Estonian Business School

Department of Marketing

THE EFFECT OF UNIVERSAL EMOTIONS ON CUSTOMER BEHAVIOUR

Master´s Thesis

by

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I herewith declare that I have written the Master's Thesis independently. References have been indicated for the publications, claims, options and different sources by other authors.

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LIST OF ABBREVATIONS

B2C	Business to Customer
CLV	Customer Lifetime Value
CR	Conversion Rate
EEG	Electroencephalography
EI	Emotional Intelligence
FACS	Facial Action Coding System
FEMG	Facial Electromyography
IM	Internal Marketing
KPI	Key Performance Indicator
MC	Mothercare
METT	Micro Expression Training Tool
NPS	Net Promoter Score
PDM	Point Distribution Model
R&D	Research and Development
SETT	Subtle Expression Training Tool
SoS	Standard of Service
System 1	Fast thinking with no sense of voluntary control
System 2	Slow thinking, demands concentration
*	Location number in Amazon Kindle

Please note that some of the text in this thesis is referenced by adding symbol * behind last number. That means, the book was read by using the Amazon Kindle, and it gives location numbers instead of page numbers. Example (Ekman 2003, 100*****).

ABSTRACT

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CUSTOMER BEHAVIOR, CONSUMER PSYCHOLOGY, EMOTIONS MANAGEMENT, EMOTIONAL LABOUR, FACIAL EXPRESSIONS, FACIAL CODING, HAPPINESS, MARKETING MANAGEMENT, UNIVERSAL EMOTIONS

The Master´s Thesis investigates the effect of the universal emotions on customer behaviour in Estonia´s retail store environment, examining how far happiness, in particular, influences customers´ purchases, recommendations and product evaluation. Ultimately, it will be considered whether the universal emotions should be managed to increase revenue.

Overall, this thesis explores the essence of universal emotions, assesses the role of emotions in decision making and consumer psychology, introduces emotions measurement techniques, as well as investigates the emotions management process. The empirical study uses a combination of quantitative and qualitative research techniques: automated facial coding, manual facial coding, survey-based study and interview-based learning.

The research might interest retail companies, particularly their marketing and sales professionals, as it demonstrates how focusing on customers emotions can help to improve business results.

INTRODUCTION

More than hundred years ago, Charles Darwin wrote that facial expressions of emotion are universal, not learned differently in each culture. By now, scientific investigations have proved that at least seven universal emotional states are indeed universal (Ekman 2003, 577-581*). Many acclaimed researchers have come to agree that emotional reactions are very important to our welfare given the essential role they play in, influencing everyday life, judgements and decisions (Ekman 2003, 418*; Matsumoto 2009, 2). This Masters´ Thesis uses facial coding techniques and technology, supplemented by a survey based study, to measure and analyse customers´ facial expressions at Mothercare stores in Estonia. As well as, it assesses whether emotions should be managed in order to develop marketing processes in a highly competitive retail environment.

P. Fisk declared: "Customers are better-informed than ever before, their expectations are high and loyalty is rare (Fisk 2005, 26). Standing out from the competition requires a more creative approach". The author, who is currently working as the Marketing Manager in Baltics, speculates that fast-changing business environment forces retailers to think out of the box and spend marketing budget smartly. The topic, therefore, has been chosen, because the author believes that focusing on customer emotions might help retail firms to improve their marketing processes. If 20th - century marketing was about being *on-message*, 21st – century marketing can realise success by being *on-emotion* (Hill 2010, 253*).

The measurement of customer emotions for marketing purposes is a growing, challenging, and exciting area of study, to which many have turned. Whilst the effect of emotions on consumers has been an interesting topic for many scientists, psychologists and business speakers for some time, most of the scientific research available only concerns general consumer psychology. Consequently, the literature exploring influence of the universal emotions on customers' behaviour and the effect of happiness on purchasing actions in the retail store environment remains limited.

There are no studies, which have examined how retail firms could gain from marketing approaches based on modern emotions-measurement techniques. As such, there is a distinct lack of information with which to form sound judgements on how universal emotions could be measured and if emotions should be managed in store environment.

The aim of the thesis is to explore the topic of universal emotions in customer behaviour as well as find out if customers´ happiness helps to drive sales at MC stores in Estonia, and whether universal emotions should be managed to increase revenue (see appendix 1). The quantitative research was carried out between February and April 2013 at Mothercare stores in Estonia. The qualitative data was collected in April 2013 by interviewing managers from well-known B2C companies and salespersons in MC. As the publications of Westbrook and Oliver (1991), Watson and Spence (2007) and Shaw (2011) have shown that enjoyment can lead to higher satisfaction and helps to drive value for businesses, this study focuses mostly on happiness. For more information, please turn to appendix 2 that aggregates all research methods and questions. Also four hypotheses have been raised and described in chapter 2.

In order to fully answer the research objectives, six research questions will be asked:

1. Which of the universal emotions do customers feel around the till point?
2. Are happier customers more likely to make a purchase?
3. Do happier customers spend more?
4. Are happier customers more likely to recommend business to other people?
5. Are happier customers more likely to rate products higher?
6. Should marketers manage customer emotions?

The thesis is divided into three parts. The first chapter is based on theoretical findings from scientific literature, and describes the essence of universal emotions and their effect on decision-making process. Studies concerning the role of universal emotions in consumer psychology are then examined, followed by the introduction of emotions measurement models and techniques, which demonstrate how universal facial expressions can be measured, and informs which techniques are used by this research. Finally, the emotions management topic is directly connected with the last research

question. All the selected parts are necessary, because they help to create a firmer understanding of universal emotions that are in the focus of this thesis. The second empirical part demonstrates and explains the research methodology (automated and manual facial coding, survey, and interview), stages, and its targets. The third chapter presents and analyses the research results as well as includes a discussion and conclusion.

The author would like to thank supervisor Toomas Danneberg for his comments that helped to improve the Masters´ Thesis; Mothercare employees in Estonia, where the research work was carried out; Jüri Allik, the Professor of Experimental Psychology, who suggested reliable literature about consumer psychology; Elisa, Olympic Entertainment Group, Denim Dream and Rimi managers describing their views about emotions management; Oliver Banham-Godfrey for proofreading. Most of all, the author wishes to thank her husband Martin Salo and Realeyes employees for supporting the study with facial coding technology that made it possible to measure customers emotions and for supplying suggestions about theoretical literature and statistical analysis.

1. LITERATURE REVIEW

1.1. The Essence of Universal Emotions

Matsumoto (2009) explained: “The emotions humans experience evolved to help us cope with events and situations that had consequences for our immediate welfare. Emotions are an important part of everyone´s psychology” (Matsumoto 2009, 1). Although, it has been quite difficult for psychologists to study universal emotions, we now have much more detailed and accurate information available. P. Ekman´s publication called “Emotions Revealed - Understanding Faces and Feelings” is one of the most evaluated examples of literature published about universal facial expressions. Understanding the basic psychological background of the universal emotions is important for this study, and so the first chapter will define what is understood as the universal emotions, scientific terms, and investigate the essence of the universal emotions.

Universal emotions are basic emotions - each of which has a unique set of characteristics that distinguish themselves for one another. These characteristics include unique physiological signatures, distinctive changes in mental activities and attention, subjective experience, and reliable nonverbal signals. Moreover, these characteristics are universal to all people of all cultures (Matsumoto 2009, 3-6). That means there are some emotions, which have **universal facial expressions** - these feelings are expressed in the same way by everyone; such factors as race, culture, age, and language do not change how facial muscles work or the way that facial expressions appear (Ekman and Friesen 2003, 565*). In short, these emotions are biologically based and universally experienced (Richins 1997, 128). Charles Darwin, who studied facial expressions of infants and children in an era that saw the foundations of child psychology, was the first one to argue that facial expressions of emotion are innate and universal (Ekman 2006, 353*). Psychologists Jerry Boucher, Klaus Scherer and their collaborators found evidence of universals as well, and there are number of other studies, which demonstrate that those who are born congenitally

blind manifest similar expressions to those of sighted individuals (Ekman 2003, 360*).

There are different terms used in literature to describe emotions - which have universal facial expressions. Paul Ekman and Wally Friesen share the view that there are seven emotions which are universal, whilst psychologist Richard Lazarus made a similar proposal but using a different phrase - *core relational themes* (Ekman and Friesen 2003, 565-581*). Matsumoto (2009, 2) talked about *universal human emotions* as well as *basic emotion*, and Richins has used the word *basic emotions* (Richins 1997, 127-146). Finally, the phrase *reactive emotion* was used by Sändström el al. (2008, 112-126). *Universal emotions* will be used by this study, because it is common, and the word itself reflects that we talk about emotions, which have universal facial expressions.

Many people have experienced a moment, where they are aware of what their friend is feeling. One might try to control their facial expressions in order to avoid one's emotional state being displayed, however even when staying quiet and saying nothing, micro expressions will still appear. It is because most of our emotions have a distinctive signal that reflects the feeling. Emotions produce changes in parts of our brain that mobilise us to deal with what has set off the emotion, as well as changes in our autonomic nervous system, which regulate our heart rate, breathing, sweating, and many other bodily changes (including face muscles) and prepare us for different actions (Ekman 2003, 1092*).

7 emotions, which are considered universal - are anger, disgust (contempt), **fear, sadness, agony, surprise and enjoyable emotions** (Ekman and Friesen 2003, 766-1743*). Ekman and Friesen´s work "Unmasking the Face", describes facial expression and their feelings. They videotaped themselves as they systematically made different combinations of facial movements and recorded ten thousand different combinations of facial muscle actions (Ekman and Friesen 2003; Ekman 2003). Their research was developed further and became the basis for well-known Facial Action Coding System (FACS – which is described more specifically under emotions measurement techniques section). Enjoyable feelings are amusement, excitement, relief, wonder, ecstasy, fiero, contentment, naches, gratitude, schadenfreude, sensory pleasures, wonderment, elevation etc. Ekman believes that there are more than dozen enjoyable

emotions, each universal, and different from the others (Ekman 2003, 3287*). The problem with words such as enjoyment and happiness, however, is that they are not specific enough; they imply a single state of mind and feeling. Unfortunately, English language does not have single word for all of the enjoyable emotions.

Emotions prepare us to deal with important events without us having to think what to do (Ekman 2003, 472; Matsumoto 2009, 2). In the book "Emotions Revealed" (2003, 471*), Ekman writes that: "Emotions can happen unexpected way, because muscles change our visible appearance of the face. Emotions send out signals, changes in our expressions, face, voice, and bodily posture – we do not choose these changes, they simply happen." Ekman notes that and while most facial expressions last about two seconds, some are as short as a half second and as long as four seconds. Long-duration expressions typically signal a more intense feeling than a briefer one. Fundamentally, this means that we cannot always be aware of the processes that take place in our minds and – what reasons triggered our responses. If they were slower - they would be less useful, but there would be time for us to become conscious of what was making us become emotional. Moods, on the other hand, last much longer. Moods also involve feelings, but can last a whole day or even two days, and reduce our flexibility by making people less responsive to the changing nuances in their environment (Ekman 2003, 1016*).

In most cases it is assumed that a dominant emotion occurs alongside other less prominent feelings (Watson and Spence 2007, 507). That means it is possible to feel more than one emotion in response to particular event. One or more of the underlying appraisals of a situation could be ambiguous, making the emotions felt unclear or mixed. Ekman (2003) specified that sometimes each emotion may be separated by a few seconds, so, that some of the initial emotional responses come to an end before new ones begin, and sometimes they overlap in time (blend). His scientific study proves that emotions can occur in rapid sequence, again and again (Ekman 2003, 1371*).

Each of the universal emotions will be explored in more detail below. As this customer behavioural study focuses the most on customers´ happiness, the strongest attention lies there.

Enjoyable Emotions - Happiness

Ekman has emphasized that all of the enjoyable emotions are very different happy emotions, and do not involve different facial expressions – they all involve smiling expression (Ekman 2003, 1170*; Kahneman 2011, 69). Based on that, we can generalize that pleasurable or enjoyable emotions can be classified as **happy** feelings or **happiness**. Happiness is the emotion most people want to experience, because it is positive (Ekman and Friesen 2003, 1449-1511*). Smiles unambiguously, demonstrate whether people feel enjoyment. “Despite this, we do not know much about most of the enjoyable emotions yet”, admitted Ekman (2003, 3294*).

Kahneman´s „Thinking Fast and Slow“ describes an experiment, which was first introduced in the article called - Mind at Ease Puts a Smile on the Face. In this experiment, participants were briefly shown pictures of objects, some of which were made easier to recognise than others. Emotional reactions were measured by recording electrical impulses from facial muscles, registering changes of expression that are too slight and too brief to be detectable by observers. As expected, people showed a faint smile and relaxed brows when the pictures were easier to see. It appears to be that cognitive ease is associated with good feelings (Kahneman 2011, 65).

Smiling, however, can be quite a confusing signal because sometimes people fake smiling. Despite this difficulty, Ekman´s (2003, 3516-3530*) research confirmed that it is feasible to differentiate between fake (no enjoyment) and sincere smiles (enjoyment). This highlighted that smiling with the eye muscle and the lips activated areas of the brain found in spontaneous enjoyments, whereas smiling with the lips alone did not. This true smile was labelled a Duchenne smile, characterised by the higher cheeks, changed cheek contour and slightly lowered eyebrows. When a smile is broader, it pushes up the cheeks, gathers the skin under the eye, narrows the eye aperture and even produces crow´s feet wrinkles, and all without any involvement of the muscle that orbits the eye. To distinguish a genuine smile from a fake one, one must observe the eyebrows and check that the eye cover folds have been pulled down by the muscle orbiting the eye (Ekman 2003, 3552*).

As neurobiologists and psychologists have written, happiness delivers all sorts of benefits (Hill 2010, 2210*):

- Physically – positive feelings counteract stress and allow for greater flexibility;
- Socially – happier people are nicer, more aware, and better able to navigate conflicts with others;
- Intellectually – being happier make people more creative, and better able to solve problems. Positive feelings make it easier for the brain to make new mental connections because the brain gets flooded with the enablers of serotonin and dopamine.

Happiness and smiling deserves more analytic attention, as the empirical research which follows focuses on enjoyable emotions – studying happiness´ effect on purchasing behaviour, recommendations and product evaluations. Furthermore, many consumer researchers have referred to happiness as one of the most important feelings that can influence sales and consumer satisfaction. However, as the study measures all 6 universal emotions (except agony) by using the automated facial coding technology, it is necessary to briefly look into other universal emotions as well.

Other Universal Emotions

Surprise is the briefest emotion in length and considered to be neutral - not necessarily pleasant or unpleasant. It can be unexpected or misexpected, after which another emotion quickly follows. Surprise lasts only until the triggering event has been evaluated. Surprise, for example, is an emotion with a big family: questioning surprise, dumbfounded surprise, dazed surprise, slight, moderate, and extreme surprise (Ekman and Friesen 2003, 836*; Ekman 2003, 2619*).

Fear is an unpleasant feeling that can be the most traumatic and toxic of all emotions. It is one that usually occurs gradually, and compared to surprise, lasts longer. Fear can be followed by any of the other emotions or by no emotion at all. Fear may also be experienced as a blend with another emotion (Ekman and Friesen 2003, 927*). The fear family contains anxious, nervous, tense, worried, apprehensive, frightened, terrified, horrified, and mortified feelings (Matsumoto 2009, 3).

Disgust is a negative emotion, comparative to the feeling of aversion. Contempt is related but different from disgust (usually experienced with regards to people or the actions of people, rather than tastes, smells or touches). Contempt and disgust are

often accompanied by anger. Disgust can blend with anger, surprise, fear, sadness and happiness. Disgust and contempt can vary in intensity (Ekman and Friesen 2003, 1097-1143*; Ekman 2003, 2974-3136).

Anger is an unpleasant feeling, which is also the most dangerous. Angry people are most likely able to hurt others purposefully. Anger varies in intensity, from irritation and annoyance to rage or fury, and anger can occur either gradually or suddenly. Angry can blend with any of the other emotions (Ekman and Friesen 2003, 1223*). In the words of Matsumoto: "Anger family contains emotions denoted by the terms annoyed, irritated, frustrated, pissed off, angry, mad, hostile, exasperated, furious, and enraged" (Matsumoto 2009, 3).

Sadness is passive, and **agony** attempts to deal actively with the source of the loss. Often agony appears when a situation is uncontrollable, whilst, sadness is one of the longer-lasting emotions. After a period of protesting agony, there is usually a period of resigned sadness, in which the person feels totally helpless. People suffer in sadness, a variation or form of distress, which is the most general negative emotion (unpleasant). Sadness can blend with any of the emotions, but most often with anger or fear (Ekman and Friesen 2003, 1610-1782*; Ekman 2003, 1588-1776*)

1.2. Decision-Making Process

It is only recently that researchers have started to focus on the role of emotion as a separate factor in the decision-making process. Before that, emotions were viewed as a negative influence and hindrance to the rational decision-making process. Today, more researchers have stressed the importance of emotional influences on decision-making (Gutnik 2006, 724; Matsumoto 2009, 2; Kahneman 2011, 24).

There has been a long continuous debate over the independence of cognition and emotion. Most current theories confirm that there are two dominant systems people use for decision-making. These are *system 1* (fast thinking with no sense of voluntary control) and *system 2* (slow thinking, demands concentration). The terms *system 1* and *system 2* were originally offered by the psychologists Keith Stanovich and Richard West, and popularised by Daniel Kahneman, winner of the 2002 Nobel

Memorial Prize in Economic Sciences, in his book „Thinking Fast and Slow"(Kahneman 2011, 20). Both systems are active when people are awake. Figure 1 is based on D. Kahneman´s theory - illustrating *system 1* and *2´*s influence in the decision-making process. Secondly, it demonstrates that moods and feelings affect *system 1*, which in turn generates suggestions for *system 2* (explained further in the next paragraph).

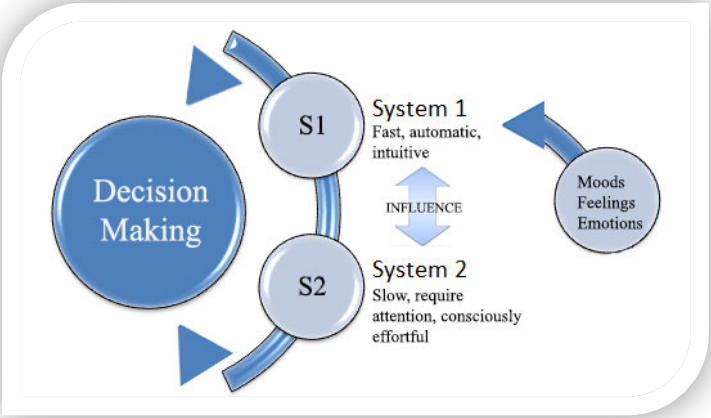

Figure 1. Decision-Making Process (illustrated by the author)

Psychologists believe that people live their lives guided by the impressions of *system 1*. *System 1* operates automatically and quickly, with little or no effort and no sense of voluntary control. *System 1* influences many of the choices and judgments that people make – it cannot be turned off. *System 2*, on the other hand, allocates attention to effortful mental activities that demand it, including complex computations. It is often associated with the subjective experience of agency, choice, and concentration and has some ability to change the way *system 1* works (Kahneman 2011, 20-22). Kahneman writes that: "*System 1* produces the impressions and feelings that are the main sources of the explicit beliefs and deliberate choices of *system 2*". In short, this means that *system 1* continuously generates suggestions for *system 2*: impressions, intuitions, intentions, and feelings (Kahneman 2011, 24). Another remarkable discovery is the powerful effect of mood on intuitive performance. Mood evidently affects the operation of *system 1* - when people are uncomfortable and unhappy, they lose touch with their intuition. These finding add to the growing body of evidence that good mood, intuition, creativity, gullibility and increased reliance of *system 1* form a

cluster. At the other extreme, sadness, vigilance, suspicion, an analytic approach and increased effort also go together. A happy mood loosens the *system 2* control over performance. In a good mood, people are more intuitive and more creative but also less vigilant and more prone to logical errors. A good mood is a signal that things are going well, and that the environment is safe. A bad mood indicates that things are not going well, and that there may be a threat for which vigilance is required (Kahneman 2011, 69).

Other models of decision-making assume the process to be rational, and some that take the valence-based approach and evaluate negative and positive effects on behaviour. For example, Lily A. Gutnik´s scientific study (2006, 725) introduces a theory of two dominant systems that people use to understand and assess risk: the *analytic system* and the *experiential system*. The *analytical system* involves conscious and deliberate cognitive processes that employ various algorithms and normative rules to produce logical, reason-oriented behaviour. The *experiential system* uses past experiences, emotion-related associations and intuitions when making decisions. Researchers have suggested that these two systems must work in collaboration in order for the decision-maker to reach a rational decision. Another model outlines a cool cognitive system, the *know system*, and a hot emotional system, the *go system*, where the interaction between the two systems is fundamental to self-regulation, specifically in terms of delaying gratification. This model was made up of nodes that can be activated and inhibited by external and internal events and processes/factors. Hot nodes contain the experience of different feelings related to specific events. Cool nodes contain information about an event, but are disconnected and devoid of emotional experience. The interaction of these systems results in observed behaviour (Gutnik 2006, 725).

Paul Slovic developed the notion of an affect heuristic, in which people make judgements and decisions by consulting their emotions. Slovic argued people make choices that directly express their feelings and their basic tendency to approach or avoid, often without knowing that they are doing so. Slovic related his views to the work of the neuroscientist Antonio Damasio, who once proposed that people´s emotional evaluations of outcomes, the bodily states and the approach avoidance tendencies associated with them, all play a central role in guiding decision-making.

Damasio and his colleagues have observed that people, who do not display the appropriate emotions before they decide, sometimes because of brain damage, also have an impaired ability to make good decisions (Kahneman 2011, 139).

Lily A. Gutnik´s research paper theorises that emotions influence our attitudes and judgments, which in turn, influence the decisions we make. Emotion is an independent, primary and dominant influencer of responses to social situations. Emotions may have different effects depending on the negative or positive valence of the emotion or specific negative or positive emotions, such as anger or fear, or happiness and pleasure (Gutnik 2006, 726).

Considering previous paragraphs, it can be said that decision-making process is clearly not always fully rational, as moods, feelings, emotions, and intuition can influence the final result. This understanding, and the previous examination of the literature surrounding it, is vital to contextually analyse consumer psychology and emotions management.

1.3. Consumer Psychology

Consumer psychology has focused on different areas as emotions have been important theoretical research object for very long time. Nonetheless, the study of consumption-related emotions is still receiving increasing attention from consumer-behaviour researchers. Previous studies have concentrated on human emotions (Niemic 2002, 15-17), the effect of emotions on consumer behaviour (Laros and Steenkamp 2005, 1437-1445; Watson and Spence 2007, 487-507) and behavioural intentions (Smith and Reynolds 2009, 581-593), emotional response to advertising (Hill 2010, loc2210) and to product evaluation (Howard and Gengler 2001, 198) etc. The next paragraphs will demonstrate the important findings that matter to, and influence, customer behaviour from an emotional point of view'.

The most popular terms that consumer psychology uses when talking about feelings are affect, emotions and moods (Kidwell 2004, 3). "In the social sciences, feelings are referred to as *affect*, and there are many confusions between the terms *emotions*,

feelings, and *affect*", writes Matsumoto (2009, 1). As described previously, emotions and moods are a bit different.

The physical environment is considered to be very important as it helps to make a self-statement and influences customers with everything what surrounds them. Environmental elements within the services setting influence emotions in two dimensions: pleasure and arousal (Mattila and Wirtz 2000, 591). Most store/service managers, and supervisors are increasingly aware of the role of the store environment in enhancing sales, product evaluations and satisfaction. In other words, the shopping experience that customer receives is affected by the whole store environment, which includes standard of service (SoS), sound, lighting, visual merchandising, promotions, events, the number of customers and equipment. In addition to the physical environment, the emotions and moods that sales staff experience are important. With this in mind, it is important to go beyond the general level and gain insight into how *servicescape* can be strategically managed (Baker 1996).

A *servicescape* refers to the built environment, or the manmade, physical surroundings compared with the natural or social environment. The ability of the physical environment to influence behaviour and to create an image is particularly apparent to service businesses such as hotels, restaurants, professional offices, retail stores, and banks and hospitals, because the service generally is produced and consumed simultaneously. Studies have shown that the service setting can affect consumers' emotional, cognitive, and physiological responses which, in turn, influence their evaluations and behaviours. Affective responses or feelings are created by contact with the physical environment (Bitner 1992, 58). There have been more supporting studies, carried out by Mattila and Wirtz (2000, 596), which have showed that pleasant service environments with high levels of arousing qualities receive higher post-experience satisfaction ratings than pleasant environments which fail to generate arousal among consumers. High arousal amplifies the impact of pleasure on satisfaction. Unpleasant pre-consumption service environments receive lower satisfaction ratings when the level of arousal is low. Future purchase intentions are significantly lower for unpleasant environments than for pleasant pre-consumption *servicescapes.*

All **emotions** that are felt before, during and after the service delivery process are equally important and influence the whole shopping experience. Emotions are significant predictors of satisfaction, word of mouth intentions, and service-quality perceptions (White 2010, 391). Researchers have also demonstrated that different emotions with similar valence and levels of arousal can lead to very different consumption-related behaviours (Watson and Spence 2007, 487). Mattila and Wirtz (2000, 591) argue strongly that when a customer enters into the core delivery of the service in a positive affective state, they will tend to perceive the entire service experience in a more positive manner. This is due to feelings and moods being linked to positive memory associations. Individuals who are in a positive emotional state have been shown to evaluate products more favourably than individuals who feel neutral or negative emotions (Smith and Bolton 2002, 8). Conversely, negative affective states are also related to negatively toned cognitions, the result of which is that the consumer is more likely to evaluate the experience as poorer than expected (Mattila and Wirtz 2000, 591).

Moods can also affect judgments and, in turn, influence consumer behaviour. People are assumed to use their mood as a basis for making evaluative judgments. Prior research in marketing has established that also consumers' mood state influences their immediate product evaluations (Mattila and Wirtz 2000). Positive mood can increase consumers' preferences for products – the positive affect of one person can have an effect on the product attitudes of someone else (Howard and Gengler 2001, 189; Loken 2006, 464). A positive mood state may increase motivation to engage in relational elaboration. Some researchers also suggest that consumers might be willing to make decision errors in order to maintain a positive mood. Other research shows that if the stakes are high, consumers will forego short-term mood maintenance for longer-term gains or will even maintain a negative mood if it will improve task performance (Loken 2006, 466).

Many researchers have studied how affective states influence consumer satisfaction. Indeed, satisfaction and post-purchase behaviour have been shown to be strongly affected by emotions (Watson and Spence 2007, 497). A. Kotri (2011, 42) wrote in his study that organisations have to consider the consequence of purchasing and consumption outcomes on customers´ emotions in order to gain their satisfaction and

loyalty. Affect is not only an important dimension of the service experience, but also a determinant of consumer satisfaction (Mattila and Wirtz 2000, 588).

A. Smith and N. Reynolds (2009, 580) examined alternative approaches to measuring service evaluation across cultures. Their findings demonstrated that there are cross-cultural differences in the emotion antecedents. Firstly, the negative emotion of English respondents was related with the decrease in loyalty. Increasing empathy increased positive emotion; increasing reliability decreased negative emotion. It follows that a more reliable level of service decreased feelings of unhappiness, anger and irritation. Unfortunately, the results were a bit different for Chinese and African respondents – the correlation between negative emotions and a decrease in loyalty was lower. For African and Chinese respondents, increasing assurance increased positive emotion. Surprisingly, for the Chinese customers, an increase in reliability decreased positive affect/emotion. Researchers indicated that more empirical work needs to be done to increase understanding of the service evaluation.

In general, it is clear that understanding consumer behaviour is a very complicated task as there are so many factors (physical environment, personal emotional state or moods) that could affect the final outcome of customer experience, satisfaction, or loyalty.

An outline of how universal emotions influence consumers is necessary as for emotions management analysis it is wise to discern what kind of effects the universal emotions might have on consumer behaviour:

Enjoyment as pleasurable emotion can lead to higher satisfaction. Westbrook and Oliver (1991) found that positive emotions (joy) lead to higher levels of satisfaction than pleasant surprise (an uncertain emotion). Also Watson and Spence (2007, 497) have communicated that happy, content and pleased feelings are associated with pre-purchase satisfaction. Watson and Spence (2007, 499) found that happy people recall fewer positive arguments when task is relevant.

Anger is associated with dissatisfaction and intentions to engage in complaining behaviour. Angry emotion also increases the likelihood to engage in complaining and negative word of mouth (Watson and Spence 2007, 499). Yi and Baumgartner (2004)

explored how negative emotions caused by purchase-related situations led to different outcomes - angry people expected someone to fix the problem they caused, disappointed people thought that the situation was uncontrollable so there was no point dwelling on it, and regretful people recognised that they had made a poor decision and were willing to accept the consequences of their own actions. Dunning et al. (2004) found that when customer service agents placed blame for a service failure on external sources, negative emotions decreased, but when they took personal responsibility negative emotions increased (Watson and Spence 2007, 502).

Fear is driven by uncertainty, which causes people make pessimistic judgements (Watson and Spence 2007, 499).

Sadness led to less extreme levels of dissatisfaction than anger, which is driven by situations that are within someone else's control (Westbrook and Oliver 1991). Watson and Spence (2007, 499) found that sad people recall more positive arguments than happy people when task is relevant. Additionally, the fact that sad people are willing to accept a lower selling price and higher choice price could be explained by a perceived lack of control over the situation and corresponding sense of inability to get a better deal.

Many consumer behaviour researchers have studied **positive** and **negative** emotions, but not each emotion separately. Perhaps unsurprisingly, these studies support that negative emotions are usually the result of an unfavourable service experience and subsequently a trigger for customer complaint behaviour. Instead customers who have positive emotional responses to service employees are more likely to develop committed relationships with the service provider (Tronvoll 2011, 112). **The evident take-away for practitioners is to focus on developing the aspects of their offerings that stimulate positive emotions, as customers in this segment are highly likely to say positive things about the firm, have increased willingness to pay more for the services they receive, and be less likely to turn to competitors (White and Yi-Ting 2005, 417).**

Emotions are often considered a crucial component, which leads to customer loyalty, decrease price sensitiveness and the threat of conversion to competitors (Kotri 2011, 43). Yet smart marketing decisions cannot be done without an accurate knowledge of

what effects universal emotions can have on customer behaviour. Despite these contributions of emotional influences as predictors, outcomes, moderators and mediators of behaviour, few studies have examined how individuals actually use emotions and emotional information to perform desired behaviours in a marketing context (Kidwell 2004, 7). Although previous studies have shown that emotions influence decision-making processes, there are still too few detailed practical studies carried out. In order to have a clearer view of how universal emotions effect consumer behaviour, emotions must be measured more devotedly. The next section illustrates how scientists have learned facial expressions and how emotions can be measured by describing the models and techniques required.

1.4. Measuring Universal Emotions and Facial Expressions

1.4.1. Facial Action Coding System

Use of Facial Action Coding System (FACS) has grown exponentially since its inception, and is now used by hundreds of scientists and researchers around the world to measure facial movements. More recently, computer scientists have undertaken the task of automating the process to make it both faster and more accessible (Ekman 2003, 372*). Thanks to FACS, the measurement of emotions and facial expressions is more widespread, and the understanding of them is increasingly sound.

FACS is a system to taxonomise human facial movements by their appearance on the face. In other words, it is a tool for measuring the facial movements. The system was published and widely introduced by Paul Ekman and Wally Friesen in 1978 (Ekman and Friesen 2003, 748*). Since that, FACS has been used to study thousands of photographs and tens of thousands of filmed or videotaped facial expressions, measuring each muscular movement in each expression (Ekman 2003, 371*).

Ekman and Friesen argue that the face is an enormously rich source of information about emotion that provides three types of signals: static (such as skin colour), slow (such as permanent wrinkles) and rapid (such as raising the eyebrows). The face is a multi-message system that broadcasts messages about emotion, mood, attitudes, character, intelligence, attractiveness, age, sex, race (Ekman and Friesen 2003, 309*).

Whenever an emotion is experienced, it is automatically expressed by the muscles of the face.

In order to validate their system, Ekman and Friesen combed through medical textbooks that outlined the facial muscles, identifying every distinct muscular movement that the face could make. These movements were named as action units (AU). Then they began to manipulate each action unit – first locating the muscle in their minds and then concentrating on isolating it. They took notes on how faces changed with each movement and videotaped the movements for their records (Gladwell 2005, 234). Describing the process, Ekman wrote that, "Sometimes, to verify that the movement I was making was due to specific muscle, I put a needle through the skin of my face to electrically stimulate and contract the muscle producing and expression" (Ekman 2003, 371*).

FACS has been a helpful tool for identifying the micro expressions that betray a lie or for generally measuring emotions, and has received attention from judges, police, lawyers, the FBI, CIA, ATF, in addition to the use by many scientists as well as computer scientists all over the world. Co-operation with public sector has given Ekman the chance to study the facial expressions and emotions of spies, assassins, embezzlers, murderers, foreign national leaders, amongst others. He has also learnt about emotions by measuring psychiatric patients and the expressions of patients with coronary heart disease. As well as studied normal people while they were hosting TV-shows and run experiments in his laboratory (Ekman 2003, 375*). The products of his life's work can be seen by anyone in the Subtle Expression Training Tool (SETT), as well as Micro Expression Training Tool (METT) CD´s (Ekman 2003, 371*).

1.4.2. Theoretical Models

As the perception of the importance that feelings have increased, a greater number of studies have been made, and emotional states are increasingly being added to traditional models of consumer behaviour (Loken 2006, 465). This section aims to explore and introduces theoretical models that have been used by researchers for measuring emotional reactions. The second sub-section demonstrates manual

techniques and automated facial coding technology, which can be used for measuring emotions today.

Research on emotions within marketing has evolved through three stages: the categories approach, the dimensions approach and the cognitive appraisals approach (Watson and Spence 2007, 487). **The categories approach** groups emotions around exemplars and considers their effects on consumption related behaviour. This method, unfortunately, does little to explain why different emotions have different behavioural effects. **The dimensions approach** uses the affective dimensions of valence and level of arousal to distinguish between emotions and the effects that they have on consumer behaviour. This approach does offer some explanation but it lacks the ability to account for differences between behaviours driven by emotions of similar valence and arousal levels, such as anger and fear. Given the weaknesses of the other approaches, Johnson and Stewart (2005) argue that **the cognitive appraisals approach** is the most relevant approach for understanding the emotional responses of consumers in the marketplace (Watson and Spence 2007, 488). The cognitive appraisals approach has been used to study consumption emotions and their impacts on post-purchase behaviours. This approach may be used to explain how an extensive range of emotions, including those with similar valence and arousal levels, are elicited and how they lead to different behavioural responses. The cognitive appraisals approach offers a more complete explanation of consumers' behavioural responses to emotions than has emerged from either of the two preceding approaches (Watson and Spence 2007, 488).

Figure 2 demonstrates a model of characteristics that cause emotions and which, in turn, influence consumer behaviour and decision-making. There are four key appraisals that effect emotional state, although it should be noted that it does not advocate that emotions always play the decisive role in the decision making process. For example, desirable situations generally involve achievement and sometimes generate emotions like appreciation or gratitude (gratitude is considered as enjoyable emotion, chapter 1).

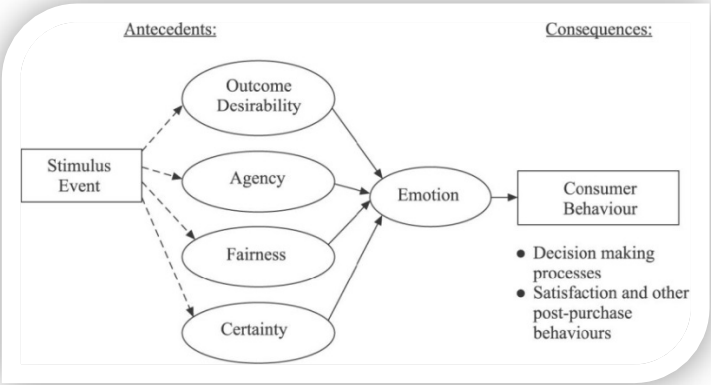

Figure 2. Model Depicting Cognitive Appraisal Theory

Various theorists have tried to examine the content of affect, the dimensions that underlie it, and the distinction between types of affect. Different approaches have been used: facial expression research, language-based research, and logical theory derivation and testing based on evolutionary psychology perspective. Many previous empirical studies on emotions in satisfaction research have used models such as the **Izard's Differential Emotions Scale** (Mattila and Wirtz 2000, 589) or the **Russell's Model of Affect** (Russell 1980, 1161-1175). Figure 3 illustrates Russell's framework by separating cognition from affect (pleasure and arousal). Mehrabian and Russell's (1974) Pleasure-Arousal-Dominance (PAD) model was created to measure the individual's emotional responses to their environment. But as PAD was not specifically intended for measuring emotions, it is not suitable for measuring specific emotions. Mehrabian and Russell have also suggested that affect mediates the relationship between the physical environment and an individual's response to that environment, therefore resulting in two behaviours: approach or avoidance. Approach behaviours are represented by an individual's desire to stay, explore, or work in an environment, whilst avoidance behaviours reflect the opposite desires. The same PAD model has been adopted by several other consumer focused studies (Kotri 2011, 43). In terms of consumer behaviour, approach behaviours include a desire to patronize an outlet and a willingness to return for future purchases (Mattila and Wirtz 2000, 589).

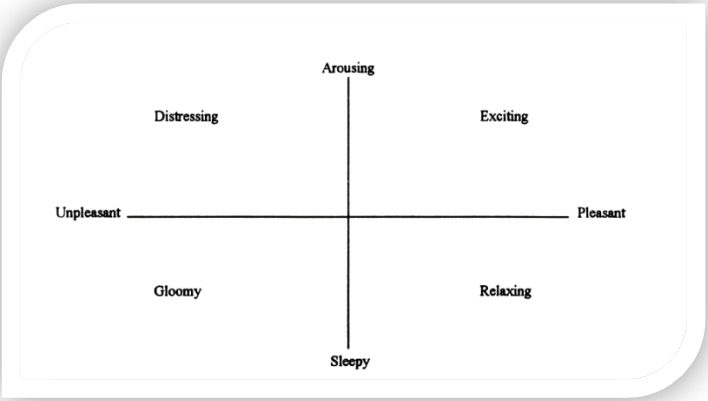

Figure 3. Russell´s Circumplex Model of Affect

J. Sørensen (2008, 6-13) introduced the measurement of facial expressions is commonly used in psychology. There are few more other models: Plutchiks 8 basic emotion categories (fear, anger, joy, sadness, acceptance, disgust, expectancy, surprise), Emotions Profile Index (EPI), PANAS-model (Positive And Negative Affect Schedule), Consumer Emotions Set (CES), Anticipated and anticipatory emotions, Net Emotional Response Strength (NERS), Emotion During Service Recovery (ESRE) etc.

Figure 4 illustrates CES model – emotions are divided into 3 basic emotions clusters that are experienced directly in consumption situations (Sørensen 2008, 11).

Positive emotions	Romantic love, love, peacefulness, content, optimism, joy, excitement
Negative emotions	Anger, discontent, worry, sadness, fear, shame, envy, loneliness
Others	Surprise, other items (guilty, proud, eager, relieved)

Figure 4. CES Model by Richins

Measuring emotions is necessary if we wish to understand what customers´ feel and like – and thus make right decisions that help to increase sales. This current study is using manual research techniques and modern automated facial coding technology, which are described in the next sub-section.

1.4.3. Manual and Automated Techniques

Emotions measurement can be utilised for market research in a faster and more reliable manner than ever before. This can be done by using many manual or automated techniques, which are presented in the next paragraphs.

There are many kinds of **manual research methods** that can be used for measuring emotions. Self-reports (survey, questionnaire, or poll) are the most commonly used methods for measuring emotions connected to consumer behaviour. The main benefits of self-reports are that they not expensive and can be understood and analysed by even an amateur consumer researcher. Self-reporting, however, is difficult to apply to the measurement of emotions since emotions are often unconscious or simply hard to define linguistically. Indeed, even attempting to do so, causes bias in the reported emotions as the respondent attempts to rationalise the irrational (Sørensen 2008, 6). The author adds that self-report can easily have low response rates as sometimes customers´ do not want to spend time on answering the questionnaire. Using self-report technique also raises the challenge of choosing or developing a valid and reliable scale, which can be either theoretically driven (based on developed models) or empirically driven (developed specifically for a consumer context). The problem with theoretically driven scales is that they are not obviously suited for a consumer context (Richins, 1997, 129; Sørensen 2008, 6). Self-report techniques can be visual (emotions are represented by cartoon-like figures or *emoticons*) or verbal. Verbal self-reporting methods can be applied in experimental designs, in questionnaires, or in interviews in a way that uses open ended questions or emotions that are measured through scales (Sørensen 2008, 7). Another way for studying customer reactions manually is using observation-based test and learn approach (experiment). “The most accurate experiments involve actions to individual customers, rather than segments or geographies, and observations of their responses”, said Anderson and Simester (2011, 102). Therefore, the experimental approach enables to measure purchasing behaviour and reveals whether changes lead to higher profits.

Automated methods are more complicated and expensive, but are considered to produce more accurate results. Electroencephalography (EEG), which records direct and immediate electrical activity along the scalp, has been a universal neuroscience tool for many decades. High Density EEG is currently used in clinics and it measures

emotional engagement, attention levels, and certain memory indicators. Another technique, functional magnetic resonance imaging (fMri) measures brain activity by detecting associated changes in blood flow. It is used for complex technical projects or academic R&D studies (Niemic 2002, 15-17; Noble 2013, 31).

Facial electromyography (fEMG) refers to an electromyography (EMG) method that is a highly sensitive and specialist form of facial coding which measures muscle activity by detecting and amplifying the tiny electrical impulses that are generated by muscle fibres when they contract. EMG measures facial expressions very accurately, but one overriding criticism of this method is the setting of the measurement, since it must be conducted in an unnatural laboratory environment. Respondents are thus influenced by the fact that they know they are being measured and therefore could try to control muscle reactions (Sorensen 2008, 18¸ Noble 2013, 34).

Galvanic skin resistance (GSR) measures blood pressure, heartbeat, respiration patterns and skin perspiration. It indicates levels of arousal through the micro-variations in skin conductivity relating to perspiration levels. This technology is usually used for innovation, ads, packaging, shopper studies, experiential, and multisensory studies.

Implicit association test (IAT) captures rapid ‘instinctive’ response reactions to attributes and stimulus. It is suitable for many forms of research, brand drivers, brand essence, positioning, packaging, advertising, experiential and multisensory. It has been used, for example, to evaluate consumer attitudes and behaviour (Maison et al 2004, 406).

Eye tracking focuses on eye movements, rather than emotions. Eye movements can provide a granular index of what particular areas of a display are capturing the most visual attention. This can be used for simple testing of digital or print ads, packaging and shopper studies (Noble 2013, 36-39).

Automated facial coding measures facial expressions by their appearance on the face. Facial coding has been made computer aided, making it more approachable. Webcam software is now available to provide in-home study capability (Noble 2013, 37).

Facial coding can be used for market research, testing, advertising, gaming, and a variety of other industries (Jäätma and Salo 2011).

The manual methods that this study uses are empirically driven self-report technique (survey and interview-based studies) and observation-based experimental approach (manual facial coding). In addition, automated facial coding technology is applied as this method has yet to be used for studying customers' facial expressions in a retail store environments. This, in itself, presents an exciting and challenging task for the developers of the technology as well as for the author. As there are associated risks with exploring such unchartered territory, use of other manual methods are essential as they help to ensure the success of this study. All of the described methods are more precisely introduced and explained in chapter 2.

1.5. Emotions Management

A. Kotri has stated: "Emotions have two-fold importance in explaining marketing phenomena. Firstly, they are consequence of marketing activities. Secondly, emotions act also as a cause and motivator for customer reasoning and behaviour" (Kotri 2011, 42). The provision of high-quality customer service has long been considered a competitive advantage in service industries, and the delivery of *service with a smil*e has received increasing attention in an effort to satisfy customers and increase their loyalty to firms. Service employees, as the face of a service firm, create an image through their own emotional displays. For example, very bad service experience can influence customers to turn around, leave and never return. But this can be prevented if managers see that the emotional displays of frontline service workers play an important role in driving customers´ experiences (Groth et al 2009, 970). In addition, well-known business and marketing trainer Peter Fisk has taught that there is a need to study the world through the consumer's eyes as customers now have the awareness, knowledge and power to demand better. He believes that leaders need to see things from a new angle, develop more depth to their insights, and form strategies to be able to stand out in markets that are incredibly competitive and fast-changing. The world is complex and it is difficult to make right decisions (Fisk 2006, 21). It is therefore essential to develop marketing processes in order to succeed. We have arrived at the

tipping point where managing employees as well as customers emotions has become very important.

Retailers have to engage their customers every day to create a long-term and loyal relationship (Kamaladevi 2010, 52). Customers' emotional experience, especially in response to service failures, will dictate whether they continue their relationship with the organisation (Smith and Bolton 2002, 8). The relationship between a customer and a seller not only effects purchasing behaviour, but it also provides a marketing opportunity for the company. For example, if customer has an enjoyable time, they may choose to recommend the store to others. Employees should, therefore, be sales-minded as well as customer-oriented. It can be said that a lot depends on internal marketing (IM) as motivated, satisfied, and customer conscious employees help to achieve better results (Rafiq and Ahmed 2000, 451-452). Employee satisfaction at work can lead to outstanding performance and help to promote success. Leaders need to work on building good internal communications so that employees truly understand their role in the marketing process and willingly contribute.

Many authors agree that customer experience is formed by rational and emotional outcomes of consumption appealing accordingly to cognitive and emotional systems of the human brain (Sandström 2007, 112-126; Kotri 2011, 31). More precisely, customer experience journeys can be divided into four phases: pre-purchase, purchase, consumption, and post-consumption phase (Kotri 2011, 106). This current study, focuses on purchase stage where customers actually face the organization. C. Shaw's "The DNA of Customer Experience: How Emotions Drive Value" looks at the importance of emotion as part of the customer. The figure 6 illustrates four clusters of emotions that either drive or destroy the value for an organisation – all of these feelings are influenced by the experience received. Shaw argues that the highest loyalty resides in the advocacy cluster that is characterized by two positive emotions: pleased and happy. Therefore, the model offers the proof for the previously discussed literature's advocacy that positive emotions are the most important in helping to drive value for businesses. The recommendation cluster reveals the feelings (cared, valued, trusted, focused etc.). The attention cluster is about statistically significant characteristic feelings (stimulated, interested, exploratory, energetic etc.). Negative

feelings (unhappy, irritated, hurried, disappointed, unsatisfied, stressed etc.) belong to destroying cluster (Shaw 2007, 17).

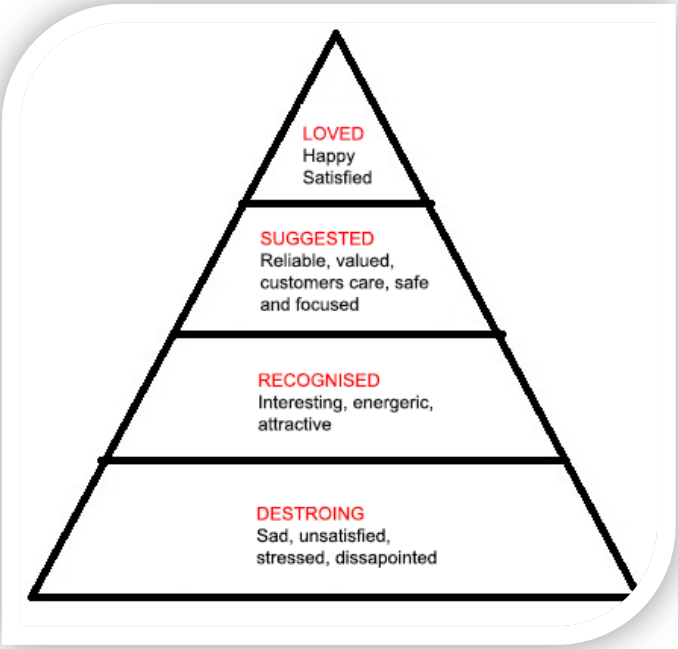

Figure 5. Customer experience DNA triangle by C. Shaw

Knowledge of the right theory is important, but for the sake of profitable business it is necessary to become good at managing customer emotions. Customer emotions can only be managed, however, if managers understand the decision making processes and have the ability to develop marketing management processes by managing salespersons, so that, in turn, salespersons are motivated and skilled to manage customers´ in store shopping experience. The next section describes the essence of emotional labour and introduces the challenges that salespersons face on a day-to-day basis. Subsequently, it will be studied how frontline workers can be managed in order for customers´ to receive the emotional experience that a company wishes to offer.

1.5.1. The Essence of Emotional Labour

In today´s world there are many jobs that call for emotional labour. Emotional labour is the process of regulating both feelings and expressions for the organizational goals (Groth et al 2009, 958). Emotional labour requires one to induce or suppress feelings

in order to sustain the outward countenance that produces the proper state of mind in others (Hochschild 2003, 6). For example: flight attendants, bill collectors, salespersons, waitresses, legal workers. They all involve a lot of interaction with the customer. Jobs of this type have three common characteristics: (1) they require face-to-face or voice-to-voice contact with the public, (2) they require the worker to produce an emotional state in another person, and (3) they allow the employer (through training and supervision) to exercise a degree of control over the emotional activities of employees (Hochschild 2003, 147).

Retail stores look for talented frontline workers, who feel passionate about the job. Being nice throughout the day is a remarkable performance feat for salespersons. Two basic techniques help to make this accomplishment possible: *surface acting* and *deep acting* (Hochschild 2003, 118). Simply put, surface acting is about managing facial expressions (faking feelings) and deep acting about managing/modifying inner feelings (Hwa 2012, 117). Diefendorff divides emotional labour further into three constructs: *surface acting*, *deep acting* and *naturally felt emotions* (Lee et al 2012, 9).

All salespersons face the same challenge – to win customers' trust. This task of establishing trust among customers often requires either deep or surface acting (Hochschild 2003, 152). Grandey's (2003) research focused on the concept of *affective delivery* (perceived as friendly and warm) and found a positive relationship with deep acting but a negative relationship with surface acting (Groth et al 2009, 959). Groth et al (2009, 970) suggested that service managers should encourage employees to engage deep acting strategies. Therefore, the *real me* of the workers get tested all the time (Hochschild 2003, 152).

Working with people invariably involves managing emotions. Hochschild (2003, 13) has introduced one more term called *emotion work*. It usually refers to general emotion management process - a quality of interaction between people, who communicate in the workplace (between employees). Other literature specifies that emotion work as skilled management of emotions is seen in all working situations, where people are involved - not just those in the front line (Cox and Patrick 2012, 36).

Ultimately every employee has the responsibility to make sure that the customer is satisfied and happy. How emotional labour and collective emotional labour can be

well managed, in a way that makes salespersons effective and satisfied, is introduced in the following sub-section.

1.5.2. Managing Salespersons

A. R. Hochschild´s "Managed Heart" describes how different companies favour different variations of the ideal type of sociability (Hochschild 2003, 97). That is also the reason why many companies run training sessions and create guidelines for their sales team, so that salespersons are taught how to treat customers. Yet, there remains much more that management needs to understand and follow in order to effectively manage its sales team. "Sales managers would be well advised to manage both employees' behaviour and customers' subjective experience of service", writes Groth et al (2009, 970).

It is clear that by monitoring the effects of emotions on the job, management can promote and enhance its sales force (Cho 2011, 378). Usually service organizations have explicit or implicit emotional display rules; norms and standards of behaviour that indicate which emotions are appropriate and should be publicly expressed or suppressed toward customers (Groth el al 2009, 959). Professionals see that it is essential for organisations to measure, understand, and manage emotions management processes in the workplace. Sometimes, it can still happen that work becomes too stressful and employees become emotionally overextended (Hochchild 2003, 189; Hwa 2012, 118). Research has highlighted several negative consequences of emotional labour on employees, including psychological health problems such as stress, burnout, and emotional exhaustion (Groth et al 2009, 958). That might happen when upper management puts down the rules, which feelings need to be expressed (public life) and controls it very heavily (Hochchild 2003, 189). Therefore, it is a huge challenge for managers to reach targets, so that all employees remain motivated, happy, and satisfied. Many studies have demonstrated that happy employees have higher productivity (Achor 2012, 102). As a matter of fact, some companies such as MC, Apple (Apple Inc. 2012) even use Net Promoter Score to measure employee engagement at its retail stores.

Co-workers have the power to influence the emotional climate of the environment - particularly to either improve or worsen the morale and service. If salespersons start to share grudges against the company or customers, it surely affects business results. Many previous studies have posited that more support from co-workers (Hochchild 2003, 144) and the organizational side (Lee et al 2012, 5-29) influence employees' feelings toward work. S. Achor wrote that: "Strong social support correlates with an astonishing number of desirable outcomes". Other researchers have found that a supportive and participative work climate may reduce withdrawal, increase productivity, and satisfaction (Cox and Patrick 2012, 37). Cox and Patrick (2012) run a study, and found that coaching has been instrumental in enhancing employees´ awareness to their own counterproductive work, and workplace problems (facing groups) have been ameliorated through the combination of coaching and group work interventions (Cox and Patrick 2012, 47). Another study showed that if managers collaborate with salespersons to plan their emotional expressions and reactions to customers' emotions, customers turn out to be more satisfied (Brotheridge and Raymond 2008). Managers can and should influence the emotional climate of their workplace by supporting its salespersons (trainings, personal development meetings etc.).

Figure 6 illustrates the role of management and salespersons in the emotions management process. It was created based on Hochchild´s theory about feelings management from private to commercial uses (Hochschild 2003, 87), and relies on all topics that have been introduced previously in that section. In short, the figure shows that rules about how to feel and how to express feelings are often set by the management and salespersons need to be supported (communication, trainings, motivated). Secondly, the figure demonstrates that salespersons face two main challenges: (1) manage personal emotions in the workplace, and (2) share the task of establishing trust among customers by using emotional labour. The author believes that targets can be achieved only through effective communication and outstanding job performance, and therefore, all workers must understand their role in the emotions management process.

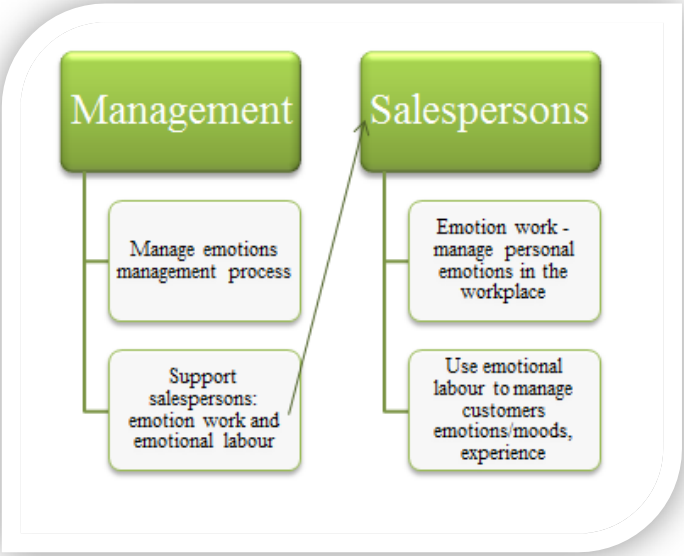

Figure 6. Emotions Management Process Influencers (created by the author)

The concept called *emotional intelligence* (EI) is gaining interest because of the increasing realization of the importance of emotion in everyday life situations (Kidwell 2004, 12-13). EI, the ability to process emotional information, appeared in the scientific literature in the early 1990´s. *Ability models* of EI can provide a conceptual model for identifying how consumers understand and use emotional knowledge to make better decisions. These discrete emotional abilities are divided into four branches: perceiving (perceive, appraise, express emotions), facilitating (access, generate, use emotions to facilitate thought), understanding (analyse complex emotions and form emotional knowledge) and managing emotion (regulate emotions to promote a desired outcome). *The mixed model* is divided into 5 emotional competencies (self-awareness, self-regulation, social skill, empathy and motivation), which can be learned and developed to achieve outstanding performance (Goleman 1996, 261). Some authors have warned that models that use "mixed" abilities lacked internal consistency, since they included mental abilities along with a variety of other dispositions and traits. Unfortunately, EI has received a lot of criticism and has been referred to *not academic*, not cognitive and not intellective intelligence (Kidwell 2004, 12-13). Despite this, better understanding of emotional ability is necessary for business if managers aim to support/manage salespersons emotional labour and emotion work between employees.

To conclude, emotions management play a strong role in public as well as in private life. For some people, however, it is a job. It is essential that organizations are aware of how much commitment that task actually demands from a salesperson. Companies need to find ways to provide support to their frontline workers and help them deal with the impact of emotional labour. Jack Michell's bestseller "Hug Your Customers" preaches the virtues of caring about customers. Whilst undoubtedly correct, caring about colleagues is equally important, and that has now found proof in the literature.

The emotions management topic does still require further study as there is too little proven theoretical and practical information about emotions management available today. Therefore, there is a need to go deeply inside the topic, do more research, and learn from different case studies/experiments. That is also why one of the empirical research methods of this thesis (see 2.3) uses an experimental approach.

2. EMPIRICAL RESEARCH

Research is an important first step before planning any key marketing tasks. This thesis uses a mixed research approach, so it could offer more valuable feedback. Quantitative techniques used are automated facial coding, manual facial coding and survey-based research. In addition the author uses interviews as a qualitative research method. Theoretically, manual facial coding is an observation-based study, and survey and interview-based learning can be classified as self-report studies (described in section 1.4.3). The reason for using different methods lies in the fact that there is no all-in-one technique than could answer every research question that the current study sets out to investigate. Generally these research methods complement each other as they help to study the effect of happiness on purchasing behaviour in a more accurate and reliable way. Appendix 2 indicates all research methods and questions.

Automated facial coding method offers the most relevant feedback of the emotions that customers express as it directly measures 6 of universal emotions with a very high frequency. Manual facial coding, however, is essential for the empirical research and because it is the one method that relies on the test and learn approach (experimental study that enables to learn from own experience). **Although, automated and manual facial coding aim to answer the same research questions, they are still substantially unique - all advantages, disadvantages and differences are more clearly explained in appendix 3.** There is a risk to applying automated facial coding in retail environments because to date it has been mostly used to read peoples expressions in their home environment, where only a few people are facing the camera in mostly frontal poses and from a relatively short distance. Because of the need to track people from a longer distance, with widely varying head pose and extensive free movement, it requires better object tracking and completely new approaches to aggregating the data. It also means that there are no developed best practices.

There are many approaches to manual facial coding and survey-based studies (self-report). Manual facial coding was interpreted by sales personnel, but survey-based

study reflects customers' perceptions. Additionally, survey-based study aimed to answer two different research questions (appendix 2).

All quantitative methods (automated/manual facial coding and survey) support the thesis by answering the same research question: are happier customers more likely to make a purchase? Comparing these results enable to make more reliable interpretations. However, all the studies are built on slightly different concepts, and it might be that the following factors could influence the final outcome:

- Automated facial coding was done at the till point;
- Manual facial coding was done at the shop entrance, interpreted by sales personnel and based on experiment;
- Survey-based study was carried out in store and concentrated on customers´ perceptions.

Figure 7 describes the hypotheses, which were set for the quantitative studies:

		Automated Facial Coding	Manual Facial Coding	Survey Based Study
H1	Customers appear to feel the universal emotions such as anger, disgust, fear, happy, sadness and surprise around the till point	X		
H2	Happier customers are more likely to make a purchase	X	X	X
H3	Happier customers spend more	X	X	
H4	Happier customers are more likely to recommend business to other people			X
H5	Happier customers are more likely to rate products higher			X

Figure 7. The Hypotheses of the Quantitative Studies

The interview-based research measures qualitatively collected data, and is subjectively interpreted by the author. Qualitative research is inductive and does not require a hypothesis (Creswell, J.W. 2008). Therefore, the interview-based study only tries to answer to the research question - should marketers manage customer emotions? Generally, this tries to reflect what managers (work for well-known companies) and MC's best salespersons consider important in the context of emotions management in Estonia. The interviews based research is valid, but very subjective and therefore less reliable than other research methods used in this study.

The following sub-chapters describe the methods and actions in more detail.

2.1. The Research Environment and Samples

The quantitative research was carried out at Mothercare stores in Tallinn, the capital city of Estonia (in the Ülemiste and Kristiine shopping centres). The MC brand was established in UK in 1961, and is the premier retailer for the needs of mothers-to-be, parents, and children up to 10 years.

The main reason why the author decided to run the research concerns her professional interest - the author has been working for the MC Baltics as the Marketing Manager. MC considers high-quality customer service to be a competitive advantage, therefore, aims to offer enjoyable shopping experience. The author believes that the knowledge this research can offer is beneficial to the company.

The quantitative research studied customers in retail store environment. **The sample involved customers such as pregnant women, parents, grandparents, and gift buyers. Overall the sample sizes were the following: automated facial coding (26003 tracked images of customers), manual facial coding (596 manually observed customers), and survey based study (199 questioned customers).**

The qualitative research studies emotional management processes and employees opinions in the same context. The first sample involved 4 representatives (marketing/communication manager; service manager, personnel/development director) from retail and gambling/entertainment organisations in Estonia. The second sample involved frontline workers (3 outstanding salespersons from MC).

Each method is described further on in the following sub-chapters.

2.2. Automated Facial Coding Technology

As mentioned in sub-chapter 1.4.3, automated facial coding technique measures universal facial expressions by their shape and appearance on the face. The technology is provided by Realeyes.

The facial coding technology by Realeyes relies a lot on Ekman´s studies (described in sub-section 1.4.1) and is all based on public and widely peer-reviewed science of how emotions and expressions are defined. The company has developed a technology that can analyse human faces over any camera device. While a respondent is doing a test, the company captures a video of their face and sends it to a cloud-based analytics server, where algorithms accurately and automatically code the video to emotions and expressions. Results show what people are feeling. The technology is increasingly deployed in market research instead of self-report based methods as it solves the issue of non-response (respondents getting tired of long and boring surveys) and bias (people not reporting the actual behaviour). It provides companies more detail and insight into the content tested. Their mission is to make computers understand behaviour as well as humans do. In the future Realeyes will apply the technology in advertising, research, gaming, education, surveillance, and retail to name but a few. It is important to note that the organisation is transparent about their methods and regularly publish academic papers about the accuracy and reliability of the approach (Jäätma and Salo 2011).

Figure 8 shows carefully selected points that have been automatically localised by the algorithms. Those points form a 3D PDM which can provide accurate head pose and feature location information. Facial expressions are read by combining the shape information from 3D PDM and carefully selected texture descriptors from specific face locations (Jäätma and Salo 2011).

Other companies who offer facial coding services include Affectiva, MPT and nViso.

Figure 8. Facial Coding Tracked Image by Realeyes

Automated facial coding is a modern technology for measuring universal facial expressions. It is starting to receive more attention as it is capable of supporting many business activities, such as marketing research, advertising, and educational gaming. Indeed, it is now possible to measure what customers and employees really feel – not only assume what they feel. Therefore, the author decided to explore, create more interest in people, introduce new possibilities, and demonstrate how automated facial coding can be used in retail store environment. Still, that is simply one way for using it.

2.2.1. Automated Facial Coding Research

Automated facial coding technology provides the opportunity to quantitatively collect and analyse the facial expressions of people over digital video streams on a large scale. MC Ülemiste store´s till point security camera was used to capture the footage of people making **purchases or communicating with salespersons** (where they did not make a purchase). The location of the camera is demonstrated in figure 9. The technological preparations were done between February and March 2013, and data was collected and analysed in April 2013. All customers who were recorded remained anonymous.

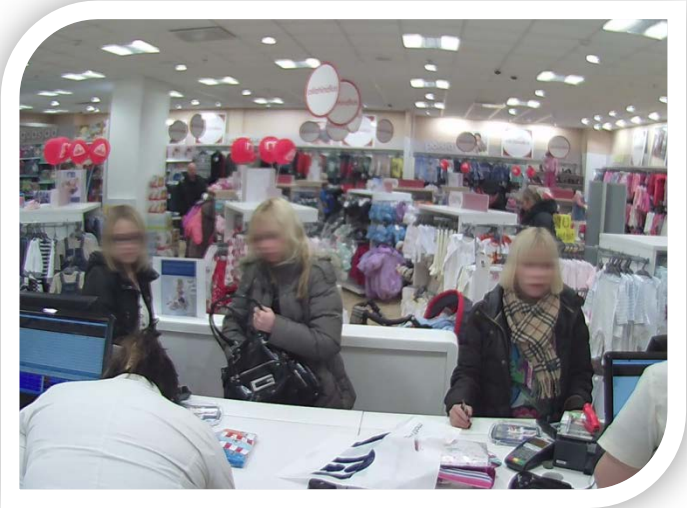

Figure 9. Example Image from Security Camera (Mothercare)

Recent advancements in machine learning algorithms and computer vision have made it possible to trial fully automated coding of 6 universal emotions such as happy, sad, angry, scared, disgusted and surprised in retail store environments. It is already been proven to be reliable for in-home webcam based scenarios where expressions of a single participant sitting in close proximity of the webcam are being coded. Indeed, it has been successfully commercialised by many companies and validated in academic literature (Jäätma and Salo 2011).

The retail environment, however, poses different challenges relative to in-home webcam scenarios:

- People are much further away from the camera;
- The head pose angles are more variable and people are often not facing the camera enough to get an accurate reading;
- People move around freely in all dimensions and their paths can cross each other;
- As they are interacting with other people and cashiers, the facial expressions combinations are much richer and might include interfering components like speech.

If the above conditions are carefully considered and taken into account, such 'in-the wild' tracking and automated coding provides valuable insight as significantly more data is collected relative to manual coding.

Methodologically it is important to consider that there are no best practices yet in terms of data aggregation and analysis of such highly dimensional data in a dynamic environment.

Additionally, the single location of the camera at the till point sets certain limitations as it is not following the customer throughout their stay in the store and as such the relevant feelings leading up to the purchase could be missed. Then again, it is important to keep the experiment simple in its execution considering the freshness of the technology.

The data was collected by streaming the video feed from the security camera into the tracking application running on the regular security camera recording computer. The tracking application processed the images in real-time and sent the results over to the *Cloud* where it was stored in databases and processed for analytics.

As most of the components and workflows for this technology are being developed and explored at the time of writing this paper, the study has taken a cautious approach to analysis. In practical terms, thus means starting off with smaller datasets that can be checked and verified. **The sample size for statistical analysis was 26003 emotion readings (tracked images of customers),** which translates approximately into 158 customers and 52 receipts. Not all measured customers made a purchase.

At the same time, the purchase data from the point of sales software was also streamed to the cloud and stored in the same analytics database. The purchase data was matched up with the security camera recordings via timestamps and face location information. Facial coding frames related to purchases were considered to be +/- 1 minute away from the transaction.

The automated facial coding study targeted to explore (1) which of the universal emotions do customers feel around the till point? (2) Are happier customers more likely to make a purchase? (3) Do happier customers spend more? **The automated**

facial coding study is the only method used in this study that enables to answer to the first research question. Hypothesis H1, H2 and H3 are described by figure 7.

Because of the length limitation of the thesis it was not possible to do more advanced modelling of purchasing behaviour based on all the universal emotions. Such modelling could be used to answer questions about which universal emotion patterns affect purchase behaviour and could provide a topic for future research.

2.3. Manual Facial Coding Research

Although, automated and manual facial coding aim to answer to the same research questions and hypotheses, they are fundamentally different from each other (appendix 3). For example, the manual facial coding (observation-based study) used an experimental approach, which enables the company to learn from their own actions. This research method is simple, quick, and often used by retail companies. Most firms get greater value from doing something simple: basic business experiments (Anderson and Simester 2011). It is possible, of course, that the results could deviate from other research findings given that the customers´ emotions could be directly influenced by the experiment itself. In this study, the manual facial coding had a **larger sample** size which provided increased statistical significance. The weakness of the manual facial coding study is the fact that people can interpret what they saw differently, make mistakes when writing notes, and observe the person only for a short period of time.

The facial coding data was collected in MC Kristiine and Ülemiste stores between 2nd and 15th of April 2013. In addition, to get a more reliable verification for hypothesis 2, an observation was commissioned in Rocca al Mare store to get more data.

The experiment created, asked MC sellers to welcome customers at the store entrance, give them a sincere happy smile, offer a candy, and say “Welcome! If you have any questions, I am happy to help you”. Subsequently, the salespersons made notes on whether the customer smiled back, whether the customer made a purchase, and the amount that the customer spent. As described in the previously discussed literature, the various positive emotions all involve smiling expression. Therefore, the numerical analysis helped to answer to the hypothesis H2 and H3 (figure 7).

The sample – 596 customers (target: H2), 400 customers (target: H3) were selected by salespersons throughout the facial coding period.

As a quantitative technique, the manual facial coding study focused on numbers and interpreted results by using statistical analyses (chapter 3).

2.4. Survey-Based Research

The survey-based research - or empirically driven self-report study - was designed to ask customers for their opinions. Empirically driven means that it was developed specifically for a consumer context (see 1.4.3.). Unlike other research methods, the survey was able to measure customers' beliefs and compare the findings with the results from facial coding studies, as well as help answer hypotheses H2, H4, and H5 (see figure 7).

The surveying was conducted in MC stores (Kristiine shopping centre) between 26th of February and 11th of March 2013. Asking questions later and outside the environment might have influenced the results. In contrast to previous research, the sample size was 199, and salespersons asked customers to answer.

In order to answer to raised hypotheses, respondents had to evaluate personal emotional state (sad to happy) on a 10-point scale. H2 - customers were asked to explain the reason for visiting by answering to multiple choice questions: (1) whether they came to make a purchase or (2) whether they browsed around and did not buy. H4 - all respondents had to evaluate how likely they were to recommend the store to a colleague/friend/relative on 10-point scale. H5 - all respondents had to rate MC products on a 10-point scale. The scale and multiple choice questions made the answering process simple and quick.

Background for statistical analysis – H2

Because of the subjective nature of the answers to the given scale (sad to happy), the author decided to do the statistical analysis for Hypothesis 2 in two ways. **The first analysis (1) concentrated on *happy customers*** - the respondents, who gave 7 to 10 points on 10-point scale, were interpreted as *happy customers* (less happy and very

happy - all together). **The second analysis (2) concentrated on *very happy customers*** - the respondents, who gave 9 to 10 points on 10-point scale, were interpreted as *very happy customers*. Other clients, who gave fewer points (less than 7 points - analysis 1 and less than 9 points – analysis 2) were considered as *less happy/not happy/sad* customers (not possible to differentiate them). This strategy checks if the hypothesis holds on two different scales.

Background for statistical analysis: H4 and H5

The interpretation of the collected data relies on Net Promoter Score (NPS) evaluation tactic, where the 2 highest ratings on 10-point scale (9 or 10 points) reflect recommenders; 7 or 8 points reflect passives and 1 to 6 points reflect detractors (Reichheld 2003, 1)**.** In today´s business word, NPS is well-known loyalty metric that is used by many of top businesses to monitor and manage customers´ or employees satisfaction. Therefore, all collected data was interpreted in the following way: customers, who gave 9 to 10 points (on 10-point emotions scale), were named as ***very happy*** customers and all others ***sad/less happy/not happy*** customers (same as in the 2nd analysis for H2). The rationale behind this was that the NPS concept tells that only highly satisfied/happy customers tend to recommend. Further on, customers who gave 9 to 10 points (on 10-points recommending scale), were considered as *promoters* (***recommenders***), and other *passives* and *detractors* were named as ***not recommenders***. The same strategy was followed for measuring the high ratings – 9 to 10 points reflected ***high rating***, but 1 to 8 points reflected ***low rating***. Finally, NPS was also calculated (% Promoters - % Detractors = NPS) in order to compare the survey findings and MC regular NPS.

As a quantitative technique, the survey-based study focused on numbers and interpreted results by using statistical analyses (chapter 3).

2.5. Interview-Based Research

The interview-based research (self-report study) was carried out in April 2013 in Estonia. The research aimed to answer to one main research question: should marketers manage customer emotions (appendix 2)? The follow-on was to explore

how important emotions management is considered by managers and salespersons. This is the only study which complements the thesis emotions management part as there is not enough relevant literature available today. As a qualitative research, the findings are subjectively interpreted.

The interview survey was answered through the internet, allowing respondents more time to think. All of the open-ended questions were empirically and specifically developed (section 1.4.3) for this study. The main idea was to collect as much information as possible to better understand what managers and top salespersons consider important in the context of emotions management.

The first interview helped to discover what managers thought about measuring and managing emotions, how they create memorable customer experiences, and support salespersons day-to-day. All 4 managers were employed by well-known companies in Estonia: Denim Dream, Guess, Desigual etc. (fashion retail), Elisa (telecommunications retail), Olympic Casino (gambling), Rimi (retail). They all answered the same open-ended questions: (1) How important is it that salespersons smile to their customers? (2) How do you create joyful customer experience? (3) Have you ever explored your customers' emotions? (4) If we only knew which salespersons make customers happier, it would be very valuable information – True or False? (5) Have you heard that it is possible to reliably measure customer emotions by using security camera and facial coding technology? (6) How important is to manage or learn to manage emotions (today or in future)? (7) Have you taught salespersons to manage personal or customer emotions? Most answers required explanation as well.

The second interview explored salesperson's state of mind, and their understandings of emotions management, as well as asking for suggestions that they find useful when managing personal and customer emotions. Therefore, the author interviewed 3 of the most outstanding frontline workers from MC. Previous literature posited that more support from co-workers and the organisational side can influence employees´ feelings toward work, and that strong social support correlates with an astonishing number of desirable outcomes (section 1.5). That obviously reflects salespersons role in emotions management process – managers need to consult more with salespersons as they are the ones who face customers and drive sales. It can lead to more outstanding results as both parties have contributed. The open-ended questions asked

where: (1) How do you take control of your emotions instead of letting your emotions take control of you? (2) How do you manage customer emotions? (3) How important do you consider skilled management of emotions for a sales professional? Mainly, however, this salespersons focused interview aimed to support answering to the same research question as first interview.

Interview-based research is considered qualitative and subjective. All questions, however, are relevant and valid because informative feedback can lead to essential improvements. Given the occupation of those interviewed, this study offers the most direct value for the MC, and is not easily generalised.

3. RESULTS

The following chapter introduces the results of automated and manual facial coding, survey-based study and interview based learning. Thereupon, includes the author´s discussion about theoretical and empirical findings. **Appendix 4 includes a link, were all collected data can be downloaded.**

3.1. Automated Facial Coding Research

Firstly, the purchases were related to facial coding observations as described in 2.2.1.

In order to test the first hypothesis, the author considered every emotion as triggered, for which intensity readings were larger than 0.5 (shows the probability of the emotion). This threshold value was recommended by Realeyes. Figure 10 summarizes the findings.

As mentioned in chapter 2, the sample size for the automated coding was 26003 observations, which, in simple terms, can be understood as tracked images. Appendix 5 was created to demonstrate the distribution of observations used in the following analysis.

To test the second hypothesis, facial expression data during the purchases and at other times (people making inquiries or people further away, but still in the field of view of the camera) was separated. This gave two sets of happiness readings – the level of happiness of *purchasers* and *non-purchasers*. Neither of these two sets of happiness readings used any filtering thresholds like for hypothesis 1, which means both sets contained all the emotion readings. The mean level of the two sets of happiness readings was tested with a t-test.

For testing the third hypothesis, the filtering thresholds were applied and happiness readings of less than 0.5 were separated into *less happy* set and larger than 0.5 into a *happy* set. Then the mean purchasing value associated with *happy* and *less happy*

groups was tested by calculating confidence intervals (using general statistical analysis).

Hypothesis 1 - Customers appear to feel the universal emotions such as anger, disgust, fear, happy, sadness and surprise around the till point

Figure 10 shows that all universal expressions (angry, disgust, fear, happy, sadness, surprise) were captured near the till point.

The probability that emotion occured	0.5 -1.0					
	Anger	**Disgust**	**Fear**	**Happy**	**Sadness**	**Surprise**
Observations: Purchasers and Non Purchasers	1025	506	158	634	28	896
Observations - Purchasers	627	256	82	291	10	441
Max Observations (Tracked Images)	26003	26003	26003	26003	26003	26003

Figure 10. Universal Facial Expressions - Automated Facial Coding

Therefore, it is possible to infer that hypothesis 1 is **true.**

Hypothesis 2 - Happier customers are more likely to make a purchase

The author used a t-Test: two-sample assuming unequal variances (average level on happiness for purchasers and non-purchasers). The critical p-value turned out to be 0.593 > 0.05, which shows that these two means are not different from each other. In other words it demonstrates that customers, who made purchase did not feel happier (mean of happiness level is 0.102) than the customers, who did not make a purchase (mean of happiness level is 0.103). If happier customers bought more, the mean level for happiness should be higher and critical p-value lower than 0.05. Figure 11 describes t-test results.

In this case p is larger than 0.05 and null hypothesis cannot be rejected, which means that the hypothesis 2 is **false.**

	Level of Happiness of Purchasers	*Level of Happiness of Non Purchasers*
Mean	0,102	0,103
Variance	0,022	0,020
Observations	12028	13975
Hypothesized Mean Difference	0	
df	24997	
t Stat	-0,535	
P(T<=t) one-tail	0,296	
t Critical one-tail	1,645	
P(T<=t) two-tail	0,593	
t Critical two-tail	1,960	

Figure 11. T-Test (Level of Happiness) - Automated Facial Coding

Hypothesis 3 - Happier customers spend more

The average purchase amount for A (*happy customers*) and B (*less happy*) customers demonstrate that A > B, which shows that the average purchase of happier customers is 30% higher (figure 12).

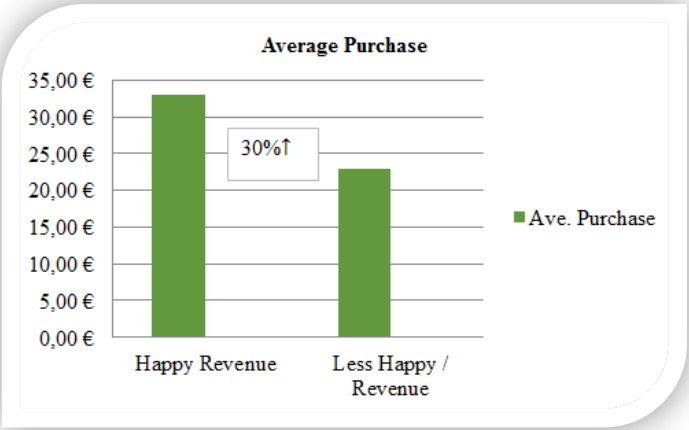

Figure 12. Chart (Average Purchase) – Automated Facial Coding

Additionally, the calculated confidence intervals proved the validity. A customers (33€ - 0.21) - B customers (23€ + 0.21) = 9.59 > 0 (figure 13).

	Ave. Purchase	Stdev - Size of Purchase	Confidence 95%	Confidence Intervals
Happy Revenue	33,00 €			33€ +/- 0,21
Less Happy / Revenue	23,00 €	16,87782895	0,21	23€ +/- 0,21

Figure 13. Confidence Intervals – Automated Facial Coding

Therefore, it is possible to claim with 95% confidence that the hypothesis 3 is **true.**

3.2. Manual Facial Coding Research

The author used Chi-squared distribution test (for H2), general statistical analysis (for H3) and illustrative charts to demonstrate the findings.

Hypothesis 2 – Happier customers are more likely to make a purchase

To test the hypothesis 2, the author first looked at the nature of the data. There is a single dependent variable (purchase) and a single independent variable with two independent groups (*happy/smile* and *not happy/no smile*) where the dependent variable is categorical. The appropriate statistical test to apply was, therefore, Chi-square.

At first, the calculated contingency table helped to understand its frequency. Secondly, the expected values were calculated from the data and also the p value 0,000017 (CHISQ.TEST function). As $p < 0.05$ it can be concluded that there is a relationship between smiling and purchases (figure 14).

The author can claim with 95% confidence that the hypothesis 2 is **true**.

Actual Values	No Purchase	Purchase	Total
No Smile / Not Happy	112	68	180
Smile / Happy	179	237	416
Total	291	305	596
Expected Values			
No Smile / Not Happy	88	92	180
Smile	203	213	416
Total	**291**	**305**	**596**
p	0,000017 < 0,05		
Confidence	**95%**		

Figure 14. CHISQ.TEST Results (Purchases) – Manual Facial Coding

Hypothesis 3 – Happier customers spend more

The average purchase amount for A (happy customers) and B (not happy) customers demonstrated that A > B, which shows that smiling customers average purchase amount is 31% higher (figure 15).

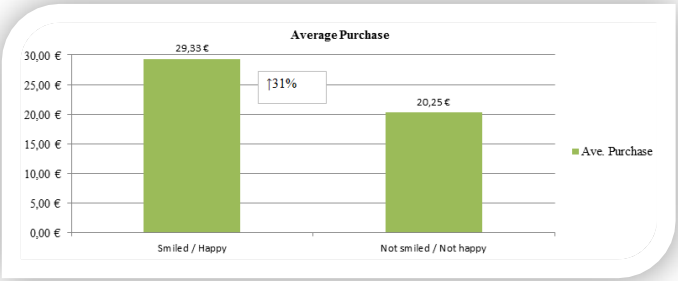

Figure 15. Chart (Average Purchase) – Manual Facial Coding

Moreover, calculated confidence intervals proved the validity. A customers (29.33€ - 3.9403) - B customers (20.25€ + 3.9403) = 1.1992 > 0 (figure 16).

	Ave. Purchase	Stdev - Size of Purchase	Confidence 95%	Confidence Intervals
Smiled / Happy	29,33 €	28,289	3,9403571	29,33€ +/- 3,9403
Not smiled / Not happ	20,25 €			20,25€ +/- 3,9403

Figure 16. Confidence Intervals – Manual Facial Coding

Therefore, it can be claimed with 95% confidence that the hypothesis 3 is **true**.

Finally, we can add that 70% of the manually observed customers did smile back at the store entrance, and can therefore be considered happy customers. This finding will be later subjectively discussed and compared with the result found in survey-based study (see 3.5).

3.3. Survey-Based Research

To begin with, a distribution table (appendix 7) was created to demonstrate the numerical findings and the Chi-squared distribution test was used for the statistical analysis. The statistical background for following analysis was described in 2.4.

There is a single dependent variable and a single independent variable with two independent groups where the dependent variables are categorical. This means that the appropriate statistical test to apply was Chi-square test or Fisher´s exact test. As for all tests in the thesis, the alpha level is 0.05. At first, the author calculated the contingency table from the data to understand its frequency distribution and then calculated expected values. If none of the cells in contingency table are below 5, it means Chi-square test is the suitable (Fisher's exact test would have been suitable in the case of smaller numbers). Then calculated the p-value using Excel CHISQ.TEST function.

Hypothesis 2 – Happier customers are more likely to make a purchase

Figure 17 demonstrates the results of Chi-squared test. The p value is 0,034 < 0.05 (for analysis 1) and 0,005 < 0.05 (for analysis 2). Therefore, there is relationship between happy people and purchasing behaviour.

Actual	No Puchase	Purchase	Total	Actual	No Purchase	Purchase	Total
Less/Not Happy	27	55	82	Not Happy	13	15	28
Very Happy	23	94	117	Happy	37	134	171
Total	50	149	199	Total	50	149	199
Expected				**Expected**			
Less/Not Happy	20,60	61,40	82	Not Happy	7,04	20,96	28
Very Happy	29,40	87,60	117	Happy	42,96	128,04	171
Total	50	149	199	Total	50	149	199
p	0,034	< 0,05		p	0,005	< 0,05	

Figure 17. CHISQ-TEST Results (Purchases) – Survey

The author´s illustrative charts (figure 18) show that 80% of very happy (or 78% of happy) customers made purchase, but only 67% of less/not happy (or 54% of not happy) customers did so.

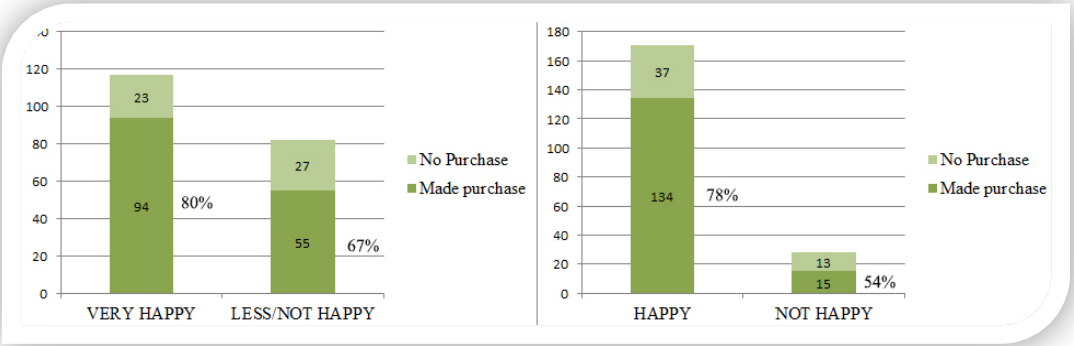

Figure 18. Charts (Purchases) – Survey

It can be claimed with 95% confidence that the hypothesis 2 is **true**.

Hypothesis 4 – Happier customers are more likely to recommend business to other people

Figure 19 demonstrates the results of Chi-squared test. The p value is 0.0001< 0.05. Therefore, it is possible to interpret that there is strong relationship between happy people and recommending.

Actual	Lower Ratings	High Ratings	Total
Less/Not Happy	36	46	82
Very Happy	22	95	117
Total	58	141	199
Expected			
Less/Not Happy	23,90	58,10	82
Very Happy	34,10	82,90	117
Total	58	141	199
p	0,0001	< 0,05	

Actual	Passives+Detractors	Promoter	Total
Less/Not Happy	34	48	82
Very Happy	19	98	117
Total	53	146	199
Expected			
Less/Not Happy	21,84	60,16	82
Very Happy	31,16	85,84	117
Total	53	146	199
p	0,0001	< 0,05	

Figure 19. CHISQ-TEST Results (Ratings and Promoters) – Survey

Figure 20 chart (2) demonstrates that 84% of very happy customers are recommenders, but only 59% of less/not happy customers recommend the business.

It is possible to claim with 95% confidence that the hypothesis 4 is **true**.

Hypothesis 5 – Happier customers are more likely to rate products higher

Figure 19 demonstrates the results of Chi-squared test. The p value is 0.0001< 0.05. It is possible to say that there is strong relationship between happy people and higher ratings. The author added illustrative chart (figure 20) that demonstrates 81% of very happy customers gave high rating, but only 56% of less/not happy customers rated products high (figure 20).

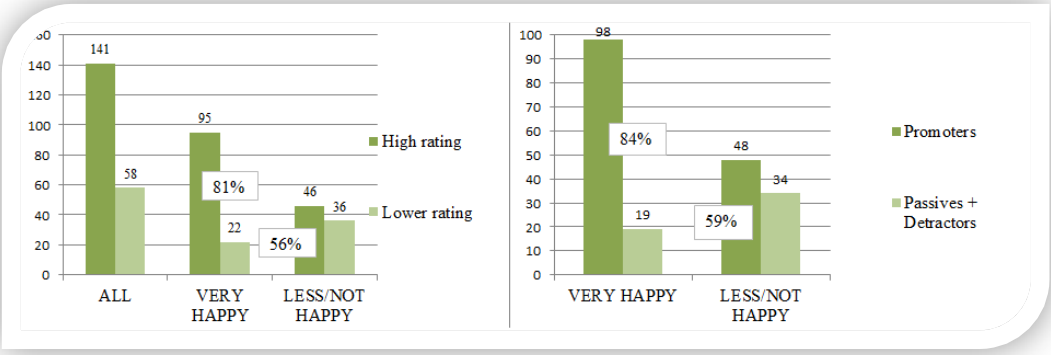

Figure 20. Charts (Ratings and Recommendations) – Survey

It can be claimed with 95% confidence that the hypothesis 5 is also **true**.

Additionally, NPS for the study is 70 (appendix 2), but MC stores average NPS was 67.45 (2012). The loyalty metric shows slight increase of 3.64%. Generally, 70 is considered good, so, it should demonstrate profitable growth potential for the business. The NPS score also show´s good results and support previous findings.

Appendix 7 demonstrates that from all customers, 59% were happy. This finding will be later subjectively discussed and compared with the result found in manual facial coding study (see 3.5).

3.4. Interview-Based Research

The interview-based, small-scale researches aimed to discover what managers and salespersons think about emotions management process (see 2.5).

As an overview, it can be said that emotions management is considered important by both managers and salespersons. It is good to know that managers wish to support salespersons' emotional labour by organising training, developing guidelines, improving company's culture and motivational schemes, asking for ideas, amongst others. All of them agreed that smiling (customer friendly service) is an elementary tactic which must be done in order to make sure that customers are satisfied and wish to return. Unfortunately, measuring emotions is still a quite new, challenging, but interesting topic for retail companies. In order to improve managers understanding about the possibilities, more must be written about it.

3.4.1. Interviewing Salespersons

Having interviewed outstanding sales professionals, skilled management of emotions was considered important by all of them. "Care about the customers" seems to be most important attribute that was mentioned several times and in different contexts. Salespersons believe that sincere and caring attitude helps to build good and long lasting relationship with customers. However, respondents admitted that it is still difficult and uncomfortable to communicate with complaining customers, and suggested to run more training which teaches salespersons to deal with such clients

(complain, have bad mood etc.). Surprisingly, managing personal bad mood/emotions turns out to be a quite simple task. Salespersons suggested tactics such as leave problems at home, breath calmly, concentrate on work, and simply being positive and smiling. One supervisor stated that she feels smiling to a customer can influence personal mood state in the positive direction. Following characteristics were considered as the most important drivers of happiness: care, use humour, smile, be positive, surprise with a gift, share experience, and share advice (appendix 8).

The following example describes a success story carried out by one of the sales professionals: “There is one family, who visits us quite often. Every time they come to the store, I enjoy spending time with them – I happily spend up to an hour to talk and suggest different products. Last time they bought a lot. I even made one simple present – one small toy that was left over from previous campaign. That gesture made the parents so satisfied and happy that they even asked to hug me!”

The general findings turned out to be quite interesting, and it appears that managers have a lot to study from salespersons. That kind of interview is a wonderful possibility for evaluating a current situation. Indeed, that needs to be done if managers aim to develop an emotions management process. For example, MC can now see that salespersons understand their role in emotions management process, are capable of managing personal emotions/moods and have a vision how to manage customer emotions. Still, there is always room for further improvements. Indeed, more salespersons should be interviewed in order to have clearer view.

3.4.2. Interviewing Managers

All managers agreed that smiling is an essential and elementary sign of friendliness. Nevertheless, it is important to give customers free space and time for decision making. The actions, which were considered the most important drivers of joyful customer experience are - being approachable, friendly, smiling, thoughtful and caring. Although the managers knew what facial coding technology is none of them have learnt about it nor used it. One company admitted that measuring emotions is already done day-to-day basis by using security cameras and 24-hour supervision (the data is collected, watched and interpreted - employees receive feedback regular basis

as it can help with problems solving and improve service quality). From the future perspective, all managers agreed it is relevant to learn to manage emotions better as competition grows, and customers are becoming more emotional and dare to demand. For example, knowing which sales professional makes customers happier is valuable knowledge that could improve customer service as well as help to cut expenses. The main actions that can support salespersons, turned out to be: trainings, guidelines and effective communication (appendix 9).

It is not a surprise that facial coding technology is quite unknown method of research in retail environment - it is new modern invention that will obviously find more supporters in the nearest future. As companies do not use more reliable methods for measuring emotions, it can be argued that it is quite hard to manage emotions at all. Most of the knowledge that companies have about emotions management comes from literature, not from experience. Given the lack of available information available, market research becomes increasingly essential. However, it is a pleasure to witness that the managers still see the potential in emotions management showing that they have interest in developing the process further on.

3.5. Discussion

The results of the empirical research support the findings from the literature which consider positive emotions to be one of the most important feelings that help to drive value for businesses (see 1.3). The findings have proven that managers should focus on developing the aspects of their offerings that stimulate happy emotions by managing customer emotions, because customers in this segment are more likely to rate products higher, more likely to recommend the business to other people, and willing to pay more. Furthermore, manual facial coding and survey-based study both manifested that happy customers are more likely to make a purchase (appendix 10).

Moreover, the research demonstrated that all universal facial expressions appeared at the till point (among customers, who made a purchase or came to consult). This result demonstrates that not only happy emotions affect customers´ behaviour. Fear and sadness seem to play smaller role as the most common emotions captured were anger, surprise, disgust, and happiness (see 3.1).

The manual facial coding study supported the idea of learning from customers by doing something simple like basic business experiments (see 2.3). Specifying that 70% of the manually observed customers were happy (smiled back to salespersons), but only 59% of customers were very happy in the survey-based study (see 3.2 and appendix 7). Experiments enable the company to learn from themselves. MC saw that if salespersons used a sincere and happy welcome approach, most customers´ smiled back – in other words it shows that customers´ emotions were intentionally managed.

Also the literature (see 1.5) and the interview-based researches (appendices 8 and 9) demonstrated that the interplay between a consumer's cognitive and emotional experience needs to be understood and managed, as it was considered important by managers and salespersons. Unfortunately, managers are not very familiar with the idea of measuring and managing customer emotions. It is possible to infer that there is still insufficient amount of reliable information about emotions measurement techniques and benefits that managers could receive from these processes. The interviews demonstrated that managers see a future and need for better emotions management, but they are missing the requisite knowledge engaging with it more significantly. Marketing management processes cannot be built on assumptions, and once managers aim to develop emotions management process, it is wise to begin with consulting salespersons that help to evaluate a current situation before taking any changes.

In conclusion, literature argued that emotions influence decision-making processes and judgements (see 1.2.). It has been discovered that all the emotions that are considered universal effect more or less the customer behaviour. More precisely, it has been proven that happiness plays a strong role in Estonia´s retail stores environment by effecting the revenue, word-of-mouth marketing, and product evaluations. Overall these findings support the idea that marketers should focus on managing customers´ emotions. Knowing what our customers enjoy or what makes them buy and spend more is a precious knowledge and advantage. Marketers should take that feedback seriously if they wish to succeed in increasingly highly competitive business environment.

3.5.1. Limitations and Future Research

Unfortunately, the results of the automated facial coding turned out to be a bit different as hypothesis 2 did not find proof. Possible explanations can be: (1) analysis and modelling methods are still not fully developed, particularly methods for data aggregation, and handling missing values, (2) small sample size chosen for the initial study, (3) the fact that data was only collected at the till point, and (4) the purchase transaction itself and thought of paying out money might affect the displayed expressions. This automated study might very well be the first of its kind in the world. The high dimensionality and volume of the data collected makes the study and conclusions more error prone. Considering the resource limitations set out, it was beyond the scope of this study to develop advanced analytic methods and statistical models for in-store automated facial coding analysis, so the methodology applied for hypothesis testing had to be simple as well. This could have affected the outcome.

Previous studies showed that cross-cultural differences may also influence consumer behaviour. That means, the results cannot be generalized as they may turn out to be different in other countries.

Experiments enable companies to learn from the own experiences. This can be done more effectively, for example, through analysing and comparing experimental conversion rate (CR) with the average CR to evaluate the success of the experiment.

Because of the length limitation of the thesis it was not possible to do more advance modelling of purchasing behaviour based on all the universal emotions. Therefore, the result leave interesting future research topics, such as how to best aggregate facial coding data of large number of people, how to best connect sales data to expression data, which universal emotions are displayed in other areas of stores, which universal emotions effect purchasing the most, and how does the fact of transaction itself effect emotions. The measurement of which salespersons make customers the happiest could also be attempted, with the aim of identifying the best sales professionals for corporate notice and value.

SUMMARY

The aim of this Masters´ Thesis was to explore the topic of universal emotions in customer behaviour in order find out if customer happiness helps to drive sales at Mothercare stores in Estonia, and whether universal emotions should be managed to increase revenue. In order to fully answer the research objectives, six research questions were asked: (1) which of the universal emotions do customers feel around the till point? (2) Are happier customers more likely to make a purchase? (3) Do happier customers spend more? (4) Are happier customers more likely to recommend business to other people? (5) Are happier customers more likely to rate products higher? (6) Should marketers manage customer emotions?

The first chapter demonstrated that enjoyment (happiness) can lead to higher satisfaction and help to drive value for businesses. The literature communicates that researchers have started to focus on the role of emotions as a separate factor in the decision-making process as it is, by definition, not always rational. Practitioners have focused on stimulating positive emotions as customers in this segment are more likely to say positive things about the firm, be more willing to pay more for the services they receive, and be less likely to turn to competitors. This chapter also introduced theoretical models and techniques that have been developed for measuring emotional reactions (universal facial expressions). “There is need to study the world through consumers´ eyes as customers now have the awareness, knowledge and power to demand better”, teaches P. Fisk. If marketers learn to measure customers´ emotional reactions, then they obviously need to manage them as well. It was argued that it is essential to develop marketing processes - managing frontline workers and customers emotions has become much more crucial to business success.

The second empirical chapter introduced hypothesis, and demonstrated the research methodology, which in this case used mixed research approach of quantitative (automated facial coding, manual facial coding and survey-based study) and qualitative research techniques (interview). All studies were carried out between February and April 2013. The reason for using different methods lies behind the fact

that there is no all-in-one technique that could answer every research question that the current study set out to examine. Nevertheless, these research methods complemented each other as they helped to specify the effect of happiness on purchasing behaviour. The automated facial coding method offered the most relevant feedback of universal emotions that customers appeared to experience at the till point. The manual facial coding was done at the shop entrance and it was based on experiment. The survey-based study was carried out in store and concentrated on customers´ perceptions. The interview-based research showed what managers and MC salespersons consider important in the context of emotions management.

The third chapter presented the empirical research results. These supported the findings from the previously discussed literature which considered happiness to be one of the most important feelings that helps to drive value for businesses. The findings have proved that managers should manage customer emotions because customers in this segment are more likely to rate products higher, more likely to recommend the business to other people, and be willing to pay more. Furthermore, manual facial coding and survey-based study both demonstrated that happy customers are more likely to make a purchase. Both qualitative interviews showed that managers and salespersons understood their role in the emotions management process and see the necessity of it. Still, it was evident that there is too little information available about the possibilities and practices of emotions measurement from which managers can to learn. Unfortunately, knowing the right theory is not enough – in order to increase revenue and profitability, marketers need to know how to manage customers´ emotions, and how to create joyful working climate for employees. Researchers have proved that supportive and participative work climate may reduce withdrawal, and increase both productivity and satisfaction.

The research might interest managers and most marketing professionals in the retail sector. The author has been working for an international retail company, and therefore had significant professional interest in the study which ultimately describes how retail firms could improve their marketing processes by focusing on customers´ emotions.

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APPENDICES

Appendix 1. Plan for Achieving the Target

AIM of the thesis is to explore the topic of universal emotions in customer behaviour (**A**) as well as find out do customers´ happiness help to drive sales at Mothercare stores in Estonia (**B**), and whether universal emotions should be managed to increase revenue (**C**).	**What helps to achieve the target?**
	A Findings from scientific literature and questions 1 to 5
	B Questions 2 to 5
	C Findings from scientific literature and questions 1 to 6

Appendix 2. Research Questions and Methods

	1. Which of the universal emotions do customers feel around the till point?	2. Are happier customers more likely to make a purchase?	3. Do happier customers spend more?	4. Are happier customers more likely to recommend business to other people?	5. Are happier customers more likely to rate products higher?	6. Should marketers manage customer emotions?
Automated Facial Coding	X	X	X			
Manual Facial Coding		X	X			
Survey		X		X	X	
Interview						X

Appendix 3. Automated VS Manual Facial Coding

		Automated Facial Coding	Manual Facial Coding
Advantages:	Automated measurement technology for 6 universal emotions	X	
	Experimental study. Enables to learn from own experience "Should marketers manage customer emotions?"		X
	Large sample size - 596 customers		X
Disadvantages:	The technology has not been used in retail store environment, therefore, unexpected difficulties can effect the result	X	
	Small sample size - approximately 158 customers	X	
	There is no best practices yet developed in how to aggregate and analyse highly dimensional data in a store environment	X	
	Salespersons interpret customers´ facial expressions		X
	Measures only happiness (smiling expression)		X
	The purchase transaction itself and the thought of paying out money might affect negatively the displayed expressions	X	
Differences:	Measures universal emotions at till point	X	
	Measures smiling expression near store entrance		X

Appendix 4. Collected Data – Quantitative Research Methods

The collected data of all quantitative researches can be downloaded here http://goo.gl/TDwEq.

Appendix 5. Observations – Automated Facial Coding

		Observations	
	Observations	Revenue - Happy	Revenue Less Happy
Probablity of Happiness - Strength of Happiness	0.5-1.0		
Level of Happiness (0,102) - Purchasers	12028	275	11753
Level of Happiness (0,103) - Non Purchasers	13975		
All tracked images:	**26003**		

Appendix 7. Percentage Distribution - Survey

Persentage	A (happy)	B (not happy)	Made a purchase	No purchase	Promoters	Passives	Detractors	NPS	High raters	Low raters
Customers	59%	41%	75%	25%	73%	24%	3%	70	71%	29%
A (happy)			80%	20%	84%	15%	5%		81%	19%
B (not happy)			67%	33%	59%	37%	5%		56%	44%
M. purchase	63%	37%			74%	25%	1%		71%	29%
No purchase	46%	54%			70%	22%	8%		70%	30%

Appendix 8. Interviewing Salespersons

TOPIC	A	B	C
Work experience	more than 5 years	More than 5 years	More than 3 years
How important do you think it for salesperson to know how to manage customer emotions?	Important	Important	Important
How do you take control of your emotions instead of letting your emotions take control of you?	Always leave problems at home, hide your mood and bad emotions, be positive	Breath, calm down and smile, think positive and about your role. In service failure: keep calm, be polite, listen, be confident and care.	Consentrate - think about your role
How do you manage customer emotions?	Care about the customer, surprise with small gifts	Use humor / make jokes, share experience, care and surprise with small gifts	Care about the customer, share information about discounts

Appendix 9. Interviewing Managers

TOPIC	A	B	C	D
How important is it that salespersons smile to their customers?	VERY IMPORTANT	VERY IMPORTANT	VERY IMPORTANT	VERY IMPORTANT
How do you create joyful customer experience?	Key word is personal approach	Guidelines describe processes, systematically run trainings in order to develop SOS. Salespersons receive feedback from customers, employees, studies (Mystery Shopping, Survey´s) etc. "Ideas Pank" ables salespersons to give thoughts. Keywords that describe customer service: personal approach and friendly, thoughtful, smiling	Key words are friendly, memorable and fast, so, customer do not need to wait	Try to exceed expectations by doing follwoing: welcome smile (on the door), give customer free time to gaze around (untill client asks help). Salespersons have to care, help customer and be approachable
Have you ever explored your customers' emotions?	No	Mystery shopping and customer surveys	No	No
Is it right or wrong? If we only knew which salespersons make customers happier, it would be very valuable information.	CORRECT. Could help to cut expenses and improve customer service	CORRECT. We value sheerful sales professionals	CORRECT	CORRECT. We believe happy customer comes back
Have you heard that it is possible to reliably measure customer emotions by using security camera + facial coding technology?	Yes, but we do not have enough knowledge about benefits that facial coding can offer	Yes, but we use security cameras and have supervision 24-hours-a-day. People interpret what they have seen and offer feedback regular basis	Yes, but we believe it´s expensive	Yes - in some ways it could be benefitial, but as Estonian people tend to show little emotions we believe it could not show enough reliable results
How important is to manage / or learn to manage emotions (today or in future)?	From the future perspective, yes, we see the importance. Clients seem to be changing more emotional and dare to demand	Yes, that is considered very important	Yes if people have the knowledge and clear plan	Yes it is very important as the competition grows, but we cannot allow to lose customers
Have you taught salespersons to manage their own and customers emotions?	Run trainings: How to deal with complaining clients, how to finish the sale positively, how to control your personal emotions etc	Salespersons follow guidelines "Service Standard". We run regular trainings. Video tracking system helps to solve problems that can occur between employees etc. We believe team members needs to support each other	We simply communicate that emotions can spread from one to another and customers notice them	Run trainings and touch the topic. Also believe that customer oriented environment, motivational schemes, culture etc. Illustrate what is right to

Appendix 10. The Answers for the Research Questions

	1. Which of the universal emotions do customers feel around the till point?	2. Are happier customers more likely to make a purchase?	3. Do happier customers spend more?	4. Are happier customers more likely to recommend business to other people?	5. Are happier customers more likely to rate products higher?	6. Should marketers manage customer emotions?
Automated Facial Coding	**ALL**	**NO**	**YES**			
Manual Facial Coding		**YES**	**YES**			
Survey		**YES**		**YES**	**YES**	
Interview						**YES**

PÕHIEMOTSIOONIDE MÕJU KLIENDIKÄITUMISELE

Ines Karu-Salo

Resümee

Käesoleva magistritöö eesmärk on uurida põhiemotsioonide mõju tarbijakäitumisele, selgitada välja kas õnnelikud kliendid aitavad kasvatada käivet Mothercare Eesti kauplustes ning kas emotsioonide juhtimine aitaks kaasa müügitulemuste kasvatamisele.

Magistritöö eesmärgi saavutamiseks leitakse vastused järgmistele küsimustele: (1) milliseid põhiemotsioone tunnevad kliendid kassa läheduses, (2) kas õnnelikumad kliendid sooritavad ostu suurema tõenäosusega, (3) kas õnnelikud kliendid kulutavad rohkem, (4) kas õnnelikumad kliendid soovitavad ettevõtet rohkem, (5) kas õnnelikumad kliendid hindavad tooteid kõrgemalt ja (6) kas turundajad peaksid klientide emotsioone juhtima?

Esimene peatükk keskendub teaduskirjandusele ja näitab, et õnnetunne kui positiivne emotsioon aitab muuta kliendid rahulolevamaks ja kasvatada ettevõtte müügitulemusi. Seal kirjeldatakse, et emotsioonide roll tarbijakäitumises püüab üha rohkem teadlaste ja uurijate tähelepanu, sest emotsioonid võivad mõjutada tarbija otsustusprotsessi. Lisaks tutvustab põhiemotsioonide ja näoilmete mõõtmiseks kasutatavaid meetodeid. P. Fisk on ütelnud: “Kliente on vaja tundma õppida vaadates läbi nende silmade, sest nende teadmised on kasvanud ning nende sõnal on kasvav mõjujõud.” Sellele järgnev sektsioon kirjeldab, millele peaksid juhid tähelepanu pöörama, kui soovivad klientide emotsioone juhtida.

Teine peatükk keskendub empiirilisele uuringule, tutvustab hüpoteese ja põhjendab ning kirjeldab valitud uurimismeetodeid. Käesolev uurimistöö kasutab kvantitatiivseid ja kvalitatiivseid uurimismeetodeid: automaatne näoilmete kodeerimine, manuaalne näoilmete kodeerimine, küsitlus ja intervjuu. Uuringud toimusid vahemikus veebruar kuni aprill 2013. Mitme uurimismeetodi kasutamine aitab tagada usaldusväärsemad tulemused. Automaatne näoilmete kodeerimine aitab mõõta klientide kõiki

põhiemotsioone. Manuaalne näoilmete kodeerimine keskendub eksperimendile ning küsitlus peegeldab klientide arvamusi. Intervjuu näitab mida peavad oluliseks emotsioonide juhtimise seisukohalt ettevõtte juhid ja MC klienditeenindajad.

Kolmas peatükk tutvustab uurimistulemusi, mis toetab teaduskirjanduse väiteid. Magistritöö tõestab, et õnnelikumad kliendid sooritavad ostu suurema tõenäosusega, kulutavad rohkem, soovitavad rohkem ja hindavad tooteid kõrgemalt. Sellest tulenevalt saab järeldada, et klientide emotsioone juhtides ja õnnetunnet suurendades, saab kasvatada ka ettevõtte müügitulemusi. Intervjuu tulemused näitavad, et ka juhid ja teenindajad mõistavad emotsioonide juhtimise olulisust ning oma rolli selles protsessis. Lisaks selgub, et automaatse näoilmete kodeerimise mõõtmistulemused näitavad kõikide põhiemotsioonide esinemist.

Antud magistritöö võib huvi pakkuda jaekaubanduse valdkonnas töötavale juhile, turundus- ja müügiinimesele. Autor kui turundusjuht kirjutas antud magistritöö personaalsest huvist teema vastu, sest usub, et klientide emotsioonidele keskendudes on võimalik ettevõtetel müüginumbreid kasvatada.