The Role of Employee Engagement in Enhancing Customer Experience in the Retail Sector

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Abstract

Purpose: This study aims to develop a conceptual model explaining how employee engagement influences customer experience (CX) in the retail industry, with service behavior serving as a mediating mechanism. It highlights the importance of frontline employees in shaping customer perceptions through their engagement and service behaviors.

Research Methodology: The research adopts an integrative literature review approach, synthesizing theoretical and empirical studies from various disciplines. The study integrates the Service Profit Chain and Affective Events Theory to build the conceptual model.

Results: The model suggests that emotionally engaged employees tend to exhibit proactive, empathetic, and responsive service behaviors, which, in turn, improve customer satisfaction and loyalty. The study proposes three theoretical propositions linking employee engagement to CX through service behavior.

Limitations: The study is conceptual and relies on existing literature rather than empirical data. Future research is needed to validate the proposed model with quantitative studies or field experiments. The model also focuses primarily on frontline employees and does not address the role of back-office staff.

Contribution: This research contributes to the theoretical understanding of the relationship between internal (employee engagement) and external (customer experience) factors in retail. It emphasizes the critical role of service behavior as a mediator and provides managerial implications for creating a human-centric retail strategy.

Keywords: employee engagement; customer experience; service behavior; retail business management; service profit chain

1. INTRODUCTION

In the increasingly competitive retail industry, customer experience (CX) has emerged as a key differentiator, as companies strive to provide unique and memorable interactions with their customers (Verhoef et al., 2009). The quality of CX is largely shaped by frontline employees, who are often the direct point of contact with customers. These employees—such as cashiers, sales associates, and customer service representatives—play a pivotal role in

determining customer satisfaction, loyalty, and the overall perception of a brand (Heskett, Sasser, & Schlesinger, 1997). However, despite the growing focus on improving CX, many retail businesses fail to recognize that the foundation for a positive customer experience lies in the engagement of their employees (Bakker & Demerouti, 2008).

Employee engagement, defined as the emotional, cognitive, and behavioral commitment an individual has toward their organization and role (Kahn, 1990; Schaufeli & Bakker, 2004), has been shown to directly influence service quality, as engaged employees are more likely to go above and beyond in their customer interactions. Engaged employees are not only more proactive and responsive, but they are also more empathetic and willing to engage in problem-solving, which are crucial behaviors that enhance CX (Liao & Chuang, 2004). Despite these clear links, research on the direct relationship between employee engagement and customer experience, particularly through the lens of service behavior, remains limited.

While much of the existing literature assumes that employee engagement positively impacts customer experience, few studies explicitly develop a conceptual framework that explains the mechanisms at play, especially with respect to how employee engagement translates into improved customer interactions (Harter, Schmidt, & Hayes, 2020). This gap in research underscores the need for a deeper understanding of how employee engagement affects customer outcomes in the retail context. Furthermore, it highlights the importance of integrating psychological and behavioral theories to explore the ways in which employee engagement can be a driver for customer-centric behaviors.

The primary aim of this study is to develop a conceptual model that links employee engagement to customer experience through the mediating role of service behavior. Drawing on the Service Profit Chain (Heskett et al., 1997) and Affective Events Theory (Weiss & Cropanzano, 1996), this research seeks to integrate these frameworks into a cohesive understanding of the interplay between engaged employees and positive customer outcomes in retail. By incorporating service behavior as a mediator, this model offers a novel perspective that bridges the gap between internal employee factors and external customer perceptions.

This research addresses two key questions: How does employee engagement influence customer experience in the retail sector, and what role does service behavior play in this relationship? To answer these questions, this study adopts an integrative literature review methodology, synthesizing existing studies on employee engagement, customer experience, and service behavior. The aim is to offer a conceptual framework that provides both theoretical insights and practical recommendations for managers seeking to enhance the customer experience through a more engaged workforce.

By developing this model, this study contributes to the growing body of literature on employee engagement and customer experience, offering valuable insights into the mechanisms through which employee engagement translates into improved customer interactions. It also provides a theoretical foundation for future empirical studies that seek to test and refine the proposed relationships.

2. LITERATURE REVIEW AND SYNTESIS PROPOSISION DEVELOPMENT
2.1. Literature Review

The literature review explores key concepts and theoretical frameworks relevant to understanding the relationship between employee engagement and customer experience in the retail sector. It integrates previous research on employee engagement, customer experience (CX), service behavior, and the theoretical foundations of the Service Profit Chain (SPC) and Affective Events Theory (AET), to provide a cohesive model that bridges these concepts.

2.1.1. Employee Engagement

Employee engagement refers to the level of enthusiasm, commitment, and emotional investment that an employee demonstrates toward their work and the organization (Kahn, 1990). Engaged employees are characterized by high levels of energy, involvement, and motivation in their tasks, and they are more likely to go beyond their job descriptions to contribute positively to the organization (Schaufeli & Bakker, 2004). This concept is central to understanding how employees can influence customer outcomes in a retail context.

Engagement has been linked to various positive organizational outcomes, including higher productivity, reduced turnover, and improved job satisfaction (Harter et al., 2020). However, the most significant impact of employee engagement is often seen in customer-facing roles, where engaged employees are more proactive, empathetic, and responsive to customers (Liao & Chuang, 2004). In retail, employee engagement is critical because employees are often the direct point of contact with customers, and their behavior significantly shapes the customer experience (Bakker & Demerouti, 2008).

2.1.2. Customer Experience (CX)

Customer experience (CX) refers to the sum of all interactions a customer has with a brand, encompassing every touchpoint from pre-purchase to post-purchase (Verhoef et al., 2009). It includes both tangible elements (e.g., product quality, store environment) and intangible elements (e.g., employee attitude, service quality). CX is widely considered one of the key drivers of customer satisfaction, loyalty, and long-term profitability (Lemon & Verhoef, 2016).

A positive CX is associated with several desirable outcomes for businesses, including increased customer loyalty, repeat purchases, and positive word-of-mouth, all of which can contribute to sustained profitability (Heskett et al., 1997). Retailers have increasingly recognized the importance of managing CX as a strategic priority. However, much of the research on CX focuses on customer-facing interactions, with limited attention given to the underlying factors that drive these experiences, such as employee engagement and service behavior (Lemon et al., 2001).

2.1.3. Service Behavior as a Mediator

Service behavior refers to the actions and attitudes that employees exhibit during their interactions with customers, such as friendliness, responsiveness, empathy, and problem-solving (Liao & Chuang, 2004). These behaviors are critical in shaping the customer experience and are particularly important in service-intensive sectors like retail. Research has shown that employees who are emotionally engaged with their work are more likely to demonstrate positive service behaviors that enhance customer interactions (Harter et al., 2020).

Service behaviors are considered the operational link between employee engagement and customer experience, as they translate the emotional and cognitive commitment of engaged employees into tangible outcomes for customers. For example, a highly engaged employee may approach a customer query with a more empathetic attitude and provide faster service, thereby improving the overall customer experience (Heskett et al., 1997). Therefore, service behavior is proposed as a mediator in the relationship between employee engagement and CX in the retail sector.

2.1.4. Service Profit Chain (SPC)

The Service Profit Chain, proposed by Heskett et al. (1997), is a widely recognized framework that links employee satisfaction and engagement to customer satisfaction and business profitability. According to this model, engaged and satisfied employees provide better

service, leading to improved customer satisfaction and, ultimately, increased customer loyalty and profitability. The chain of causality proposed by SPC demonstrates that investments in employee engagement can lead to higher quality service, which positively affects customer perceptions and behaviors.

In the context of retail, SPC has been widely applied to explain how internal factors, such as employee engagement, influence external outcomes, such as customer experience and loyalty (Heskett et al., 1997). The model underscores the importance of viewing employee engagement as an investment that yields benefits not only for the employees themselves but also for the customers and the organization as a whole. This theory provides a strong foundation for this study, as it explicitly links internal employee factors (engagement) with external customer outcomes (CX and loyalty).

2.1.5. Affective Events Theory (AET)

Affective Events Theory (AET), developed by Weiss and Cropanzano (1996), posits that workplace events trigger emotional responses that influence employee attitudes and behaviors. According to AET, positive workplace events, such as recognition and support, lead to positive emotions, which in turn drive desirable workplace behaviors, such as increased engagement and customer-oriented actions. Conversely, negative events, such as lack of recognition or poor management, may lead to negative emotions and a decline in service quality (Weiss & Cropanzano, 1996).

In the retail context, AET can be used to explain how emotional experiences at work influence employee behavior toward customers. For example, an employee who feels appreciated by their manager may exhibit more positive service behaviors, leading to a better customer experience. AET thus complements the Service Profit Chain by providing a psychological mechanism for understanding how employee emotions, influenced by workplace events, can impact service behavior and customer experience.

2.1.6. Gaps in Literature

While significant research has been conducted on employee engagement, customer experience, and service behavior separately, few studies have integrated these concepts into a cohesive framework, particularly in the context of retail. Existing models, such as the Service Profit Chain, focus on the direct link between employee satisfaction and customer outcomes, but they often neglect the mediating role of service behavior in this relationship (Liao & Chuang, 2004). Additionally, much of the literature on employee engagement and customer experience focuses on general customer service industries, with limited attention given to the unique dynamics of the retail sector.

Moreover, while AET has been applied in various organizational settings to explain emotional responses to workplace events, its application to employee engagement and customer experience remains underexplored in the retail context. This study aims to fill these gaps by developing a conceptual model that explicitly connects employee engagement, service behavior, and customer experience, using both the Service Profit Chain and Affective Events Theory as foundational frameworks.

2.2. Syntesis Proposision Development

In this section, the findings from the literature review are synthesized to develop the key propositions that form the conceptual framework of this study. By integrating the theoretical foundations of Employee Engagement (EE), Customer Experience (CX), Service Behavior, the Service Profit Chain (SPC), and Affective Events Theory (AET), three primary propositions are proposed to explain the relationships between these constructs in the retail context. These

propositions aim to explore how employee engagement affects customer experience, particularly through the mediating role of service behavior.

Proposition 1 (P1): Employee Engagement Positively Correlates with Service Behavior

The first proposition is based on the premise that employee engagement directly influences the quality of service behavior. Engaged employees, as discussed in the literature, are more emotionally and cognitively invested in their work and are more likely to demonstrate proactive, empathetic, and responsive behaviors during customer interactions (Schaufeli & Bakker, 2004; Harter et al., 2020).

Employee engagement enhances the psychological conditions necessary for employees to deliver high-quality service, which is critical in the retail sector where customer satisfaction is largely shaped by interpersonal interactions (Kahn, 1990). As engaged employees tend to feel a stronger connection to their roles and organizations, they are more likely to exhibit behaviors that align with the company's service standards, such as attentiveness, helpfulness, and responsiveness (Bakker & Demerouti, 2008). Therefore, we propose that:

Proposition 1 (P1): Employee engagement is positively correlated with the quality of service behavior exhibited by frontline employees in the retail sector.

Proposition 2 (P2): Service Behavior Mediates the Relationship Between Employee Engagement and Customer Experience

The second proposition builds on the first by introducing service behavior as a mediator between employee engagement and customer experience. As suggested by the Service Profit Chain (Heskett et al., 1997), the positive service behaviors demonstrated by engaged employees directly influence customer satisfaction and loyalty, thus shaping the overall customer experience. Service behaviors such as friendliness, empathy, responsiveness, and problem-solving play a crucial role in delivering a positive CX, especially in the retail environment (Liao & Chuang, 2004).

Given that engagement leads to improved service behaviors, which, in turn, influence customer experience, we propose that service behavior acts as a key mediator in this relationship. Engaged employees are more likely to engage in behaviors that create meaningful interactions, leading to a better overall customer experience. Therefore, the following proposition is suggested:

Proposition 2 (P2): Service behavior acts as a mediator in the relationship between employee engagement and customer experience, such that engaged employees exhibit better service behaviors, leading to a more positive customer experience.

Proposition 3 (P3): High Employee Engagement Leads to Greater Customer Loyalty and Word-of-Mouth

The third proposition extends the previous two by examining the long-term outcomes of the employee engagement-customer experience link. According to the Service Profit Chain, there is a clear relationship between employee satisfaction/engagement and customer loyalty (Heskett et al., 1997). Employees who are emotionally invested in their roles are more likely to contribute to positive customer experiences, which in turn leads to stronger customer loyalty, repeat business, and positive word-of-mouth recommendations.

Customer loyalty is closely tied to the overall customer experience, and a satisfied, engaged workforce creates a more favorable environment for customers to feel valued and

appreciated. Engaged employees not only improve service quality but also foster a customer-centric atmosphere that encourages repeat business and advocacy. Therefore, the following proposition is put forward:

Proposition 3 (P3): Retail companies with high levels of employee engagement experience higher levels of customer loyalty and increased positive word-of-mouth due to improved customer experience driven by engaged employees.

3. RESEARCH METHODOLOGY

This study employs an integrative literature review methodology, which involves synthesizing and analyzing existing research on employee engagement, customer experience, and service behavior to develop a conceptual framework. The aim of this methodology is to build a robust theoretical model by integrating findings from multiple studies across different fields. This section explains the approach used, including the research conditions, assumptions, theories followed, and tools utilized. Since this is a review-based study, there were no experiments, surveys, or simulations conducted.

3.1. Research Design

The primary design of this study is based on an integrative literature review, which is a critical method for synthesizing existing knowledge on a given topic. It involves collecting, analyzing, and synthesizing literature from a variety of sources to provide a new perspective or conceptual framework (Webster & Watson, 2002). The approach allows for a comprehensive understanding of the relationship between employee engagement, service behavior, and customer experience, which is currently underexplored in the existing literature.

This type of study is non-experimental and does not require the collection of primary data, as it synthesizes findings from secondary sources. By focusing on conceptual development, it seeks to generate new theoretical insights based on the integration of existing knowledge rather than testing hypotheses through empirical methods.

3.2. Literature Review Process

The literature review process followed a systematic approach, which is outlined in the following steps:

1. The literature search was conducted across several academic databases, including Scopus, Google Scholar, ScienceDirect, ProQuest, and Garuda. The search strategy used specific keywords to gather relevant studies. The following key phrases were employed in the search process:
   1) "employee engagement"
   2) "customer experience"
   3) "customer satisfaction"
   4) "retail"
   5) "service sector"
   6) "service behavior"

   The inclusion criteria were studies published between 2000 and 2024 and available in English and Indonesian.
2. Selection Criteria:
   a) Inclusion: Studies that focused on employee engagement, customer experience, service behavior, or related topics within the retail or service industries were included. Additionally, studies addressing the intersection of employee

engagement and customer outcomes, such as loyalty and satisfaction, were considered.

   b) Exclusion: Articles that focused on B2B sectors without direct customer service elements, popular media, or blog articles were excluded. Only peer-reviewed articles and academic journals were considered for inclusion.

3. Data Synthesis: The studies included in the review were critically analyzed for their key findings, theoretical approaches, and relevance to the research question. The synthesis involved comparing and contrasting the findings to develop a conceptual model that explains the relationship between employee engagement and customer experience via service behavior.

4. Propositional Development: Based on the synthesis of the literature, three key propositions were developed, as outlined in the previous section (Propositions 1, 2, and 3). These propositions were crafted by identifying recurring patterns and relationships in the literature and integrating them into a cohesive framework.

3.3. Research Conditions and Assumptions

1. Theoretical Assumptions: This study assumes that employee engagement positively influences service behavior, and in turn, service behavior mediates the relationship between employee engagement and customer experience. It also assumes that the Service Profit Chain (Heskett et al., 1997) and Affective Events Theory (Weiss & Cropanzano, 1996) are applicable to understanding these relationships in the retail sector.

2. Contextual Assumptions: The study is based on the assumption that the retail sector shares common characteristics across various geographic regions and that the theoretical models proposed (Service Profit Chain and Affective Events Theory) are universally applicable to retail environments. The research focuses specifically on frontline employees in retail and excludes back-office roles, which are outside the scope of this study.

3. Research Limitations: Since this study is based on secondary data (literature), it does not involve primary data collection, such as surveys or interviews, and therefore does not provide empirical validation of the proposed model. Furthermore, the study does not account for sector-specific nuances, as the findings are generalized across the broader retail sector. Future empirical studies are required to test the conceptual model developed in this research.

3.4. Software and Tools Used

Since this study is a literature review, the research did not involve direct data collection, analysis, or simulations. However, the following tools were used during the research process:

1. Reference Management Software: EndNote was used for organizing and managing citations, which helped ensure proper referencing and prevented duplication of sources.

2. Data Analysis Software: Microsoft Excel was used for categorizing and organizing the selected studies based on their relevance, theoretical focus, and findings.

These tools facilitated the systematic review process and ensured accuracy in the organization and presentation of data.

3.5. Theories Followed

This study is grounded in two major theoretical frameworks:

1. Service Profit Chain (SPC): The SPC model suggests a direct link between employee satisfaction and customer satisfaction, with employee engagement being the internal factor

that drives better service quality, which ultimately leads to improved customer experience and organizational profitability (Heskett et al., 1997). This theory underpins the first and third propositions of the study.

2. Affective Events Theory (AET): AET explains how workplace events trigger emotional responses in employees, which, in turn, influence their behaviors and attitudes (Weiss & Cropanzano, 1996). This theory is used to explain the emotional mechanisms that mediate the relationship between employee engagement and service behavior, forming the basis for the second proposition in this study.

3.6. Research Reproducibility

The methodology presented in this study is fully reproducible under similar conditions. To replicate the study, researchers can follow these steps:

1. Use the same literature search strategy and inclusion/exclusion criteria to gather relevant studies.
2. Synthesize the findings using the systematic approach described in the literature review process.
3. Apply the same theoretical frameworks (SPC and AET) to develop new propositions based on the literature.
4. Utilize reference management software such as EndNote for citation management.

4. RESULTS AND DISCUSSIONS
4.1. Results

The primary outcome of this study is the development of a Conceptual Model that integrates the core constructs of Employee Engagement, Service Behavior, Customer Experience (CX), and Customer Loyalty. This model is designed to explain the pathways through which employee engagement influences customer experience and, ultimately, customer loyalty in the retail sector.

The proposed model demonstrates how Employee Engagement acts as an internal driver that positively influences Service Behavior, which in turn shapes Customer Experience & Satisfaction. The outcome of a positive CX is stronger Customer Loyalty and Word-of-Mouth, which ultimately contribute to long-term organizational profitability. The relationships between these constructs are outlined as follows:
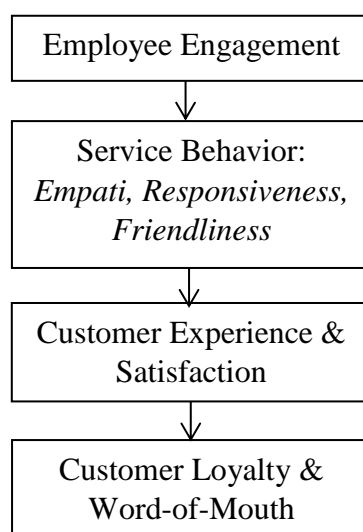
Figure 1. Proposed Conceptual Model

Employee Engagement

Employee engagement is the internal motivator for employees, driving their emotional and cognitive investment in their work and their organization. Engaged employees are characterized by high levels of enthusiasm, proactivity, and emotional investment in their roles (Schaufeli & Bakker, 2004). Engagement influences the quality of the service that employees provide by enhancing their willingness to go beyond formal duties and contribute to creating meaningful interactions with customers.

Service Behavior: Empathy, Responsiveness, Friendliness

Employee engagement translates into specific service behaviors, including empathy, responsiveness, and friendliness. These behaviors are the operational mechanisms that bridge the gap between employee engagement and customer experience. Engaged employees are more likely to demonstrate empathy, attentiveness, and responsiveness when interacting with customers (Liao & Chuang, 2004). These behaviors are essential in shaping the overall customer experience in a retail context.

Customer Experience & Satisfaction

The service behaviors exhibited by engaged employees lead directly to improved customer experience and satisfaction. CX is a holistic perception of the customer's interaction with a brand, and it is influenced by both tangible elements (e.g., product quality) and intangible aspects (e.g., the behavior of employees) (Verhoef et al., 2009). Positive service behavior enhances the customer's perception of the company, leading to greater satisfaction and a stronger emotional connection to the brand.

Customer Loyalty & Word-of-Mouth

A positive customer experience is a precursor to customer loyalty. Customers who have positive interactions with engaged employees are more likely to become loyal patrons, make repeat purchases, and recommend the brand to others through positive word-of-mouth (Heskett et al., 1997). Customer loyalty and word-of-mouth further contribute to the long-term success and profitability of a retail organization by attracting new customers and retaining existing ones.

Key Insights from the Model:
1. Employee Engagement as an Internal Driver: Employee engagement is the starting point in this model. It serves as an internal driver that affects how employees perceive their roles and interact with customers. Engaged employees are motivated to deliver high-quality service, and their emotional connection to the company can significantly impact the customer experience (Schaufeli & Bakker, 2004).
2. Service Behavior as an Operational Bridge: Service behavior functions as the bridge between employee engagement and customer experience. Engaged employees demonstrate behaviors like empathy, responsiveness, and friendliness, which are essential for creating positive customer interactions. These behaviors ensure that employees' emotional and cognitive engagement are translated into tangible actions that benefit customers (Liao & Chuang, 2004).
3. Customer Experience as the Outcome: The ultimate goal of improving employee engagement and service behavior is to enhance customer experience. Positive service interactions foster customer satisfaction, which is essential for building loyalty and encouraging repeat business. The model emphasizes the importance of employee

interactions in shaping customer perceptions, beyond just the product or service being offered (Verhoef et al., 2009).

4. Long-term Profitability through Customer Loyalty: The long-term success of a business depends on customer loyalty, which is nurtured through a positive customer experience. Engaged employees are pivotal in creating that experience, which leads to repeat customers and word-of-mouth referrals. This customer loyalty not only ensures sustained revenue but also helps in building a strong brand reputation (Heskett et al., 1997).

Based on the findings from the conceptual model, the following recommendations are provided for managers in the retail sector to enhance customer experience and drive long-term profitability:

1. Foster Employee Engagement: Retailers should prioritize fostering employee engagement by creating a work environment that promotes job satisfaction, recognition, and professional development. Engagement can be enhanced by implementing programs that focus on employees' emotional well-being and providing opportunities for growth and learning (Bakker & Demerouti, 2008).

2. Develop Soft Skills and Emotional Intelligence: Investing in training programs that enhance emotional intelligence, empathy, and service behavior is crucial. Retailers should focus on developing soft skills in their employees to ensure that they can respond effectively to customer needs, especially in high-touch, service-intensive environments.

3. Measure and Monitor Employee Engagement: Regular measurement of employee engagement should be part of the organization's strategy. This could involve employee surveys, feedback mechanisms, and performance reviews to understand the levels of engagement and identify areas for improvement. Engaged employees are more likely to provide excellent service, so monitoring engagement can help predict and enhance customer experience (Harter et al., 2020).

4. Implement Customer-Centric Practices: Retailers should implement customer-centric strategies that focus on creating a positive, personalized experience. This includes investing in training for employees to engage with customers in meaningful ways, handling complaints effectively, and providing consistent service quality across all touchpoints (Lemon et al., 2001).

5. Encourage Customer Feedback and Word-of-Mouth: Encouraging customers to provide feedback and share their experiences through word-of-mouth is essential for building brand loyalty. Retailers should create channels for customers to share their experiences, and offer incentives for referrals or positive feedback, helping to attract new customers and maintain long-term relationships with existing ones (Verhoef et al., 2009).

4.2 Discussions

The purpose of this study was to develop a conceptual model that explains how employee engagement influences customer experience (CX) in the retail sector through service behavior. By synthesizing existing theories and literature, the study proposed a model in which employee engagement acts as an internal driver, service behavior serves as an operational mediator, and CX leads to long-term customer loyalty and profitability. The findings provide significant insights into the role of employee engagement and service behavior in shaping customer experiences and ultimately driving business success.

Employee Engagement as an Internal Driver

The first proposition in the model asserts that employee engagement positively correlates with service behavior. This finding is consistent with previous research that emphasizes the importance of employee engagement as a foundational factor in service quality. Engaged employees demonstrate higher levels of emotional commitment to their roles and are more likely to exhibit behaviors that exceed customer expectations (Schaufeli & Bakker, 2004). These employees are motivated not only to perform their job tasks but also to actively engage with customers in ways that enhance the service experience.

The Service Profit Chain theory (Heskett et al., 1997) supports this notion by suggesting that employees who are emotionally engaged with their work deliver better service, which in turn enhances customer satisfaction and loyalty. In the retail context, where customer interactions are often face-to-face, the emotional investment of employees plays a crucial role in determining the quality of service provided. The findings of this study suggest that organizations that prioritize employee engagement can expect improvements in service delivery, as engaged employees are more likely to be proactive, empathetic, and responsive to customers' needs (Bakker & Demerouti, 2008).

Service Behavior as a Mediator

The second proposition in the model posits that service behavior mediates the relationship between employee engagement and customer experience. This proposition aligns with earlier research that links employee engagement with service behavior. Employees who are engaged in their work are more likely to exhibit service behaviors such as friendliness, responsiveness, and empathy, all of which contribute to a positive customer experience (Liao & Chuang, 2004).

Affective Events Theory (AET) (Weiss & Cropanzano, 1996) provides further support for this proposition by explaining that workplace events, such as recognition and support from management, can trigger positive emotions that enhance employees' service behavior. For example, an employee who feels recognized and valued by their employer is more likely to approach customers with a positive attitude, leading to a better overall customer experience. This finding highlights the importance of considering service behavior as an operational bridge between internal factors (employee engagement) and external outcomes (customer experience).

Moreover, the model proposed in this study suggests that service behavior is not just a reflection of employee engagement but a critical mechanism that translates engagement into customer satisfaction. This is consistent with the Service Profit Chain, which suggests that improvements in service quality—fueled by engaged employees—lead directly to greater customer satisfaction and loyalty (Heskett et al., 1997). By emphasizing service behavior as a mediator, this study contributes to the growing body of literature that links employee attitudes to customer perceptions in a systematic and measurable way.

Customer Experience and Satisfaction as the Outcome

The third proposition suggests that customer experience (CX) is the result of positive service behavior. This finding is supported by previous studies that emphasize the pivotal role of employee interactions in shaping the customer's overall experience. According to Verhoef et al. (2009), CX is a multifaceted concept that encompasses both the tangible aspects of the service (such as product quality) and the intangible aspects (such as customer service). Service behavior, driven by employee engagement, is a key factor in determining the intangible elements of CX, particularly the emotional responses of customers during their interactions with frontline employees.

Customer experience has long been recognized as a critical driver of business outcomes, such as customer loyalty, satisfaction, and word-of-mouth recommendations (Lemon et al., 2001). The findings of this study underscore the importance of investing in employee engagement as a means to enhance CX. Engaged employees are better equipped to deliver high-quality service, which leads to greater customer satisfaction and positive perceptions of the brand (Harter et al., 2020). This supports the notion that CX is not solely influenced by the product or service offering but is heavily shaped by the quality of employee-customer interactions.

Customer Loyalty and Word-of-Mouth as Long-term Outcomes

The final proposition of the model highlights the relationship between CX and long-term business success, specifically customer loyalty and word-of-mouth. This proposition is grounded in the Service Profit Chain, which suggests that positive CX drives customer loyalty, repeat purchases, and positive word-of-mouth, all of which contribute to sustained profitability (Heskett et al., 1997). The findings of this study support this view, demonstrating that customers who have positive experiences with engaged employees are more likely to become loyal customers and recommend the brand to others.

Customer loyalty is a well-documented outcome of positive customer experiences (Oliver, 1999), and word-of-mouth has been shown to significantly influence consumer behavior and brand perceptions (Zeithaml et al., 1996). Engaged employees play a crucial role in fostering both loyalty and word-of-mouth, as their emotional investment in their work results in superior service that creates lasting customer relationships. In today's competitive retail landscape, where customer retention is key to business success, the link between CX and customer loyalty is essential for maintaining a strong market position.

The findings from this study provide several important implications for retail managers. First, they emphasize the importance of employee engagement as the foundation for high-quality customer service. Retail managers should prioritize creating an environment that fosters employee engagement by offering recognition, providing opportunities for personal and professional development, and ensuring that employees feel valued and supported.

Second, retail managers should recognize the central role of service behavior in shaping customer experience. By providing training programs that focus on developing soft skills such as empathy, responsiveness, and problem-solving, retailers can enhance the service behaviors of their employees, leading to improved customer satisfaction and loyalty.

Finally, the study highlights the importance of customer experience in driving long-term business success. Retailers should adopt a customer-centric approach, ensuring that every touchpoint, from product quality to employee interactions, contributes to a positive customer experience. This approach will not only enhance customer loyalty but also generate positive word-of-mouth, which can serve as a powerful marketing tool in attracting new customers.

5. CONCLUSION

This study aimed to develop a conceptual model that explains the relationship between employee engagement**,** service behavior, and customer experience (CX) in the retail sector. By synthesizing existing literature, the study accomplished the following objectives:

1. The study demonstrated that employee engagement is an internal driver that influences employee service behaviors, such as empathy, responsiveness, and friendliness. Engaged employees are more likely to exhibit behaviors that exceed customer expectations, positively shaping customer experiences.

2. The study integrated key theoretical frameworks, including the Service Profit Chain (SPC) and Affective Events Theory (AET), to develop a conceptual model that links employee engagement to customer experience via service behavior. The model illustrates that service behavior acts as a mediator in the relationship between employee engagement and customer experience.

3. The model proposed that improved customer experience leads to increased customer loyalty and positive word-of-mouth**.** By emphasizing the role of engaged employees in shaping customer perceptions, the study highlights the importance of employee engagement in driving long-term customer loyalty and organizational profitability.

The study's findings provide valuable theoretical insights into the mechanisms through which employee engagement influences customer outcomes in the retail sector. Retail managers can use these insights to enhance their employee engagement strategies and improve customer experience, ultimately fostering customer loyalty and business growth.

LIMITATION AND STUDY FORWARD

While this study provides a comprehensive theoretical model, it is important to acknowledge several limitations and propose directions for future research.

Limitations:

1. The study is based on a conceptual framework and synthesizes existing literature rather than collecting primary data. As a result, it lacks empirical validation of the proposed relationships. Future research should focus on collecting primary data, such as surveys or interviews, to empirically test the model and validate the theoretical propositions.

2. This study primarily focuses on frontline employees in the retail sector, assuming that their engagement has the most significant impact on customer experience. However, the role of back-office employees or employees in non-customer-facing roles was not addressed. Future research could extend this model by examining the influence of engagement in back-office employees on overall customer experience.

3. The studies reviewed in this research are primarily from Western contexts, and the model may not fully capture the nuances of employee engagement in retail settings outside of these regions. Cultural and regional differences in employee engagement and customer behavior may influence the applicability of the model in other parts of the world. Future studies could investigate how cultural factors influence the relationship between employee engagement and customer experience across different geographic regions.

4. While this study focuses on the relationship between service behavior and customer experience, CX is a multifaceted concept that includes various elements such as product quality, store environment, and digital touchpoints. Future research could explore the role of other elements of CX, such as digital interactions or customer service via online platforms, to provide a more holistic view of the customer journey.

Future Scope and Directions for Research:

1. Future studies should test the conceptual model presented in this research by using quantitative and qualitative data collection methods, such as surveys, employee performance reviews, and customer satisfaction surveys. Structural Equation Modeling (SEM) could be used to test the relationships between employee engagement, service behavior, customer experience, and customer loyalty in retail settings.

2. In addition to service behavior, other mediators could be explored in future studies. For example, employee well-being or customer trust may play significant roles in the

relationship between employee engagement and customer experience. Identifying and testing additional mediators could enhance the understanding of how employee engagement impacts customer outcomes.

3. Comparative studies could be conducted across different industries, such as hospitality, banking, or healthcare, to test the generalizability of the conceptual model. Such research would provide insights into whether the relationships identified in the retail sector hold true across other service-driven sectors.

4. Longitudinal research could be conducted to track the long-term effects of employee engagement on customer experience and loyalty over time. This would allow researchers to observe the sustained impact of engagement on service behavior and customer outcomes, as well as identify any potential changes or trends over an extended period.

5. With the increasing use of digital platforms and technologies in retail, future research could explore how technological advancements (e.g., automation, AI) impact employee engagement and customer experience. Understanding the role of technology in employee-customer interactions could provide new insights into how to improve service behavior and customer loyalty in the digital age.

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