square	≤ 0.05	0,061	Good
RMSEA	≤ 0.08	0.058	Good
GFI	≥ 0.90	0.971	Good
AGFI	≥ 0.90	0.937	Good
TLI	≥ 0.95	0.965	Good
Cmin/DF	≤ 2.00	1,664	Good
CFI	≥ 0.95	0.978	Good

After that we perform hypothesis test on the result of the structural model test based on the value of Standardized Regression Weight:

From the result of the hypothesis test presented in Table 2 we find out that the significance value of the effect of experiential marketing (X_1) on experiential value (X_2) is 0.000, which is smaller than 0.05 ($\alpha=5\%$). This indicates

Table 3

Standardized Regression Weight of Full Structural Model

that for the customers of Gelare Café Surabaya, experiential marketing has a significant effect on experiential value. The effect is 0.737 with a positive direction which means that if experiential marketing raises or improves, customers’ experiential value will also raise or improve significantly.



Hip.	Causality		Standardized Estimate	S.E	C.R.	Sig.
H1	Experiential marketing	<input type="checkbox"/> Experiential value	0,737	0,102	8,077	0,000
H2	Experiential value	<input type="checkbox"/> Customer satisfaction	0,376	0,096	4,187	0,000

This result confirms that hypothesis 1 can be accepted. From hypothesis test we also find out that the significance value of the effect of experiential value (X_2) on customer satisfaction (Y) is 0.000, which is smaller than 0.05 ($\alpha=5\%$). This indicates that for customers of Gelare Café Surabaya, experiential value has a significant effect on customer satisfaction. The effect of perceived value on customer satisfaction is 0.376 with a positive direction which means that if experiential value raises or improves, customer satisfaction will also raise or improve significantly.

Thus, hypothesis 2 can also be accepted.

Discussion

The effect of experiential marketing on experiential value

Respondents' responses to experiential marketing (X_1) variable of Gelare Café Surabaya belongs to 'good' category. This indicates that the majority of the customers of Gelare Café who become respondents of this study confirm that the experiential marketing (sense, feel, and think) of Gelare Café Surabaya is good. The result of this study supports the view of Shaz Smilansky (2009: 5) that experiential marketing is the process of identifying and satisfying profitable customers' needs and aspirations, by employing two way communications. This will give characteristics to a brand so that it can survive and adds value to its customers. This result can be seen in the respondents' responses to experiential value (X_2) variable which belongs to 'good' category. The result of SEM analysis gives the probability value of the effect of experiential marketing on experiential value as 0.000 which is less than 0.05 ($\alpha = 5\%$). This indicates that experiential marketing has a significant effect on experiential value. Thus, the first hypothesis of the study (H1) which assumes that experiential marketing has a

significant effect on experiential value, can be accepted and is proved right. The value of standardized regression weight service quality is 0,737 which indicate a positive direction of the effect of experiential marketing on experiential value. This means that the better the experiential marketing of Gelare Café Surabaya, the higher the experiential value of its customers.

The result of the study also shows how far experiential marketing influences experiential value. When a company gives a good experiential marketing, its customers' experiential value will raise. Experiential marketing is the effort to meet customers' needs and wishes accurately so that customers' expectations are satisfied. Thus Gelare Café should find out the customers' expectations of its services from sense, feel, and think aspects.

The effect of experiential value on customer satisfaction

The analysis result shows the probability value of the effect of experiential value on customer satisfaction as 0.000 which is less than 0.05 ($\alpha = 5\%$). This indicates that experiential value has a significant effect on customer satisfaction. Thus, the second hypothesis of the study (H2) which assumes that experiential value has a significant effect on customer satisfaction can be accepted and is proved right. The value of standardized regression weight service quality is 0,376 which indicate a positive direction of the effect of experiential value on customer satisfaction. This means that the better the perceived value of the customers about Gelare Café Surabaya, the higher their satisfaction will be.

The result of the study shows how far experiential value influences customer satisfaction. The experiential value variable is 4.073. Based on the classification of interval value, the average response of the respondents to experiential value variable (X_2) belongs to 'good' category.



When the experiential value of Gelare Café Surabaya is good, customer satisfaction is also good. Customer satisfaction (Y) variable is 3.083. Based on the interval value classification, the average response of the respondents to customer satisfaction (Y) variable belongs to 'satisfactory' category.

As long as customers enjoy nice experience in Gelare Café Surabaya in every touch point including facility, atmosphere, price, service since their arrival at the café until their departure, and as long as those points meet the expected value of the customers, customers will feel satisfied and will be willing to return to Gelare Café in future times, and become loyal costumers.

CONCLUSIONS

From the results of the study we can draw the following conclusions:

1. The experiential marketing of Gelare Café Surabaya has a significant effect on the experiential value of its customers. The effect of experiential marketing on experiential value is 0.737 with a positif direction, which means that if experiential marketing raises or improves, customers' experiential value will raise or improve significantly.

2. The experiential value of the customers of Gelare Café Surabaya has a significant effect on customer satisfaction. The effect of experiential value on customer satisfaction is 0.376 with a positive direction, which means that if experiential value raises, customer satisfaction will raise significantly.

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