

The Customer Engagement/Value Interface: Conceptual Model & Research Implications

Linda D. Hollebeek, The University of Auckland Business School, l.hollebeek@auckland.ac.nz

Abstract

After generating significant initial interest within the practitioner community, the ‘customer engagement’ concept is rapidly gaining traction in the academic service marketing literature. Although pioneering research has provided foundational insights in this emerging area, little is known regarding the customer engagement/customer value (CE/CV) interface, which is addressed in this paper. Specifically, a conceptual model addressing the interrelationships between expected/actual utilitarian and hedonic aspects of CV and CE is proposed. Further, the model is investigated using dual depth-interviewing/focus group methodology. Findings suggest CE is more prevalent for categories perceived to be highly hedonic, as opposed to highly utilitarian, in nature. The paper concludes with an overview of implications for service research.

Keywords: Customer engagement, value, conceptual model

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Introduction

The importance of enduring customer/firm relationships and customer retention is widely-acknowledged in the service and relationship marketing literatures (e.g. Berry, 1995; Grönroos 1996; Gruen *et al.*, 2000). Further, Vargo and Lusch's (2004, 2008) 'service-dominant' (S-D) logic posits service as the fundamental basis of any business exchange. Service is hence viewed as a super-ordinate concept, with goods merely acting as mechanisms for ubiquitous service provision. Within this theoretical perspective, the interactively-based 'customer engagement' concept is starting to transpire in the academic marketing literature (e.g. Bowden, 2009a/b) after generating significant initial interest in the business practitioner discourse (Appelbaum, 2001). While the relevance of the customer engagement concept within the S-D logic has been recognised (Brodie *et al.*, 2010), little systematic research embedding customer engagement within this broader theoretical perspective has been undertaken to-date.

The customer engagement concept has been heralded for its potentially superior predictive and/or explanatory power in service, customer retention and loyalty contexts (Bowden, 2009a). As such, this promising new concept is expected to extend beyond the contributions made by traditional relational constructs including perceived quality, consumer involvement and customer satisfaction in explaining and/or predicting loyalty, and customer value outcomes alike (Hollebeek, 2010). 'Customer value' is defined as a customer's overall assessment of the utility of a product/service based on perceptions of what is received and what is given (Zeithaml, 1988). Despite these potential contributions, little is known to-date regarding the conceptual nature of customer engagement, and its particular conceptual relationships.

The engagement concept has been previously examined in a variety of other academic disciplines including social psychology, political science, educational psychology and organisational behaviour. In organisational behaviour, Saks (2006) defines 'employee engagement' as "the amount of cognitive, emotional and physical resources an individual is prepared to devote in the performance of one's work roles, which is contingent on the economic and socio-emotional resources received from the organisation." Such three-dimensional (cognitive, emotional, behavioural) view of engagement has been widely-cited in the literature (May *et al.*, 2004; Saks, 2006; Patterson *et al.*, 2006).

In educational psychology, 'student engagement' has been shown to contribute to enhanced learning outcomes, while 'employee engagement' has been linked to heightened organisational commitment, citizenship behaviours and job satisfaction, as well as superior organisational performance outcomes (Saks, 2006; Schaufeli *et al.*, 2002). As such, theoretical development of the 'customer engagement' concept in marketing is expected to generate analogous contributions in terms of customer satisfaction, customer value, customer organisational citizenship behaviours and/or loyalty (e.g. Bove *et al.*, 2009). While exploratory research is emerging in the literature, further insights, as well as substantiation and validation of initial findings, are required.

This paper is structured as follows. First, literature addressing customer engagement is reviewed in the next section. Despite pioneering insights, however, little is known regarding the specific

relationship between customer engagement and the utilitarian and hedonic aspects of customer-perceived value. Hence the ‘customer value’ concept is introduced, which is linked to customer engagement in a proposed conceptual model. The next section provides an overview of the research questions and approach, followed by a discussion of the key findings and implications for service research.

Customer Engagement Conceptualisations

An overview of recent customer engagement conceptualisations proposed in the literature is provided below. Based on these definitions, a lack of consensus is observed regarding the conceptualisation of this emerging concept. Common across the reviewed definitions, however, is the notion of *two-way interactions* required for the emergence of focal engagement levels (Robinson *et al.*, 2004; Kumar *et al.*, 2010), thus rendering the concept’s particular applicability in contexts typified by high service levels (Patterson *et al.*, 2006; Bowden, 2009a/b). Further, customer engagement may be viewed to reflect customers’ levels of motivational (cognitive, emotional and/or behavioral) *investments* in their brand interactions (cf. Patterson *et al.*, 2006; Van Doorn *et al.*, 2010; Hollebeek, 2010).

Table 1: Overview of Engagement Conceptualisations in the Marketing Literature

Author(s)	Construct	Definition
Van Doorn et al. (2010)	Customer engagement behavior	Customers’ behavioral manifestation toward a brand or firm, beyond purchase, resulting from motivational drivers, including word-of-mouth activity, recommendations, helping other customers, blogging & writing reviews.
Hollebeek (2010)	Customer engagement	The level of expression of an individual customer’s motivational, brand-related & context-dependent state of mind characterised by a degree of activation, identification & absorption in brand interactions.
Higgins and Scholer (2009)	Engagement	A state of being involved, occupied, fully absorbed or engrossed in something (i.e. sustained attention), generating the consequences of a particular attraction or repulsion force. The more engaged individuals are to approach or repel a target, the more value is added to or subtracted from it.
Bowden (2009a)	Customer engagement	A psychological process that models the underlying mechanisms by which customer loyalty forms for new customers of a service brand, as well as the mechanisms by which loyalty may be maintained for repeat purchase customers of a service brand.
Patterson et al. (2006)	Customer engagement	The level of a customer’s physical, cognitive & emotional ‘presence’ in their relationship with a service organisation.

While customers represent the specific *subjects* undertaking customer engagement, particular engagement *objects* include organizations, employees, products or brands the subject engages with (Patterson *et al.*, 2006). As such, significant fluctuation in customer engagement levels may be observed across interactions with different engagement objects. Further, customer engagement may be modelled as both a psychological *state* at a particular point in time, or a *process* comprising a series of aggregated engagement states. Moreover, engagement has been conceptualised from using a variety of uni- and multidimensional perspectives, although the latter (i.e. cognitive, emotional, behavioural) appears dominant in the literature (Patterson *et al.*, 2006; May *et al.*, 2004; Schaufeli *et al.*, 2002) with the appropriate dimensionality of customer engagement being contingent upon particular research contexts. Further, Hollebeek (2010) addresses the conceptual distinctiveness of customer engagement, relative to other concepts cited

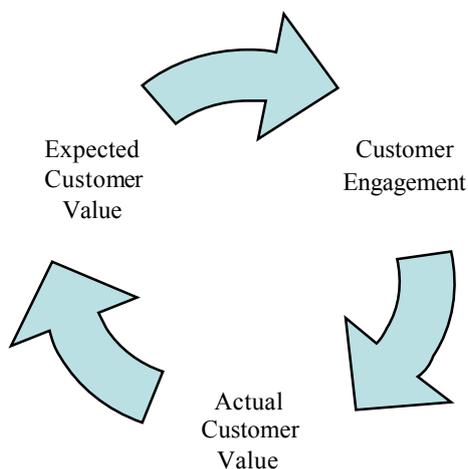
in service research including involvement, rapport, satisfaction, trust, customer value, co-created value, commitment and loyalty. Specifically, while *expected* customer value may serve as a customer engagement antecedent, *actual* levels of perceived customer value may represent a customer engagement consequence. Further depth pertaining to this conceptual relationship is provided in the next section.

The Customer Engagement/Customer Value Interface

Higgins and Scholer’s (2009) ‘regulatory engagement theory’ (RET) specifies that ‘the more engaged individuals (e.g. customers) are to approach or repel a target (e.g. a brand), the more value is added to or subtracted from it.’ Hence while RET views resultant levels of (*actual*) perceived value as a customer engagement (CE) *consequence*, customers’ pre-conceived, *expected* value levels may be viewed as a CE *antecedent* (Hollebeek, 2010) although empirical investigation of this hypothesised relationship is yet to be undertaken.

‘Customer value’ (CV) is defined as “a consumer’s overall assessment of the utility of a product/service based on perceptions of what is received and what is given” (Zeithaml, 1988), and as such, reflects a customer’s perceived net benefits related to a specific object (e.g. a brand). While the literature has traditionally examined *actual* customer value levels arising from specific brand, product or company experiences (e.g. Slater and Narver, 2000), the concept of *a priori*, expected CV remains underexplored to-date. Further, customers’ perceived value levels may comprise utilitarian and/or hedonic elements (Babin *et al.*, 1994; Dhar and Wertenbroch, 2000). Utilitarian value has been defined as ‘the instrumental utility associated with a particular offering’ (Voss *et al.*, 2003; Childers *et al.*, 2001), which is of a ‘means-end’ variety and arises from functional, non-sensory attributes (Batra and Ahtola, 1991).

Figure 1: The CE/CV Interface



Hedonic value, by contrast, represents ‘consummatory, affective (hedonic) gratification extracted from sensory attributes’ (Batra and Ahtola, 1991). As such, the hedonic dimension of CV results from sensations derived from the product/service usage experience, as opposed to its utilitarian, functional benefits (Voss *et al.*, 2003). As such, the utilitarian, as well as hedonic aspects of expected CV may serve to affect ensuing CE levels, which in turn, may influence consumers’ actual, and/or expected CV in subsequent brand, product or firm encounters, as shown in Figure 1. As such, the CE/CV interface is reflected as a set of iterative, mutually-reinforcing sub-processes over time.

Research Questions & Approach

Based on the proposed literature-based conceptual model, the following research questions (RQs) were developed to guide the enquiry: Within specific contexts, RQ (1) *how do the utilitarian and hedonic aspects of expected CV influence CE*, and RQ (2) *how does CE affect*

actual (as opposed to expected) *utilitarian and hedonic CV*? To investigate these questions, a dual depth-interviewing/focus group methodology was adopted (Coffey and Atkinson, 1999) drawing on a sample of twenty informants aged 18-69, nine of whom were male. Participants were recruited through advertisements posted on community notice boards across a large city in New Zealand. Interviews took approximately 45 minutes each; and the focus group comprising eight individuals (cf. Kitzinger, 1995) took approximately 80 minutes to completion. The focus group was moderated by the researcher (Fern, 1982). All respondents were asked for their perceptions of the relevant functional (cf. utilitarian) and emotive/affective (cf. hedonic) value pertaining to a self-selected brand they had purchased in the last month. Respondents' names were changed to protect their privacy.

The data were analysed using content and thematic analysis. In contrast to content analysis, thematic analysis incorporates the entire conversation as the potential unit of analysis (Thomsen *et al.*, 1998) and as such, extracts super/sub-ordinate themes from the data. The analysis was conducted at two levels including open and axial coding (Strauss and Corbin, 1998; Spiggle, 1994). The open codes were developed from text, which varied in length from several words to paragraphs. The open and axial coding represented an iterative process whereby themes identified initially using open coding were examined further during the axial coding stage.

Findings & Research Implications

An overview of the research questions (RQs) and key respondent statements is provided in Tables 2 and 3. 'CV_{expected}' represents customers' expected customer value level prior to a particular interactive engagement with a specific engagement object, while 'CV_{actual}' reflects customers' actual level of perceived value ensuing from engaging with a particular object. Further, the prefixes 'UT' and 'HED' represent consumers' perceived utilitarian and hedonic value derived from particular objects respectively, analogous to the definitions presented in the literature review.

Table 2: Key Findings RQ1 - Utilitarian/Hedonic Expected CV & CE

UT CV_{expected} => CE	<p>"It's hard to imagine there being enough depth in a petrol station, or my toothpaste, for [me] to really care about it, whereas a TV show has a lot more to it" (Andrew).</p> <p>"I don't have a choice; I have to [buy groceries], I need to feed my family" (Rose).</p> <p>"[Foodtown supermarket] is a place I just go because [I] need food. It's not the experience I go for, just a chore on the to-do list. While I'll browse in the Body Shop and try creams on my hands and see whether I like the scent" (Anna).</p>
HED CV_{expected} => CE	<p>"Brands that are promoted as somehow going to improve your life, [like] a new running shoe [are more likely to be highly engaging], whereas petrol is just petrol. I think our self-image, and self-worth are much more tied up with where we get our hair cuts, or where we go to the gym, than about what petrol we use" (Andrew).</p> <p>"[My engagement] depends on the product, when I see it as something [I want] to connect with or express who I am it fuels [my engagement]" (Eve).</p> <p>"Engagement is all about whether you, personally, feel something for the brand. When I feel it's only a necessity I'm not engaged with it, I don't have a relationship with it" (Ben).</p>

Findings confirmed the existence of consumers' specific pre-conceived, expected utilitarian and hedonic CV levels driving their CE with particular objects, and resulting in specific levels of actual, perceived utilitarian and hedonic CV. As such, findings concurred with the proposed conceptual model, which may be used to guide further enquiry in this emerging area. Future research may also wish to investigate the unfolding of the CV/CE process over time using longitudinal analyses. Second, the impact of utilitarian and hedonic expected CV on CE (RQ1) was found to be highly category-dependent with categories expected to provide greater levels of hedonic CV generating higher CE levels, relative to categories perceived as 'utilitarian' (Table 2). Specific, oft-cited utilitarian categories included retail petrol, banking and supermarkets, while more experiential, hedonic categories ranged from TV shows and organic produce, to gyms and family entertainment. Similarly, a stronger impact of CE on *actual* utilitarian and hedonic CV (RQ2) was also observed for categories perceived as 'hedonic' (Table 3). As such, distinct CE levels were observed across offerings although insights into specific category-based dynamics are limited to-date, thus generating a plethora of CE research opportunities.

Table 3: Key Findings RQ2 - CE & Utilitarian/Hedonic Actual CV

CE => UT CV_{actual}	<p>“[With Nivea] there’s no psychological connection at all. So it’s functional, and it will do the job, for the time being” (Eve).</p> <p>“You need [a car to do] specific things for you, but if it’s a fun car and it’s a convertible, you are going to be emotionally engaged with it (James).</p>
CE => HED CV_{actual}	<p>“The reason I buy [Frenz free-range] eggs is I feel it’s a good product, not only for me, but also for society. So there is a greater outcome, [by buying it] I’m giving back to society. And I can’t see that say, stationery [i.e. utilitarian] could have this effect. It’s important to have a personal connection and trust [for engagement to occur]” (Joanne).</p>

Further, the findings indicate that for consumers with significant previous experience with particular categories, the concepts of expected and actual CV somewhat converged, which may impact upon, and/or be reflected in, their specific engagement levels (Bowden, 2009a). Despite this their engagement with *new brands* (e.g. through new product launches or sales promotions at the point-of-sale) in the category may generate variations in, and/or intervene with, relatively established levels of these variables, which may be examined in further research in this area. An overview of specific avenues for future research is provided in Table 4.

Table 4: Implications for Service Research

UT CV_{expected} => CE	<ul style="list-style-type: none"> ○ What is the relative role of expected utilitarian CV in driving CE across contexts? ○ Which are the key moderators of the expected utilitarian CV/CE relationship? ○ How can utilitarian CV be optimised to generate enhanced CE?
HED CV_{expected} => CE	<ul style="list-style-type: none"> ○ What is the relative role of expected hedonic CV in driving CE in particular contexts? ○ Which are the key moderators of the expected hedonic CV/CE relationship? ○ How can hedonic CV be optimised to generate enhanced CE?
CE => UT CV_{actual}	<ul style="list-style-type: none"> ○ What is the relative role of CE in generating customer perceptions of utilitarian value? ○ How can CE be leveraged in creating optimal levels of utilitarian CV? ○ Does an optimal CE/utilitarian CV relationship contribute to superior customer loyalty?
CE => HED CV_{actual}	<ul style="list-style-type: none"> ○ What is the relative role of CE in generating customer perceptions of hedonic value? ○ How can CE be leveraged in creating optimal levels of hedonic CV? ○ Does an optimal CE/hedonic CV relationship contribute to superior customer loyalty?

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