

# Customer experience matters more when economy is strong, research shows

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Customers care more about their past experiences with service firms when the economy is doing well, according to a research team from the J. Mack Robinson College of Business at Georgia State University.

The researchers found it is more important for service firms to focus their resources and efforts on improving customer experience when economic times are good, as opposed to when the economy is down. This new finding contradicts previous beliefs that firms should increase their efforts to improve customer experience during difficult economic times to hold on to existing customers.

Dr. V. Kumar, a Regents Professor of Marketing, Dr. Nita Umashankar, assistant professor of marketing, and Ph.D. candidates Hannah Kim and Yashoda Bhagwat analyzed survey and purchase data over multiple years from nearly 800 customers of a Fortune 1,000 international airline carrier. The researchers also combined data from a state-level index from the Gallup Poll that measures how people feel about their general well-being, which is highly correlated with the health of the economy.

"When the economy is doing poorly, customers tend to focus more on price, irrespective of their personal income," Umashankar said. "When the economy is doing better, customers pay attention to other aspects of the purchase decision, including how satisfied they were in the past and whether the firm made an effort to fix anything that went wrong. They tend to weight their past experiences with the firm more heavily to inform their future purchase decisions when the economy is doing

better. So where does the firm get a bang for their buck in terms of investing in [customer service](#)? We would never advocate for firms to provide a poor experience to the customer, but you get a greater return for your investment when the economy is doing better."

The researchers found the international airline carrier doubled its gain in revenue when it improved customer experience during better economic times. The company had a 10 percent gain in revenue when the economy was worse compared to a 20 percent gain when the economy was better.

When the economy is poor, the researchers recommend for service managers to emphasize lower prices and better value. During strong [economic times](#), they believe that service managers should aim to improve customer experience by increasing satisfaction, reducing failures and implementing recovery efforts. Companies should also make customers aware of the superior experience they offer.

The study also found the impact of the economy is greater on lower-income consumers. When the economy goes from weak to strong, people with a lower income show a greater leap in spending.

"The takeaway for firms is that when you see improvements in the economy, maybe it's worth providing offers to lower income consumers because they're the ones who are going to change their behavior the most, probably because they feel a little more confident about how things are going," Umashankar said.

The researchers' findings are published in the article, "Assessing the Influence of Economic and Customer Experience Factors on Service Purchase Behaviors," in the journal, *Marketing Science*.

This study is among the first to examine how customers respond to improvements in customer experience during changes in the [economy](#).

Previous studies have not explored this subject from a customer perspective, Umashankar said.

Provided by Georgia State University

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