

# CUSTOMER ENGAGEMENT

Management practices in the consumer goods and services sector



Katarzyna Żyminkowska  
Joanna Wiechoczek Małgorzata Kieźel

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## Introduction

**Katarzyna Żyminkowska**

Individual customers and consumer communities are a source of new competencies for firms, which can gain access to the expertise and investment of time and effort from these groups in addition to the firm's resource base. Such groups participate in interactive value formation within companies' enhanced networks. The new marketing concept of customer engagement (CE) refers to this consumer activism of offering their resources during interactions with the brand or the company's offerings or activities, often involving others in the social network created around the brand, offering or activity. Customer engagement is a customer's voluntary resource contribution to a firm's marketing function, going beyond financial patronage. In other words, CE is a customer behavioural manifestation toward the brand or firm that goes beyond transactions and results from motivational drivers.

Therefore, companies should develop a set of capabilities and resources to manage customer engagement. Such management efforts should leverage the potential benefits or disadvantages of CE internally and externally. Although it is quite challenging for companies to profitably manage customer engagement, it is still quite rare for the marketing literature to indicate a comprehensive managerial approach to CE. Empirical evidence of firms' endeavours in customer engagement management is also uncommon in the existing academic literature.

In response to this research gap, this book offers a managerial view on customer engagement in business practice and reveals the findings of its empirical investigation. The overall purpose of this book is to recognise the phenomenon of customer engagement in the business practice of the consumer goods and

services sector. Customer engagement in this book refers to the engagement of individual customers, that is, consumer buyers, final consumers, or consumer end-users, either initiated by companies or the customers themselves. The authors aim to reveal both companies' current practices as well as their plans for customer engagement, and explore the following research questions:

1. How should the customer engagement phenomenon be defined from a managerial point of view?
2. What are the forms of customer engagement which need to be managed in business practice?
3. What are the basics of customer engagement management?
4. What are the external conditions for customer engagement management?
5. What is the intensity of customer engagement in business practice?
6. What are the consequences of customer engagement for firms?
7. What are the firms' efforts in managing customer engagement?

Both theoretical and empirical studies were conducted to address the above issues. Regarding the literature review, it should be emphasised that customer engagement has been attracting growing attention from scholars and practitioners since its introduction to the discipline of marketing in 2001 by the Gallup Institute. It became an important topic for discussion in marketing academia in 2010–2011, when key works were published and subsequent directions for research determined. Then, the Marketing Science Institute listed customer engagement issues among its research priorities for the years 2014–2016 and 2016–2018, which proved further catalysts for academic discussion. Therefore, the authors have taken cognisance of the dynamic development of CE academic knowledge in this book. Empirical research was also conducted to address the research questions formulated in this book. Firms representing four industries were surveyed: food and beverages, fashion, household appliances and banking and financial services. The data was collected through computer-assisted telephone interviewing (CATI) between August 22<sup>nd</sup> and September 21<sup>st</sup> 2017. At each firm, one manager responsible for marketing or marketing-related activities (such as customer relationship management, promotion campaigns, customer complaints management, new product development and innovation, and so on) was interviewed.

The current book comprises the results of the theoretical and empirical studies. The first chapter discusses managerial interpretations of customer engagement



and existing customer engagement classifications. It also offers some basics on customer engagement management, including the CE consequences for firms, and detailed characteristics of the customer engagement management process. The second chapter gives the methodological issues in the empirical research conducted by the authors, discusses the research framework and explains the main research categories. It also describes the sample selection procedure and characteristics, followed by a discussion of the measurement scales used to discover customer engagement in business practice. The next four chapters give the broad findings of the empirical research on customer engagement in business practice. In each chapter, dedicated to one of the industries under study, the authors consider the environmental factors which may impact such practice within a given industry, and firms' current activities within the specific forms of customer engagement. Then, the positive and negative effects of CE for the firms in each industry are discussed, followed by an analysis of the companies' efforts in managing customer engagement and their plans towards customer engagement for the next three years. The last chapter gives a comparative analysis of CE business practices across the four industries in the consumer goods and services sector: food and beverages, fashion, household appliances and banking and financial services. The comparisons made in this chapter refer to the environmental conditions of CE management, the firms' current efforts with regard to CE, its consequences and components, and future plans for CE.

This book is addressed to marketing academics, practitioners and students. It focuses on companies' perspectives on CE and advances the understanding of customer engagement as an object of companies' management endeavours. The authors propose a managerial view of customer engagement, which is complementary to their previous work focused on the consumer perspective (see K. Żyminkowska, J. Wiechoczek, M. Kieźel, T. Żyminkowski, *Zjawisko customer engagement wśród polskich konsumentów*, Wydawnictwo Naukowe PWN, Warszawa 2018).

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## Chapter 1

# The managerial approach to customer engagement

Katarzyna Żyminkowska

### 1.1. Customer engagement interpretations

Based on the existing marketing literature, there are two main perspectives among previous interpretations of customer engagement (CE) within the managerial approach which offers one-dimensional, behavioural CE clarification, highlighting the company-level outcomes of CE and the need for profitable CE management.<sup>1</sup> The managerial perspective encompasses two distinct CE interpretations: the first consists of customer behaviours that go beyond the transaction (i.e. non-transactional customer behaviours), whereas the second interprets CE as customer behaviours including both the transactional and non-transactional.

These distinct CE interpretations originate from two influential studies published in 2010, which directed avenues for subsequent customer engagement research in the field of marketing. First, Jenny van Doorn, Katherine Lemon,

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<sup>1</sup> Apart from a managerial approach, there is also a multi-dimensional, attitudinal interpretation of customer engagement in the marketing literature, further discussed in: Żyminkowska K., *Źródła teoretyczne, istota, formy oraz modele customer engagement*, [in:] K. Żyminkowska, J. Wiechoczek, M. Kieźel, T. Żyminkowski, *Zjawisko customer engagement wśród polskich konsumentów*, Wydawnictwo Naukowe PWN, Warszawa, 2018, pp. 15–20.

Vikas Mittal, Stephan Nass, Doreén Pick, Peter Pirner and Peter Verhoef<sup>2</sup> introduced a one-dimensional, behavioural CE definition to the marketing literature. Using the term ‘customer engagement behaviour’, van Doorn et al. posited that this is a customer’s behavioural manifestations toward a brand or firm that have a brand or firm focus beyond purchase, resulting from motivational drivers. Proponents of this CE interpretation also use the label of ‘customer engagement’,<sup>3</sup> and suggest that customer engagement is a customer’s voluntary resource contribution to a firm’s marketing function, going beyond financial patronage<sup>4</sup> (see Table 1).

**Table 1.** Customer engagement (behaviour) definitions within the managerial approach

Authors(s)	Definition
van Doorn, Lemon, Mittal, Nass, Pick, Pirner & Verhoef 2010	Customer engagement behaviour is customer’s behavioural manifestations toward a brand or firm that have a brand or firm focus beyond purchase, resulting from motivational drivers.
Verhoef, Reinartz & Krafft 2010	Customer engagement is a behavioural manifestation toward the brand or firm that goes beyond transactions. Customer engagement consists of multiple behaviours such as word-of-mouth (WOM) activity, blogging, providing customer ratings, and so on.
Verleye, Gemmel & Rangarajan 2014	Customer engagement behaviour is customers’ behavioural manifestations towards a firm, after and beyond purchase. CEBs refer to voluntary, discretionary customer behaviours with a firm focus and can contribute to the firm’s performance.
Jaakkola & Alexander 2014	Customer engagement behaviour is a behaviour through which customers make voluntary resource contributions that have a brand or firm focus but go beyond what is fundamental to transactions,

<sup>2</sup> van Doorn J., Lemon K., Mittal V., Nass S., Pick D., Pirner P., Verhoef P. (2010). *Customer Engagement Behavior: Theoretical Foundations and Research Directions*, “Journal of Service Research”, 13(3), pp. 253–266.

<sup>3</sup> Verhoef P., Reinartz W., Krafft M. (2010). *Customer Engagement as a New Perspective in Customer Management*, “Journal of Service Research”, 13(3), pp. 247–249.

<sup>4</sup> Harmeling C., Moffett J., Arnold M., Carlson B. (2017). *Toward a theory of customer engagement marketing*, “Journal of the Academy of Marketing Science”, 3, pp. 312–335.

	occur in interactions between the focal object and/or other actors, and result from motivational drivers.
Harmeling, Moffett, Arnold & Carlson 2017	Customer engagement is a customer's voluntary resource contribution to a firm's marketing function, going beyond financial patronage.
Beckers, van Doorn & Verhoef 2018	Customer engagement behaviour is the same as van Doorn et al. 2010, including customer-initiated and firm initiated customer engagement.

Based on: Beckers M., van Doorn J., Verhoef P.C. (2018). *Good, better, engaged? The effect of company-initiated customer engagement behavior on shareholder value*, "Journal of the Academy of Marketing Science", no. 46, pp. 366–383; van Doorn J., Lemon K., Mittal V., Nass S., Pick D., Pirner P., Verhoef P. (2010). *Customer Engagement Behavior: Theoretical Foundations and Research Directions*, "Journal of Service Research", 13(3), pp. 253–266; Harmeling C., Moffett J., Arnold M., Carlson B. (2017). *Toward a theory of customer engagement marketing*, "Journal of the Academy of Marketing Science", 3, pp. 312–335; Jaakkola E., Alexander M. (2014). *The Role of Customer Engagement Behavior in Value Co-Creation. A Service System Perspective*, "Journal of Service Research", 17(3), pp. 247–261; Verhoef P., Reinartz W., Krafft M. (2010). *Customer Engagement as a New Perspective in Customer Management*, "Journal of Service Research", 13(3), pp. 247–249; Verleye K., Gemmel P., Rangarajan D. (2014). *Managing engagement behaviors in a network of customers and stakeholders: evidence from the nursing home sector*, "Journal of Service Research", 17(1), pp. 68–84.

With regard to the second CE interpretation within the managerial approach, V. Kumar, Lerzan Aksoy, Bas Donkers, Rajkumar Venkatesan, Thorsten Wiesel and Sebastian Tillmanns<sup>5</sup> suggested an interpretation of customer engagement in line with van Doorn et al.'s definition; however, they argued that CE would be incomplete without the inclusion of customer purchases from the firm. Therefore, according to Kumar et al., CE refers to the active interactions of a customer with a firm, with prospects and with other customers, whether they are transactional or non-transactional in nature. This approach is further developed, and CE is defined as the mechanics of a customer's value addition to

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<sup>5</sup> Kumar V., Aksoy L., Donkers B., Venkatesan R., Wiesel T., Tillmanns S. (2010). *Undervalued or Overvalued Customers: Capturing Total Customer Engagement Value*, "Journal of Service Research", 13(3), pp. 299–302.

the firm, either through their direct or/and indirect contribution. Direct contributions consist of customer purchases, and indirect contributions consist of incentivised referrals that the customer provides, the social media conversations customers have about the brand, and the customer feedback/suggestions to the firm.<sup>6</sup>

The authors of this book focus on customer engagement in business practice which includes only non-transactional customer engagement, supporting the CE interpretations offered by van Doorn et al. and developed by its proponents (see Table 1). The other interpretation, suggested by Kumar et al., which encompasses both customer purchases and non-transactional behaviour, seems to duplicate, to some extent, another marketing category, i.e. the customer relationship,<sup>7</sup> and is therefore not the primary approach in this book. However, theoretical and managerial achievements within this broader CE interpretation contribute to the better understanding of non-transactional forms of customer behaviour, which are discussed in the following section.

## **2.2. Forms of customer engagement behaviour as management objects**

Since CE is a customer's voluntary resource contribution to a firm's marketing function that goes beyond financial patronage<sup>8</sup>, companies need to identify the vast array of such behaviours. The marketing literature offers various classifications for those behaviours, termed customer engagement or customer engagement behaviours. Researchers usually offer CE classifications distinguishing CE forms or types, or they propose a list of examples of customer actions. However, van Doorn et al. also offer a more general view, including five dimensions of CE that are crucial from a managerial point of view. These dimensions

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<sup>6</sup> Pansari A., Kumar V. (2017). *Customer engagement: the construct, antecedents, and consequences*, "Journal of the Academy of Marketing Science", 45, pp. 294–311.

<sup>7</sup> Which is further discussed in: Żyminkowska K., *Źródła teoretyczne, istota, formy oraz modele customer engagement... op. cit.*, p. 30.

<sup>8</sup> Harmeling C., Moffett J., Arnold M., Carlson B., *Toward a theory of customer engagement marketing... op. cit.*

consist of valence, form/modality, scope, the nature of the impact on the firm, and customer goals.<sup>9</sup>

From a firm's perspective, engagement valence, the first CE dimension, can be classified as positive or negative. Positive CE includes actions that in the short and long run have positive financial or non-financial consequences for the firm. Several customer actions (e.g. WOM activity, blogging, and online reviews) may turn out to be positive or negative for the firm based on the valence of the content, and other actions (recommending the brand to friends) may be predominantly positive. The second dimension, the form or modality of CE, refers to the different ways in which it can be expressed by customers, and is associated with the following issues:

- The type of resources that customers may utilise: e.g. time vs. money.
- Customer roles including: (a) in-role behaviours (occurring within parameters defined by an organisation, e.g. complaint behaviour, (b) extra-role behaviours (meaning discretionary activities that customers may choose to engage in, such as offering useful suggestions to other customers, informing staff in a store that the price on some products displayed is incorrect), (c) elective behaviours (which consumers engage in to achieve their consumption goals, e.g. calling a toll-free number to seek help with the consumption of the product or making suggestions to the company for product improvement and enhancements).
- Types of firm or brand-level outcomes that customers achieve: e.g. an apology and a refund after a complaint behaviour, changes in the firm's policies after customer comments, improvements in products based on customer suggestions, improvements in the knowledge base of current and potential customers resulting from online postings made by users, or changes in the nature of the customer-employee interface based on customer actions.<sup>10</sup>

Scope is the third CE dimension distinguished by van Doorn et al., and refers to the temporal and geographical area of customer engagement. Engagement can be ongoing (firms may develop specific processes to monitor and address such

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<sup>9</sup> van Doorn J., Lemon K., Mittal V., Nass S., Pick D., Pirner P., Verhoef P., *Customer Engagement Behavior... op. cit.*

<sup>10</sup> *Ibid.*

systematic and ongoing customer actions) or temporally momentary (firms may assess the likely brand/firm level outcomes and act accordingly). Furthermore, engagement can be local (e.g. WOM delivered in person) or global (posting on a global website). The fourth CE dimension, the nature of the impact, refers to the impact on the firm and its constituents which can be conceptualised in terms of the following features:

- Immediacy of impact: how quickly CE affects any of the constituents, especially the intended target audience (e.g. Internet-based behaviours may be faster than writing a letter to a store manager).
- Intensity of impact: refers to the level of change affected within the target audience.
- Breadth of impact: refers to the reach, or the number of people affected (e.g. spending an hour, in person, to convince a friend why they should buy a particular brand has narrow breadth but high intensity).
- Longevity of impact: depends on the ability to codify and preserve the activity in some forms (e.g. an online review posted by a customer at a website that is routinely visited by people will have more longevity than in-person WOM, which may likely be forgotten).

Finally, the fifth CE dimension, customer goals, refers to the customer's purpose when engaging and to the following questions:

- To whom is the engagement directed? – at the firm or another constituent, such as a government regulator, investors, customers, or competitors (e.g. voluntarily assisting other customers in IKEA or a customer ranting about a bad experience on a dedicated website, such as [www.ripoff-report.com](http://www.ripoff-report.com)).
- To what extent is engagement planned? – e.g. the planned development of a new free application for Apple's iPhone by a customer or an unplanned (impulsive) engagement such as making an unexpected product recommendation to a stranger.
- To what extent are the customer's goals aligned with the firm's goals? – if a customer's goals are aligned with the firm's goals, then engagement should have a positive overall impact on the firm but if the customer's and the firm's goals are misaligned, it may have more negative consequences.<sup>11</sup>

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<sup>11</sup> *Ibid.*



With regard to examples of particular customer actions which reflect customer engagement, van Doorn et al. suggest the following activities:

- word-of-mouth (WOM) activity,
- recommendations,
- helping other customers,
- blogging,
- writing reviews,
- engaging in legal action,
- feedback,
- suggestions for new product ideas.<sup>12</sup>

For classifying the forms of customer engagement, there are two approaches in the existing marketing literature. The first refers to those CE forms that depend on the participants in the interaction and/or scope. Verleye et al.<sup>13</sup> recognise forms of customer engagement behaviour within two types of interactions depending on the participants involved: customer interactions with the firm and employees, and customer-to-customer interactions. Three CE forms are recognised within customer interactions with the firm and employees, such as cooperation (i.e. customers' benevolent acts to help employees to do their work), feedback (i.e. giving feedback to the firm and its employees via suggestions for service improvements or through participation in new product and service development processes), and compliance (i.e. the degree to which customers comply with organisational rules and procedures). On the other hand, helping other customers (by expressing empathy, encouraging each other to show appropriate behaviours, helping each other to get better service experiences), and spreading positive feedback via WOM or recommending the firm to other customers, are labelled as CE forms occurring within customer-to-customer interactions.

Referring to the participants involved into the interaction (customer to firm or customer to customer) and the subject which initiates the engagement (firm or customer), Rupik suggests the following forms of CE<sup>14</sup>:

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<sup>12</sup> *Ibid.*

<sup>13</sup> Verleye K., Gemmel P., Rangarajan D., *Managing engagement behaviors in a network of customers and stakeholders: evidence from the nursing home sector*, "Journal of Service Research" 2014, 17(1), pp. 68–84.

<sup>14</sup> Rupik K., *Customer engagement behavior in fashion industry*, "International Conference on Marketing and Business Development Journal" 2015, I (1), pp. 338–346.