Impact of experiential marketing on customer loyalty: the mediating role of customer satisfaction in the modern trade supermarkets in the Western Province of Sri Lanka

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ABSTRACT

Purpose: Marketers need to be agile and differentiate the offer from the competition in order to attract customers in the dynamic marketplace. Due to the intense competition, businesses should concentrate on acquiring and keeping customers by using creative marketing strategies like Experiential Marketing (EM). This is the same for the retailing sector, where it is critical for retailers to be more creative by redefining themselves as experienced producers rather than service providers. In a country with a diverse culture like Sri Lanka, the current study fills an empirical gap that exists in the literature.

Design/methodology/approach: With special reference to the modern trade supermarkets in the Western Province in Sri Lanka, this study aims to evaluate the impact of EM on Customer Loyalty (CL) through the mediating impact of Customer Satisfaction (CS). The study follows a deductive approach and a sample of 375 respondents was selected from the population to participate in the survey based on the convenience sampling technique. Through the use of a self-administered questionnaire, data were gathered and a regression model and Sobel test were carried out in SPSS to test the hypotheses.

Findings: Finally, the results demonstrated that there is a significant direct impact from EM to CL. Further, it indicates the indirect impact created through the mediation effect of CS is higher than the direct impact which indicates CS mediates the relationship between EM and CL.

Originality: This study fills the empirical gap that exists in the literature.

Implications: The findings of the study can be utilized to create plans for raising customers’ CL level in the modern trade retail sector through assessed CS, which will ultimately increase the competitiveness of modern trade retail businesses.

Keywords: Customer Loyalty, Customer Satisfaction, Experiential Marketing, Modern Trade Super Markets

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INTRODUCTION

Traditional marketing will not be adequate in the modern volatile competitive marketplace which demands new strategies to attract and hold customers. The concepts such as brand experience have become of greater interest to marketers today to go beyond their traditional practices into providing more experience through their brand (Sahin et al., 2011). Experiential Marketing can be considered an important marketing practice that tries to create better value by maintaining customer relationships. EM creates an avenue for a social and collaborative communication platform for marketers and customers (Maradufu et al., 2017). Marketing defines experience in a much more objective manner; the results need to be extremely significant and unforgettable for the customer. EM can be defined as more diverse and exploratory in its use of methods rather than relying highly on different analytical and quantitative methods for understanding the behavior of consumers (Goldsmith & Rodoulà, 2012). Such methods of creating a distinctive experience can provide enormous economic value for the firms (Pine & Gilmore, 2015). Many marketers and managers in various enterprises are engaging in creating experiences for the people to differentiate their offering as consumers are considered to be feelers, thinkers, as well as doers who always seek more funny and pleasurable experiences rather than just purchasing goods and services (Grundey, 2008).

The traditional view of marketing identifies that consumers pay attention to the functional features, values, and benefits so consumers can be considered rational decision makers. But EM highlights that defining marketing in terms of identifying and satisfying needs, solving problems, and delivering benefits is not adequate because consumers are seeking pleasurable experiences. Hence it’s better to treat consumers not only as rational decision-makers but also as a set of emotional human beings (Grundey, 2008; Omar & Qader, 2013). Anyhow as providing a valuable experience becomes the ultimate goal of marketing EM is considered to be one of the best marketing approaches which provide a better framework by combining both experience and entertainment related to a product or a brand (Zena & Hadisumarto, 2012). Managers should consider novel approaches and concepts to be utilized in their organizations to gain benefits through new opportunities identified through experiential marketing (Schmitt, 1999).

Among different industries, the retail environment is transforming into offering a spectrum of retail experiences for consumers with the introduction of multichannel operations design. Retailing as a growing industry has identified the importance of experience than providing mere goods and services. Hence retailers have started to redefine themselves as creators of memories and experiences for customers (Pine & Gilmore, 2015). It is really critical for retailers to differentiate and position their services in a more appealing experience for customers which creates good memories. And in today’s business world, this has become the main objective among retailers all over the world as they have embraced this concept of experiential marketing as an effective way of facing fierce competition in the marketplace (Verhoef et al., 2009). Furthermore, the related concept of “Experiential
Retailing’ has emerged simply as the retail version of experiential marketing that connects customers with the retailer’s brand through the attachment of meaningful and relevant experiences which appeals to both rational and emotional behaviors. When consumers are engaged and entertained, they buy lifestyle associations and will be encouraged to spend more. Hence, a stimulating shopping experience should be offered to customers across every retail category (Senthil et al., 2011).

This research study mainly focuses on the modern trade retail industry in the Western Province of Sri Lanka. A modern trade supermarket is considered to be a value-added intermediary service, where geographically dispersed suppliers and individual consumers are there, and who eventually come to buy products. A wide assortment of goods from different individual suppliers is acquired, organized, and distributed to the final consumers through a chain of retail stores that focus on different areas and local consumers (Steeneken & Ackley, 2012). In the urban landscape of Sri Lanka retail shops are varying in scale and size. They sell a variety of household and mechanical items, convenience items and many more. When it comes to the Sri Lankan retail industry, it is visible that the global spread of shopping malls and supermarkets is transforming the retail space in the Sri Lankan context as well. Local retail shops are embracing the advanced and interactive nature and culture of the global retailing industry. Today, in the Sri Lankan market context, modern trade retail shops perform a bigger role in the marketplace with regard to the massive market efforts, consumer behaviors and competition, and there are limited investigations into the experiential marketing practices of the modern trade retailers.

The term called Experiential Marketing is identified as an exceptional framework for integrating experience and entertainment into products and services (Oztruk, 2015). Especially, its importance in the tourism industry is highly discussed, as tourists are expected to consume a consistent, unique, and satisfying service product (Goldsmith & Tsiotsou, 2012; Rather, 2020). Furthermore, with regard to the fast-food industry (Yang, 2009), Fast Moving Consumer Goods (FMCG) industry (Mukiira et al., 2017), and luxury cosmetic products (Ueacharoenkit, 2013) the importance of experiential marketing has been discussed immensely the previous researchers. Further, there are contradictory findings regarding the direct impact of experiential marketing on customer loyalty and the mediation impact of customer satisfaction specifically in the research findings of Oztruk (2015), Soliha et al. (2021), and Abadi et al. (2020).

The concept of experiential marketing has been researched in diverse environmental and country contexts (Indrawati & Fatharani, 2016; Kanopaitė, 2015; Mukiira et al., 2017; Oztruk, 2015). Even though some studies have been conducted in the areas of modern retail businesses (Yacob et al., 2016), the online apparel retail industry (Ying Wu & Tseng, 2015), retail industry (Senthil et al., 2011), there is a dearth of studies conducted in the context of modern trade supermarkets, especially in a diverse cultural and economic context like Sri Lanka. Hence it is visible that there is an empirical gap in the literature that demands further investigation.
Accordingly, the study derives its problem statement as, ‘the investigation of the impact of Experiential Marketing on Customer Loyalty through the mediating effect of Customer Satisfaction in the Modern Trade Supermarket Industry, in the Western Province in Sri Lanka’.

The Social Exchange Theory (SET) is depending on the context that relational exchanges are examined based on the transaction cost analysis (Kanagal, 2009). The basic operating premise described in the SET is that if one person is doing a favor for another person a reciprocal favor with an equal value would be received in return (Redmond, 2015). The concept of social exchange comes through a cost-benefit exchange wherein a person remains in a relationship when the perceived benefit he receives outweighs the perceived investment or the cost they incur. These social benefits and costs discussed in social exchange are not necessarily tangible things. But it comprises intangible assets such as respect for each other, emotions engaged or caring among the parties etc. (Gefen and Ridings, 2002). Hence this study has used the Social Exchange Theory for addressing the main research problem.

The research Objectives of the study are,

1. To measure the impact of experiential marketing on customer satisfaction in the modern trade retail industry in the Western province, of Sri Lanka.
2. To measure the impact of experiential marketing on customer loyalty in the modern trade retail industry in the Western province, of Sri Lanka.
3. To measure the mediating effect of customer satisfaction on the relationship between experiential marketing and customer loyalty in the modern retail industry in the Western province, of Sri Lanka.

As per the existing literature, numerous researchers have investigated the impact of experiential marketing on customer loyalty in different industrial contexts including the retail industry (Ying Wu & Tseng, 2015; Yacob et al., 2016; Zena & Hadisumarto, 2012; Ying Wu & Tseng, 2015). Even though adequate literature is available in the international context (Indrawati & Fatharani, 2016; Kanopai, 2015; Mukiira et al., 2017; Oztruk, 2015) a limited number of studies are available in the context of the Sri Lankan retail industry with a special reference to the area of modern trade supermarkets.

Hofstede dimensions show culture is always a collective phenomenon, and it distinguishes members of one group from the others. Sri Lanka being a very unique cultural environment possesses some distinctive characteristics in the following criteria, power distance: lower distribution power where people focus more on status, Individualism vs Collectivism: where collective goals seem more likely to be valuable with better integration and cohesion of groups, Masculinity vs Femininity: more focus on building relationships usually value modesty and consensus, Uncertainty avoidance: less worried about the future, Long term orientation: moderate, Indulgence: stick with the social norms (De Silva et al., 2019). Accordingly, the way consumers are behaving in one marketplace will be different compared to the behaviors in other contexts (De Silva et al., 2019).
Although literature is available in different cultural contexts, it is important to investigate how EM practices affect customers in a different cultural context like Sri Lanka, because the country of residence acts as a significant indicator of evaluating the retail store attributes and creating loyalty tendency in consumers’ mind (Seock & Lin, 2011).

LITERATURE REVIEW

Customer Loyalty

Customers who are satisfied with an organization will generate positive word-of-mouth for the organization or the brand. Such customers are known as the loyal customers of the brand who generate profitability while switching customers or the disloyal customers create a negative impact on the organization in the long run (Kumari & Sandeep, 2017). Loyal customers do purchases repeatedly and are less inclined to shop around best deal options (Bowen & Chen, 2001). Hence, loyalty reduces the price sensitivity of the customers with regard to a particular brand. Moreover, brands can be benefited from their loyal customers’ partnership activities with the brand (Reichheld & Sasser, 1990). As per the existing literature, authors identify basically two aspects of customer loyalty; behavioral loyalty and attitudinal loyalty which are considered dual dimensions of customer loyalty. Attitudinal loyalty discusses consumers who are having more positive emotions and feelings about a brand or product and services they consume and further they recommend the product and try to influence others to purchase the product; where the second aspect is considered, behavioral loyalty can be defined as consumers’ intention for repurchasing and patronizing the products and service (Chaudhuri & Holbrook, 2001).

Customer Satisfaction

Earning a higher level of satisfaction from customers towards the brand is one of the most important strategic objectives for a business because having a satisfied and loyal set of customers is the principal driver of company profits. Because companies that have a satisfied and loyal customer base always enjoy high revenue and profit margins compared to businesses that fail to retain and satisfy their customers. And also satisfied customers will also refer new businesses as well (Barskey & Nash, 2003).

Schmitt (1999) who discussed how traditional marketing differs from modern marketing highlighted that modern marketers’ focus needs to be on more experiential aspects which give more memorable experiences for the customers which ultimately leads to customer satisfaction. Customer satisfaction is always derived from what is expected and what is actually received. Therefore, CS is measured based on customers’ actual experience related to the product compared to their evaluation of individual experience related to the product expectations in terms of quality and performance (Pine & Gilmore, 2015).
Experiential Marketing

Experiential marketing as a concept was initially introduced by Pine and Gilmore under the Experience Economy. Additionally, Schmitt (1999) discussed many more aspects of experiential marketing which result in arousing considerable interest among academics and practitioners. Consumption has evolved from time to time and it has begun to be seen as an activity that flows with the involvement of feelings, fantasies, and fun when it is discussed in the experiential view (Holbrook & Hirschman, 1982). Thus having an understanding of consumer aesthetics, leisure activities, variety seeking, symbolic meanings, psychotemporal resources, hedonic responses, involvement of creativity, play and emotions, daydreaming and artistic endeavors are beneficial when discussing consumption from a broadened view.

Experiential marketing can be defined as a process of delivering and promoting a product in a way of increasing its value by offering an opportunity to customers to observe and participate in different events, and activities where they become more and more motivated to buy or make them agree to the concept of the product. The experience involves a complete picture of life as it addresses the whole living element. And also the experience usually arises by directly observing or participating in different events. Therefore the primary focus of experiential marketing is relying on customers (Schmitt, 1999). As defined by Lekstutytė (2016), EM allows companies to make their brand more and more differentiated by creating a pleasurable, memorable, and unique experience that is more appealing to all five senses, hearts, and minds of the consumers. In addition, it does not matter whether the event is real, virtual or dream-like, what matters is a memorable experience. Experiential marketing can better be described through the Strategic Experiential Module (SEM) with five elements as described below (Schmitt, 1999).

Sense

Sense marketing is used as appeal given to customers’ five senses with the main aim of creating pleasurable sensory experiences for customers through sight, smell, touch, sound, and taste (Schmitt, 1999). Among the five dimensions of experiential marketing sense is the most important one as consumers are mostly impressed by the sensing experience created by the marketers (Ying Wu & Tseng, 2015). Therefore the sense dimension shows the greatest importance among all other five dimensions (Kanopaitė, 2015). Sense marketing techniques are extremely important, especially in the retail sector, to increase customer attention and involvement and keep them in the stores for an extended period of time, because customers also as human beings are believed to become more sensitive to shopping-related experiences which give more sensual inputs for them in terms of sight, smell, taste, hear and touch. Further, the best of such inputs are cherished by them for a longer period of time. Therefore, when designing experiential marketing elements, retailers should consider all the five sense marketing cues where shoppers feel new and keep them refreshed throughout their shopping (Senthil et al., 2011).
Feel

Feelings become the most powerful dimension when it occurs during the consumption. A customer will embrace a positive emotion when related to the consumption experience (Schmitt, 1999). Strong feelings are created as a result of contacts and interactions. Normally they develop over time. When consumers move at experiential marketing events they will feel such set-ups as environmental centers and also will make them feel pleasant regarding such environments, brands, or products and services. If marketers create more localized and personalized experiences, then customers may feel like the products or the services they consume are customized for them.

Think

Think marketing is focusing on intelligence. It targets cognitive thinking, problem-solving aspects, and means of creatively involving customers. Think dimension appeals on target consumers’ convergent thinking and divergent thinking through generating surprise, intrigue, and provocation and ultimately the thinking experience will be expressed by the customers through delivering inspiration and the essence of surprise. Hence researchers highlight that demand comes through surprise, interaction, and attraction of consumers to think as well as concentrate towards a good shopping experience as it encourages customers to think with more concentration to trigger and evaluate brands and products (Schmitt, 1999).

Act

By focusing on their body sensations and presenting them with many alternate methods of carrying out their daily activities and engaging in international relationships, act marketing encourages customers’ lifestyle patterns. Marketers consider consumers’ physical characteristics, way of life, and behaviors while creating these act experiences. They also consider the experience that arises from social connections with other individuals.

Relate

Relate dimension is considered the least important element among the elements in the SEM model (Ying Wu & Tseng, 2015). However, the experience of connection or anything related is defined by Schmitt (1999), as performing through relating customers to something or someone outside his/her own self, as it aims to relate the consumer with their surroundings, culture, and social background where those consumers live. Hence a strong, powerful brand association/relationship can be built if marketers successfully utilize related marketing (Maradufu et al., 2017). It is better to adopt an integrated approach to satisfy customers through experiential marketing as it generates higher brand commitment towards the brand (Alkilani et al., 2013).

With intense market competition, marketers are paying attention to consumer experiential value to meet customers’ different experience needs and personalized experience choices (Liu et al., 2020). Especially the enterprises in the service
industry need to give more prominence to experiential marketing and constantly improve customer well-being because going from satisfaction marketing to well-being marketing is an inevitable trend of social development and human progress. Accordingly, Liu et al., (2020) suggests that in order to continuously improve consumer well-being it is important to carry-out experiential marketing.

**Relationship between Experiential Marketing and Customer Satisfaction**

Experiential marketing leads to satisfying the customers which in return leads to creating positive behaviors in post-purchase stage. Therefore, especially when it comes to services, marketers should create a relaxing environment for their customers physically as well as psychologically, to distance them from negative environmental factors like anxiety and stress. In such a situation undoubtedly it will add to customer satisfaction and will create a strong brand image in consumers’ minds (Ihtiyar et al., 2018). Some researchers suggest that marketers need to pay more attention to enhancing the sense and feel experiences of the customers in order to better satisfy them. Therefore, it’s better to adopt an integrated approach to satisfy customers through experiential marketing as it generates higher brand commitment towards the brand (Alkilani et al, 2013). Further several studies have proved that EM practices positively and significantly influence customer satisfaction (Soliha et al.,2021; Oztruk, 2015; Ihtiyar et al., 2018; Yang, 2009; Uahina et al. 2011). Customer satisfaction is measured based on customers’ interactions with the brand and mostly depends on how well customers perceive their individual interactions in relation to their expectations for the brand’s quality, as mentioned by Pine & Gilmore (2015). Accordingly, experiential marketing which appeals to consumers through unique and memorable experiences is considered a significant predictor of customer satisfaction which is positively related to customer loyalty as well (Ying Wu & Tseng, 2015). The studies conducted by Yang (2009), Uahina et al. (2011), Alkilani (2013) found that the brand experience positively affects customer satisfaction. Ihtiyar et al. (2018) revealed that the Strategic Experiential Module proposed by Schmitt (1999) leads to satisfying the customers ultimately leading to positive post-purchase behavior. Therefore, marketers should create more EM activities that lead to CS and will create a strong image in consumers’ minds (Ihtiyar et al., 2018). Further, it was found that the experiential marketing practices of different marketers in different fields create a significant positive effect on customer satisfaction (Zena & Hadisumarto, 2012; Ying Wu & Tseng, 2015; Kanopaitė, 2015; Oztruk, 2015). Accordingly, the researchers identify the first research question as ‘What is the impact of experiential marketing on customer satisfaction in the modern trade retail industry in the Western province, in Sri Lanka?’ and the following hypothesis has been derived based on the literature.

**H1**: There is an impact of Experiential Marketing on Customer Satisfaction in the modern trade supermarkets in the Western Province, in Sri Lanka.
Relationship between Experiential Marketing and Customer Loyalty

Pratminingsih et al. (2018), suggest that to win the competition, companies can develop an experiential marketing program and offer excellent service quality which will ultimately lead to customer loyalty. Therefore, marketers should enhance the performance of specific qualities of Experiential Marketing and service quality in order to raise customer happiness and loyalty to a brand (Pratminingsih et al., 2018).

According to Lekstutyt (2016), Experiential Marketing enables businesses to differentiate their brands by offering customers a kind of enjoyable and unforgettable experience that will appeal to their hearts and foster a distinctive attitude toward the brand. In experiential Marketing customers get exposure through sense, feel, think, and act and relate will have a beneficial impact on customer loyalty in the retail industry as described by Yacob et al. (2016). Uahina et al. (2011), says the brand experience arises when consumers search, shop and consume different brands, and the brand-specific, brand-related experiential attributes will result in loyalty. Additionally, research done by Yand (2009) and Zena & Hadisumarto (2012) shows that experiential marketing significantly increases client loyalty. Oztruk (2015), conducted research regarding experiential marketing and its effects on customer loyalty and satisfaction with regard to cosmetic products and proved that EM creates a significant positive effect on customer loyalty. Accordingly, the researchers identify the second research question as ‘What is the impact of experiential marketing on customer loyalty in the modern trade retail industry in the Western province, of Sri Lanka?’ and the following hypothesis has been derived based on the literature.

H2: There is an impact of Experiential Marketing on Customer Loyalty in the modern trade supermarkets in the Western Province, of Sri Lanka.

Relationship between Experiential Marketing, Customer Satisfaction, and Customer Loyalty

Brand experience is considered as all the experiences a customer gained through the brand and it can arise in various types of settings when consumers search for, shop for, and consume the brand (Moreira et al., 2017). Specific brand-related stimuli create a unique experience for the customers towards the brand, which will positively affect on the satisfaction, trust, and brand loyalty of the particular brand (Uahina et al., 2011). The literature emphasizes the importance of the mediating role of customer satisfaction to create customer loyalty through experiential marketing practices (Soliha et al., 2021). Experience makes consumers produce higher familiarity, stronger brand association, and a deeper product impression towards the brand (Maradufu et al., 2017).

Oliver (1999) defines customer satisfaction as a necessary step in order to achieve customer loyalty for an organization. This is justified by Lekstutytė (2016) who mentions that it is crucial to focus on customer satisfaction in order to achieve and improve customer loyalty. Enhancing customer satisfaction encourages the
development of a positive attitude towards the brand, which encourages repeat business and positive word-of-mouth. According to the findings of Bowen & Chen (2001), client loyalty and satisfaction are closely related. The experts go on to explain that loyalty grows significantly when satisfaction reaches a certain threshold level and decreases significantly when satisfaction falls below that level. They therefore demonstrated how a shift in satisfaction might result in a sizable shift in loyalty. Moreover, Ying Wu & Tseng (2015) explained that experiential marketing shows a positive relationship to customer satisfaction and customer satisfaction shows a positive relationship to customer loyalty. The same was tested by Oztruk (2015) with regard to cosmetic consumers in Kenya. The study conducted by Yang (2009) on modern retail business in Indonesia has found similar results proving that there is a significant impact of customer satisfaction on customer loyalty. Accordingly, the researchers identify the third research question as ‘Does customer satisfaction mediate the relationship between experiential marketing and customer loyalty in the modern retail industry in the Western province, of Sri Lanka?’ and the following hypothesis has been derived based on the literature.

**H3:** *The relationship between Experiential Marketing and Customer Loyalty is mediated by Customer Satisfaction in modern trade supermarkets in the Western province, of Sri Lanka.*

**Experiential Marketing in the Retail Industry**

Various facilities offered in modern retail business lead consumers easily and deeply distinguish the experience they feel toward modern retail from another modern retail businesses. The enjoyable experience provided by the marketers along with the buying activity will create uniqueness to the company while leading the consumers toward customer loyalty (Yacob et al, 2016). The concept of experiential retailing was first discussed by Senthil et al., (2011) simply as the retail version of experiential marketing. Today, retailers are forced to provide enough justification for a question from customers, “Why should I buy from you?” Hence, apart from focusing on new products and line extensions, marketers should also concentrate on current marketing strategies to see how marketers are actively engaging, providing benefits and empowering customers toward having a greater shopping experience (Senthil et al., 2011).

In the literature, it discusses this relationship in different environmental contexts like the tourism industry, retail industry, restaurants, and many more as elaborated earlier, but still, a gap exists to test this relationship in the modern retail environment in a country like Sri Lanka.

The concept of experiential marketing has been researched in diverse environmental and country contexts. Even though some studies have been conducted in the areas of modern retail businesses (Yacob et al., 2016), the online apparel retail industry (Ying Wu & Tseng, 2015), retail industry (Senthil et al., 2011), there is a dearth of studies conducted in the context of modern trade supermarkets, especially in a diverse cultural and economic context like Sri Lanka.
The following conceptual framework has been developed with the foundation of a thorough literature review and then it was tested against the data. Accordingly, this research study investigates the impact of experiential marketing on customer loyalty with the mediating impact of customer satisfaction. Further, it aims to measure both direct and indirect effects of experiential marketing on the customer loyalty and also the impact created through customer satisfaction.

The conceptual framework is developed based on the study “Customer Satisfaction and Loyalty in an Online Shop: An Experiential Marketing Perspective” by Ying Wu, M., & Tseng, L.H. (2015).
### Operational definitions and operationalization of variables

#### Table 1: Operational definitions and operationalization of variables

<table>
<thead>
<tr>
<th>Construct</th>
<th>Dimension</th>
<th>Operational Definition</th>
<th>Code</th>
<th>Indicators</th>
<th>Measurement</th>
<th>References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiential Marketing</td>
<td>Sense</td>
<td>Appealing to the five senses aimed at creating sensory experiences for the customers through five man sensory receptors such as sight, sound, taste, touch, and smell when they are shopping in the supermarket.</td>
<td>EMS</td>
<td>05</td>
<td>EMS1, EMS2, EMS3, EMS4, EMS5</td>
<td>Schmitt (1999), Ihtiyar et al. (2018), Ying Wu &amp; Tseng (2015), Senthil et al., (2011)</td>
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<tr>
<td>Lekstutytė (2016)</td>
<td></td>
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<tr>
<td>Feel</td>
<td></td>
<td>Positive emotion related to the shopping experience which affects customers’ affection towards the supermarket.</td>
<td>EMF</td>
<td>02</td>
<td>EMF1, EMF2</td>
<td></td>
</tr>
<tr>
<td>Think</td>
<td></td>
<td>Appeals to consumers’ thinking process by creating surprise, interest and</td>
<td>EMT</td>
<td>03</td>
<td>EMT1, EMT2, EMT3</td>
<td></td>
</tr>
<tr>
<td>Act</td>
<td>Create a space where people may purchase while increasing the physical experience, giving a glimpse into behavior and lifestyle, and enhancing social interaction.</td>
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<tr>
<td>EMA</td>
<td>EMA03</td>
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<tr>
<td></td>
<td>EMA1, EMA2, EMA3</td>
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<table>
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<tr>
<th>Relate</th>
<th>Appeal to the consumers’ desire for self-improvement, need to be perceived positively by others and relate them with other shoppers in their social system.</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMR</td>
<td>EMR03</td>
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<tr>
<td></td>
<td>EMR1, EMR2, EMR3</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Customer Satisfaction</th>
<th>The sense of happiness or displeasure a customer experiences as a</th>
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</thead>
<tbody>
<tr>
<td>Indrawati &amp; Fatharani</td>
<td></td>
</tr>
<tr>
<td>(2016)</td>
<td></td>
</tr>
<tr>
<td>CUS</td>
<td>CUS04</td>
</tr>
<tr>
<td></td>
<td>CUS1,CUS2, CUS3,CUS4</td>
</tr>
</tbody>
</table>

Oliver R. (1997)
result of contrasting the result they received with the expectations they had for it can be described as customer satisfaction.

| Customer Loyalty | Attitudinal Loyalty | Customers are having a positive feeling about the supermarket and its shopping experience and they try to influence others by recommending to them. | CLA 04 | CLA1, CLA2, CLA3, CLA4 | Oliver R. (1997)  

| Behavioural Loyalty | Customers’ intention to repurchase and patronize the products. | CLB 04 | CLB1, CLB2, CLB3, CLB4 |

Source: Adapted from literature
METHODOLOGY

This research is considered to be a positivist study that uses a deductive approach. The study has employed the survey strategy. A structured questionnaire was used to obtain primary data. Customers who shop in modern trade supermarkets in the Western province, of Sri Lanka, were considered as the population of the study. According to economic and social statistics of the Central Bank of Sri Lanka, the Western province contributes to a larger proportion of the GDP from the retail category; accordingly, the Western province has been selected for the study among other provinces in Sri Lanka. The researcher selected the sample based on the judgment, ‘retail customers who visit modern trade supermarkets’ and with a 95% confidence the sample size was selected as 384 customers from the population based on the convenience sampling method (Krejcie and Morgan, 1970). Accordingly, the sample respondents were given access to a self-administered questionnaire via the internet in the form of a Google form. The questionnaire includes three main sections Section A: General information, Section B: Basic information and Section C: Classification information. A total of 375 questionnaires were collected and 357 responses were considered as valid responses for the data analysis using screening questions. The SPSS software package was used for the data analysis.

DATA ANALYSIS AND FINDINGS

Demographic Profile of the Respondents

From the sample, the majority (80.8%) of the respondents were between 18-30 years. and 71.1% of respondents were females.

Validity and Reliability Assessments

Major psychometric properties namely, Kaiser-Meyer-Olkin (KMO), Average Variance Extracted (AVE), Composite Reliability (CR), and Cronbach’s Alpha (CA) have been validated in this study. Values of each dimension are above the threshold which confirms the internal consistency and the adequacy of the sample. Furthermore, the normality of the data was assured where Skewness and Kurtosis values were between -2 to +2 and -7 to +7 respectively (Hair et al., 2010).

Table 4: Validation of Psychometric Properties

<table>
<thead>
<tr>
<th>Variable</th>
<th>Validity</th>
<th>Reliability</th>
<th>Convergent validity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>KMO</td>
<td>Bartlett’s Test</td>
<td>CA</td>
</tr>
<tr>
<td></td>
<td>Chi-square</td>
<td>Sig.</td>
<td></td>
</tr>
<tr>
<td>Threshold level</td>
<td>0.5</td>
<td>0.7</td>
<td>0.5</td>
</tr>
</tbody>
</table>
To test the discriminant validity of data, the square root of the Average Variance Extracted (AVE) of each variable was calculated and they were compared with the correlation values of the variables. Accordingly, all the square root values of AVEs of each variable indicate a higher value compared to the correlation values which satisfied the discriminant validity of the variables.

**Testing the Hypotheses**

To determine the variables' immediate and long-term effects on each other, three regression analyses were carried out, ultimately leading to test of mediating effect.
H1: There is an impact of Experiential Marketing on Customer Satisfaction in modern trade supermarkets in the Western province, of Sri Lanka

A linear regression was run to measure the impact of EM, Independent Variable (IV) on CS (mediating variable).

Table 5: Linear regression results for experiential marketing on customer satisfaction

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>40.289</td>
<td>1</td>
<td>40.289</td>
<td>292.319</td>
<td>.000</td>
</tr>
<tr>
<td>Residual</td>
<td>48.928</td>
<td>355</td>
<td>.138</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>89.217</td>
<td>356</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Customer Satisfaction
b. Predictors: (Constant), Experiential Marketing

At t statistics significance shows a value, lower than 0.05, which indicates that the alternative hypothesis should be accepted and the null hypothesis rejected. Accordingly, it has been demonstrated that CS is significantly influenced by EM. Further, the B value of EM is 0.741, indicating that, the influence of EM on CS is strongly positive.

H2: There is an impact of Experiential Marketing on Customer Loyalty in modern trade supermarkets in Sri Lanka

A linear regression was run to measure the direct impact of EM (IV) on CL which is considered as the Dependent Variable (DV).
Table 6: Linear regression results for the Experiential Marketing on Customer Loyalty

ANOVA<sup>a</sup>

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>36.714</td>
<td>1</td>
<td>36.714</td>
<td>342.952</td>
<td>.000&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td>Residual</td>
<td>38.004</td>
<td>355</td>
<td>.107</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>74.718</td>
<td>356</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup> Dependent Variable: Customer Loyalty  
<sup>b</sup> Predictors: (Constant), Experiential Marketing

Coefficients<sup>a</sup>

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.188</td>
<td>.144</td>
<td>8.257</td>
<td>.000</td>
</tr>
<tr>
<td>Experiential</td>
<td>.707</td>
<td>.038</td>
<td>.701</td>
<td>18.519 .000</td>
</tr>
</tbody>
</table>

<sup>a</sup> Dependent Variable: Customer Loyalty

Source: Survey data, 2021

If the significance level at t statistic is less than 0.05, the null hypothesis should be rejected and the alternative hypothesis should be accepted. So it is proved that there is an impact from EM on CL. Furthermore, the B value of EM is 0.707, which indicates the influence of EM on CL is strongly positive but lesser than of influence on CS.

H3: The relationship between Experiential Marketing and Customer Loyalty is mediated by Customer Satisfaction in modern trade supermarkets in Sri Lanka

Multiple regression was run to identify if Customer Satisfaction (mediating variable) has a significant unique impact on customer loyalty (DV), and the effect of the IV on the DV shrinks upon the addition of the mediator to the model.

Table 7: Linear regression results for Experiential marketing on Customer Satisfaction

ANOVA<sup>a</sup>

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Regression</td>
<td>45.726</td>
<td>2</td>
<td>22.863</td>
<td>279.158</td>
<td>.000&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td>Residual</td>
<td>28.992</td>
<td>354</td>
<td>.082</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>74.718</td>
<td>356</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<sup>a</sup> Dependent Variable: Customer Loyalty  
<sup>b</sup> Predictors: (Constant), Customer Satisfaction, Experiential Marketing
At t statistics, significance is lower than 0.05, which indicates the null hypothesis should be rejected and the alternative hypothesis should be accepted. Hence, it is proved that there is a mediation effect from CS on the relationship between EM and CL. Furthermore, the B value of the EM has been reduced from 0.707 to 0.389.

According to Baron & Kenny (1986), the following prerequisites must be met in order to establish a mediation: First, it must be shown that the independent variable influences the mediator in the first equation (H1). Then it must be shown that the independent variable influences the dependent variable in the second equation (H2), and finally, it must be shown that the mediator influences the dependent variable in the third equation (H3). The influence of the independent variable on the dependent variable in the third equation (0.389<0.707) must be smaller than in the second equation if all of these conditions hold in the predicted direction. As per the above results, it clearly indicates that the effect of IV on DV has been reduced after adding the mediating variable, hence customer satisfaction mediates the relationship between EM and CL. Furthermore, a perfect mediation is said to hold by Baron and Kenny (1986) if the independent variable has no impact on the dependent variable when the mediator is controlled. Accordingly, the results of this study depict a partial mediation (0.380 > 0).

Moreover, as per Baron and Kenny (1986), Sobel (1982) presented an approximation of a significance test for the mediator’s role in mediating the direct impact of the independent variable on dependent variable. Hence, to further clarify the mediating effect of customer satisfaction a Sobel test was performed.

![Figure 2: Sobel Test Calculation](source: Survey data, 2021)
According to the test results, the p-value is zero it indicates that the test is significant and the mediator variable (CS) along with IV (EM) is significantly explaining the DV (CL).

DISCUSSIONS

Considering the shopping behavior of sample respondents, consumers give prominence to a variety of goods, convenience and shopping experience when selecting a supermarket. More importantly, the positive previous experience was identified as the predominant factor for revisiting a supermarket, which highlights that consumers perceive the shopping experience as a crucial factor in determining repeat visitation which is a sign of behavioral loyalty.

*Experiential marketing has an impact on customer satisfaction in modern trade supermarkets in the Western Province, in Sri Lanka:* As proven by the H1, the empirical results gathered from the context of modern trade supermarkets in Sri Lanka, showed that there is a significant direct impact of experiential marketing on customer satisfaction. The earlier research by Iltiyar et al. (2018), Uahina et al. (2011), Ying Wu & Tseng (2015), Indrawati & Fatharani (2016), and Abadi et al. (2020) demonstrated how experiential marketing affects customer satisfaction in several other scenarios was supported by this finding.

*Experiential marketing has an impact on customer loyalty in modern trade supermarkets in the Western Province, in Sri Lanka:* As per survey results it showed that a significant direct impact is there from Experiential Marketing on Customer Loyalty. Therefore, the experiential marketing strategies used by modern trade supermarkets have a direct impact on the loyalty of their customers. This finding corroborates with the findings of Zena & Hadisumarto (2012), Yacob (2016), Sahin et al. (2011), Abadi et al., (2020) and Ying Wu & Tseng (2015) as they also mentioned that experiential marketing is considered as a significant predictor of customer loyalty. And also the findings from Ueacharoenkit (2013) suggest that there is a positive direct relationship between customer experience and consumer loyalty. However, Soliha et al.(2021) emphasize, with regard to the coffee shops in the Indonesian context, a contradictory viewpoint that experiential marketing practices do not create a significant impact on customer loyalty. As per the findings of Goldsmith & Tsiotsou (2012), providing unique and highly emotional experiences make customers delighted and hence it drives a higher level of loyalty. Therefore, experiential marketing can be identified as the foundation for developing customer loyalty which was further verified by the findings of the study.

*Experiential Marketing and Customer Loyalty are mediated by Customer Satisfaction in modern trade supermarkets in the Western province, of Sri Lanka:* Finally, the third hypothesis’ findings demonstrated that customer satisfaction mediates the relationship between experiential marketing and customer loyalty in the context of modern trade supermarkets in the Western province, in Sri Lanka. With reference to the previous literature, Yacob & Fatricia (2018) have highlighted that both directly and indirectly through customer satisfaction, experiential marketing has a major impact on customers’ intent to buy. An excellent framework
for integrating elements of experience and entertainment into a product or service that leaves a lasting impression on clients is experiential marketing. As a result, it generates customer pleasure, which is an emotional reaction to the experiences provided by the goods and services that customers have purchased (Ozruk, 2015). Therefore, experiential marketing is regarded as a significant predictor of customer satisfaction and customer loyalty and also has a significant favorable impact on customer satisfaction and customer loyalty (Ozruk, 2015). More particularly, it was discovered that brand experience has a considerably stronger impact on customer satisfaction than it does on brand loyalty (Baer et al., 2015). According to the research of Soliha et al. (2021) customer satisfaction serves as a better intermediary between experiential marketing and customer loyalty even when the former has a negligible direct impact on the latter. Hence, the findings of the study further strengthens the existing claim in the literature with regard to the mediation effect of CS on the relationship between EM and CL.

PRACTICAL IMPLICATIONS

This research illustrates the applicability of experiential marketing practices in the context of modern trade supermarkets, to make the customers satisfied and loyal to the organization. Data were gathered related to the classification information, general and basic information to analyze the behaviour of consumers, and experiential marketing practices. Accordingly, both the direct and indirect paths to create customer loyalty were measured. The study found that experiential marketing has a direct impact on customer loyalty, but the indirect impact through increased customer satisfaction is more important, as shown by the findings. Consequently, it may be concluded that, in the setting of modern trade supermarkets in the Western Province, in Sri Lanka, consumer satisfaction mediates the relationship between Experiential Marketing and Customer Loyalty. The findings of the study will be useful for marketers especially in the industry of modern trade retailing, to further improve their store patronage, appearance, and physical layouts of the supermarkets, to better design their marketing and promotional activities in order to create a more unique and pleasurable experience for the customers to make them satisfied with their offerings. These insights will be important for marketers when taking decisions regarding the company’s online store atmospheres, advertising contents, website designs, experiential video clips, gaming activities and designing of different customer engagement activities in a way that customers can obtain a maximum quality service experience irrespective of the mode of shopping as offline or online. This will increase customer satisfaction which will drive to create a loyal customer base to the organization. Further, as per the results, supermarkets should concern more on the convenience of their locations as it is mostly affecting on customers when they are selecting a supermarket.

Customer responses show mean values of 4.01, 4.00, 3.58, 3.55, 3.45 to the sense, feel, think, act and relate marketing factors respectively. Accordingly, marketers can
focus more on enhancing customer experience in terms of creating an intimate and relaxing atmosphere, by organizing surprising and fascinating activities to grab customer attention in order to enhance the experience they receive through the supermarkets. Furthermore, the satisfaction level of consumers with the existing supermarkets showed a mean value of 4.02 where marketers can better strengthen their customers’ satisfaction by focusing more on experiential marketing practices as it, directly and indirectly, effects on customer loyalty.

LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

Limiting to one area in the local context and using a convenience sampling technique would call for different issues when generalizing findings to the whole population. And also customer experience is considered to be a sensational and emotional concept, where future researchers can use qualitative methodologies to address the research problem and to analyze the relationships in depth.

ACKNOWLEDGMENT

This paper is an output of the science project carried out on investigating the impact of experiential marketing on customer loyalty with the mediating effect of customer satisfaction in modern trade supermarkets in the Western Province of Sri Lanka. The authors declare that all the contributors to the study have been duly acknowledged.

COMPETING INTERESTS

The authors declared no competing interests.

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