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A customer engagement framework for a B2B context

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# A Customer Engagement Framework for a B2B Context

## Abstract

### *Purpose*

The aim of the current paper is to investigate conceptually the relationship between the customer's engagement and equity, and to determine whether customer engagement could be positively enhanced by business to business (B2B) firms to maximize their customer equity, through examining the role of cognitive, emotional and behavioral engagement.

### *Design/methodology/approach*

This paper is built on the evolving marketing literature and proposes a comprehensive framework that (a) uses a multidimensional conceptualization for the customer's engagement and equity constructs; (b) examines the relationships between customer satisfaction, commitment, trust and involvement, and customer engagement; and (c) specifies the specific customer engagement dimensions, cognitive, emotional and behavioral, as key mediators of the engagement–equity relationship.

### *Findings*

This paper indicated that customer engagement is a multidimensional construct with three dimensions: cognitive, emotional or behavior engagement. customer's satisfaction, commitment, trust and involvement would be regarded as antecedents to customer engagement. whereas, customer equity would be regarded a consequence for customer engagement. In addition, this paper identified three drivers of customer equity; value, brand and relationship equities based on reviewing the previous studies.

### *Originality/value*

This paper integrates philosophies from previous marketing studies of customer relationship management and customer engagement and equity into a B2B environment in a more customer-centric approach.

**Keywords:** customer engagement, cognitive engagement, emotional engagement, behavioral engagement and customer equity

## Introduction

Customers are the most important asset for any firm; therefore, customer management research has evolved that displays its significant impact on the marketing discipline (Verhoef et al., 2010). There is a growing emphasis on customer centricity being considered as a critical issue for both academic researchers and marketing practitioners due to the shift to customer-centric measures to evaluate effectiveness of marketing actions (Rust et al., 2004; Javornik & Mandelli, 2012; Pansari & Kumar, 2017).

The relationship marketing literature, especially in the B2B field, first considered customer relationships as strategic assets of the firm (Hogan et al., 2002). Buyers want to cut choices by engaging in an ongoing relationship with marketers that is identifiable and properly differentiates based on perceptions of their supplier's treatment (Low & Johnston, 2006).

The change from a product-centric to customer-centric focus in the business literature has been a subject of debate and research for more than a decade (Bompolis & Boutsouki, 2014). And the firm's goals have changed over time from customer transaction-based viewpoints into relationship marketing and now to engaging customers by all possible means (Pansari & Kumar, 2017).

Recent developments in marketing and service research emphasize the blurring boundaries between firms and customers. The concept of customer engagement aggregates the multiple ways customer behaviors beyond transactions may influence the firm (Jaakkola & Alexander, 2014).

According to a Gallup study conducted in 2016, only 29% of B2B customers are engaged, while the remaining 71% were described as either indifferent or disengaged.

A review of the existing literature on both customer engagement and customer equity provides insights into the reasons these concepts are crucial. Traditionally, both the need to better understand customer behavior and the interest of managers focused on achieving long-term profits changed how marketers viewed the world (Winer, 2001). Therefore, strong, enduring business relationships build on factors that buyers can rely on to develop with vendors to allow customers to make decisions, save their energy and time for other activities, and acknowledge feelings of familiarity, personal recognition, and social support (Low & Johnston, 2006).

More recently, businesses today face difficult challenges that make customer engagement more important than ever due to the severe competition that is required to achieve high engagement levels (Roberts & Alpert, 2010). Besides, engaged customers become partners who act as a team with sellers in the value-adding process to better satisfy their needs as well as the needs of other customers (Sashi, 2012). Nevertheless, we found limited empirical support for a direct relationship between engagement and typical customer attitudes and behaviors (Mollen & Wilson, 2010). Engagement may also be considered as a behavioral indicator toward the brand or company that goes beyond transactions (Verhoef et al., 2010).

Managers are increasingly aware that long-term quality relationships between companies and customers can be a significant source of profitability (Kumar et al., 2010). Consequently, the more value the company provided to its customers, the more they retained (Wong, 2013). With the development of customer-centric theory, customer equity became more important because it is considered a key criterion for evaluating the core competence of companies (Jingbo & Tang, 2011). Persson and Reyal (2010) determined that customer assets are the relationships that a firm has with its customers, where customer equity is the value of those customer assets.

Firms' strategic opportunities might be better seen as the ways they have to improve customer equity drivers because their financial strength is based on the value of their customer base (Rust et al., 2004). Therefore, customer equity is the sum of the lifetime values of the firm's current and future customers, regarded as the best measure of the value of the firm's customers, and is a good substitute for the total value of the firm (Rust et al., 2010). On the other hand, Persson and Ryals (2010) viewed it as a measure of customer relationship assets value.

The remainder of this paper is organized as follows. First, we provide a literature review of the previous studies dealing with the customer engagement concept, its dimensions and customer equity. Second, we propose a conceptual framework for customer engagement. Third, we discuss the influence of general concepts from the previous work on customer engagement and equity. In the final section, we provide managerial implications.

## Literature Review

### *Customer Engagement*

The concept of engagement has roots in fields such as psychology and organizational behavior, while it has emerged only recently in the marketing literature (Hollebeek, 2011; Hollebeek et al., 2014). The term *engagement* in a business-related context was first mentioned in relation to employee engagement (So, et al., 2014).

Bowden (2009a, p.65) defined *engagement* as a "psychological process that models the underlying mechanisms by which customer loyalty forms for new customers of a service as well as mechanisms by which loyalty may be maintained for repeat purchase customers of a service brand." Research has indicated that engaged consumers showed greater loyalty to brands (Hollebeek, 2011).

According to Brodie et al. (2013, p.107), customer engagement is "a context-dependent, psychological state characterized by fluctuating intensity levels that occur within dynamic, iterative engagement processes".

Van Doorn et al. (2010, p.254) defined engagement as "customer behavioral manifestation that has a brand or firm focus beyond purchases resulting from motivational drivers". On the one hand, Vivek et al. (2012) stated that *customer engagement* is the intensity of an individual's participation in and connection with a firm's offerings or activities. On the other hand, Verhoef et al. (2010) considered *customer engagement* as a behavioral exhibition toward the brand or company that goes beyond transactions. Consequently, customer engagement studies focused on

differentiating between customer attitudes and behaviors that go beyond purchase (Lemon & Verhof, 2016).

Hollebeek et al. (2014) indicated that engagement happened when a consumer positively displayed brand related cognitive, emotional and behavioral activity during or related to focal consumer/ brand interaction.

Engagement is further described as generating customer interaction and participation (Kumar et al., 2010). Hollebeek (2013) stated that customer engagement would be behavior that occurs between the customer and product, brand or company. More recently, Pansari and Kumar (2017) defined customer engagement as the mechanics of customer value added to the firm through direct and/or indirect contributions. More studies have been conducted recently to measure the concept beyond the purchase behavioral aspect of customer engagement, such as co-creation and social influence through word-of-mouth and customer referrals (Lemon & Verhof, 2016).

In the relationship marketing context, customer satisfaction usually is viewed as a central determinant of customer retention (Hennig-Thurau & Klee, 1997). Furthermore, B2B firms are increasingly concerned with customer satisfaction (Ferguson & Johnston, 2011).

Therefore, *satisfaction* is a necessary condition for customer engagement, but it is not sufficient. Satisfaction with interactions during a purchase process may precede or follow the purchase, and dissatisfaction at any stage can scatter the process and result in customer exit (Sashi, 2012). A dissatisfied customer might terminate the relationship, although commitment and trust in the relationship are significant mediating factors (Low & Johnston, 2006).

Therefore, customer engagement focuses on satisfying customers by providing more superior value than competitors to build trust and commitment in long-term relationships (Sashi, 2012). Furthermore, Pansari and Kumar (2017) indicated that, after a relationship is formed based on trust and commitment, the next level is customer engagement.

The commitment-trust theory of relationship marketing indicates that two elements—trust and commitment—must exist to achieve a successful relationship (Morgan & Hunt, 1994).

Similarly, Lewin and Johnston (1997) discovered that trust and commitment are regularly seen as being key constructs in current relationship marketing theory. Only when customers trust sellers can they be expected to become advocates for the seller, although trust alone may not suffice to turn the exchange into a long-term relationship (Sashi, 2012).

On the one hand, *trust* is generally defined in the relationship marketing literature as the perceived goodwill of a target service provider and the willingness to rely on an exchange partner in whom one has confidence (Bowden, 2009b). Trust and commitment concentrate on essential features that both partners would show to achieve well relationship (Pansari and Kumar, 2017).

On the other hand, Marshall (2010) identified two types of commitment, affective and calculative. *Affective commitment* is the desire to maintain a relationship and is based on the feeling of loyalty and affiliation, showed in attitudinal or emotional commitment to brands

(Bowden, 2009b) whereas *calculative commitment* is based on objective reasons, concentrating on termination or switching costs. *Customer engagement* goes beyond market orientation by dynamically involving customers to create aptitude due to their changing needs and helping the organization respond to those needs (Sashi, 2012). *Customer involvement* is the degree of customer interest and personal relationship with a specific object or decision determined by personal values, objectives or self-concept (Hollebeek, 2013).

Goodman et al. (1995) stated that the relationship between the customer and the firm could be examined by the level of involvement and defined in that context as a managerial construct, and indicated the number and types of actions in which two firms engage beyond their regular economic transactions.

Hollebeek (2011) and Brodie et al. (2013) stated that antecedents of engagement are involvement, interaction and absorption. They stated that engagement consequences are value creation, brand experience and perceived quality, customer satisfaction, customer empowerment, trust, commitment, customer value, and brand loyalty. Brodie et al. (2011) also stated that the engagement process had an iterative nature, which means that consequences of engagement may subsequently perform as antecedents. In line with that, Gummerus et al. (2012) confirmed that, in an ongoing relationship, it is difficult to separate antecedents of customer engagement from moderators and consequences.

Vivek et al. (2012) identified customer involvement and participation as antecedents and value, trust, word-of-mouth, loyalty, affective commitment and brand involvement as potential consequences of customer engagement. The iterative nature of the service relationship process suggests customer engagement relational consequences, including commitment, trust, self-brand connection, emotional brand attachment and loyalty might act as antecedents to consequent interactive, co-creative experiences between the customer and an engagement object, such as a brand (Brodie et al., 2011).

Involvement is regarded as a main antecedent to customer engagement according to Brodie et al. (2011), Hollebeek (2011) and Vivek et al. (2012). Whereas satisfaction, commitment and trust would either be outcomes for both new and existing customers or antecedents for existing customers (Hollebeek, 2011).

Nevertheless, Sashi (2012) suggested that customer engagement is turning on customers by building emotional bonds in relational exchanges with them through a process called *engagement cycle*.

Consequently, this paper focus on the customer's satisfaction, commitment, trust and involvement as antecedents to customer engagement.

*Thus, we propose that*

*P1: There is a positive relationship between customer satisfaction and customer engagement.*

*P2: There is a positive relationship between customer commitment and customer engagement.*

*P3: There is a positive relationship between customer trust and customer engagement.*

*P4: There is a positive relationship between customer Involvement and customer engagement.*

*P5: There is a positive relationship between customer engagement antecedents and customer engagement.*

Even though several definitions of customer engagement discussed in the marketing literature embrace similar senses, researchers recognized the dimensions of customer engagement in different ways (Kumar & Pansari, 2016).

For instance, Kumar et al. (2010) proposed four core dimensions for customer engagement value: customer lifetime value, customer referral value, customer influence value and customer knowledge value. The customer lifetime value (CLV) is the direct contribution measured through buying where the indirect contributions are referring, social media influencing, and feedback provided by customers (Pansari & Kumar, 2017).

Van Doorn et al. (2010) stated that customer engagement dimensions are valance, form/modality, scope and customer goals.

Researchers indicated three dimensions for engagement: cognitive, emotional and behavioral (Brodie et al., 2011; Brodie et al., 2013; Hollebeek, 2011). The *cognitive dimension* includes active, sustained cognitive processing, attention and immersion, while the *emotional dimension* includes intrinsic enjoyment, enthusiasm and passion. The *behavioral dimension* indicates participation, vigor and activation (Hollebeek, 2013).

Vivek et al. (2014) illustrated engagement dimensions as conscious attention, enthused participation and social connection. According to Hollebeek et al. (2014), the dimensions of consumer brand engagement (CBE) are cognitive processing, affection and activation. While Dwivedi (2015) identified three dimensions of consumer brand engagement as vigor, dedication and absorption.

A Deloitte report (2014) presented a sustainable customer engagement framework, where sustainability is regarded as a value proposition for the potential increase in customer engagement as it increases customer loyalty, advocacy, and repeat conversions.

Evidently, studies that examined customer engagement focused on attitudes, behaviors or value extraction (Lemon &Verhof, 2016).

Brodie et al. (2013) indicated that the customer engagement construct can either be multidimensional to include cognitive, emotional or behavioral dimensions or be unidimensional to include one of these sides, depending on a stakeholder's context.

Most studies of customer engagement indicated that it is a multidimensional construct that consists of cognitive (thoughts) and emotional (affective) dimensions and behavioral (action) dimensions, and those dimensions are addressed in this paper framework (Hollebeek 2011; Brodie et al., 2013; Hollebeek et al., 2014).

## *Customer Equity*

There has been a shift towards the importance of customers and customer equity, which are more significant to many firms, and it is necessary to include this shift in management practices and metrics as firms transition from a product-based strategy to customer-based strategy (Rust et al., 2004).

Thus, marketers can use customer equity as a useful tool for retaining customers and achieving more profits by defining the reasons customers continue dealing with the firms that offer better value or have a strong brand (Lemon et al., 2001).

Rust et al. (2004) defined *customer equity* as the total discounted lifetime values summed over all of the firm's current and potential customers. Accordingly, it has been used as a tool for measuring and anticipating the future behavior of customers as they are considered the most important strategic asset for the firm (Vogel et al., 2008) and considered the most important determinant of the long-term value to the firm (Kim & Ko, 2012). However, Sublaban and Aranha (2009) defined *customer equity* as the potential value for all firms current and prospective customers.

Customer equity is merely a measure of the value of the customer relationship assets that managed the potential value created by the investments in all of the firm's customer relationships (the sum of the CLVs), which contributes to shareholder value (Persson & Ryals, 2010).

In contrast to CLV, which is an individual specific measure, *customer equity* is a collective measure of aggregated CLVs of a firm's customers that results in customer equity of the firm (Rust et al., 2010).

Researchers identified three drivers for customer equity: value equity, brand equity and relationship equity (Lemon et al., 2001; Kim & Ko, 2012; Rust et al., 2004; Vogel et al., 2008), and these drivers can be conceptualized as follows. *Value equity* is a customer's objective assessment based on the firm's offering as price, quality and convenience (Rust et al., 2004) based on perceptions of what is given up for what is received (Lemon et al., 2001). For e-commerce customers, *perceived value* is one of the main reasons to engage in online transactions (Zhu & Chen, 2012). *Value equity* is very significant in B2B purchases because customers carefully considered them as those purchases are large and more complex than individual consumer purchases (Rust et al., 2000)

Consequently, marketers in B2B environments are continuously under pressure to ensure that customers obtain value from the suppliers' offer (Wiersema, 2013).

According to Lapierre (2000), trust, time, effort, energy and conflict are regarded as value drivers for business customers.

*Customer engagement* expands the role of customers by including them in the value-adding process as co-creators of value. The inclusion of customers in the creation of value enhances the satisfaction of the needs of customers as well as sellers, especially as these needs change over



time (Sashi, 2012). Similarly, the value literature has primarily focused on firm conditions required for successful value co-creation, emphasizing strong relationships and high-quality interactions, and contact to customer engagement behavior will inevitably affect value creation processes at the system level (Jaakkola & Alexander, 2014). Additionally, Rust et al. (2000) suggested that the way to improve value equity is to invest more in cognitive, objective and rational drivers, such as quality, price and convenience. Rust et al. (2010) identified the best methods to maximize value equity as those improving the quality of offers or decreasing prices, which are regarded as the most critical value drivers

*P6: There is a positive relationship between cognitive engagement and value equity.*

There are no brands without customers, and there are no customers without brands (Leone et al., 2006).

While *brand equity* has been defined as subjective and intangible, a customer's assessment for the firm's products or services (Aravindakshan et al., 2004), Rust et al. (2004) introduced dimensions of brand equity as brand awareness, brand image and a firm's social and ethical responsibilities. In their study, Dwivedi et al. (2012) stated that brand equity significantly affects both value and relationship equities; the results also showed that the three equities had an impact on intentional loyalty, and the most significant effect for perceived value.

Rust et al. (2000) described ways to improve brand equity through investing in emotional, subjective and irrational drivers; for example, advertisements and other tools in the promotional mix. A customer who is engaged with a brand is attracted to information related to the brand (So et al., 2014). In other words, an engaged customer might show greater loyalty to brands (Hollebeek, 2011). Brodie et al. (2011) defined *engagement* as a sequential psychological process to become loyal to a brand.

Thus, customer brand engagement is regarded as a new metric to measure brand performance (Hollebeek et al., 2014).

*P7: Consequently, there is a positive relationship between emotional engagement and brand equity.*

In spite of this, the importance of brand equity and perceived customer value is not sufficient to retain customers, as repeat purchases may not occur due to different reasons as situations change or competitive firms exert more marketing efforts (Hyun, 2009).

Thus, the third driver of customer equity is *relationship equity*, which measures the strength of the relationship beyond objective and subjective assessments (Aravindakshan et al. 2004; Rust et al., 2004). Vogel et al. (2008) agreed with this opinion, as they stated that the customer's tendency to build a relationship with a specific brand extends over and beyond objective and subjective brand assessments.

Its dimensions include loyalty programs, personal treatment programs, emotional attachment and programs for society (Rust et al., 2004; Lemon et al., 2001). Relationship equity appeared mostly in situations where the customer hasn't the desire to continue dealing with the firm, despite the fact that continued programs and offers involved inertia (Lemon et al., 2001). Vogel et al. (2008)

determined that perceived customer value, attitude toward the brand and relationship equity are regarded as the drivers for loyalty initiatives; however, they concluded that value and brand equity are the primary drivers for future sales, whereas relationship equity drives the customer intention to be loyal. Therefore, to improve retention equity, firms should design programs to make customer purchases more adhesive, such as frequent buyer program, among other relationship management initiatives (Rust et al., 2000).

An engaged customer, developing new connections, becomes an advocate for the seller in interactions with other customers as customer engagement turns customers into fans who remain in lasting relationships and even advocate for the product, brand, or firm (Sashi, 2012).

*P8: Consequently, there is a positive relationship between behavioral engagement and relationship equity.*

Accordingly, the *customer equity* concept would help firms to consider their customers as the primary source of current and future cash flow of the firm and to consider the increase of CLV as a critical goal of marketing strategy (Persson & Rayals, 2010).

So, the function of the marketing and customer relationship management process is to manage the customers' assets to maximize their value, i.e., customer equity (Rust et al., 2010).

Additionally, managers are becoming increasingly aware that long-term quality relationships between firms and customers can be a major source of profitability (Kumar et al., 2010). Consequently, the more value that the firm provides to its customers, the more they are retained (Wong, 2013). With the development of customer-centric theory, customer equity gained an essential focus as it was considered a key criterion for evaluating the core competence of companies (Jingbo & Tang, 2011). *Customer equity* is basically a measure of customer relationship assets' value (Persson & Ryals, 2010) Accordingly, it has been used as a tool for measuring and anticipating the future behavior of customers, as they are considered the most important strategic asset of the company (Vogel et al., 2008). Besides, firms should consider customer engagement when determining returns on marketing actions as it influences marketing metrics and consequently firm value (Pansari & Kumar, 2017).

Due to the previously discussed studies, we state:

*P9: There is a positive relationship between customer engagement and customer equity.*

### *Conceptual framework*

The current study proposes a comprehensive framework for studying the relationship between a customer's engagement and equity, as shown in Figure 1. The framework was mainly built on the work of (Rust et al., 2000; Rust et al., 2004; Vogel et al., 2008; Hollebeek, 2011; Hollebeek et al., 2014), and adjustments have been made based on the relevant literature. In the proposed framework, the customer equity (driven by value, brand and relationship equities) is designated

as the outcome construct, and the customer engagement with the three dimensionalities of cognitive engagement, emotional engagement and behavioral engagement are treated as the mediators, which are antecedent to a set of constructs representing customer satisfaction, commitment, trust and involvement.

<< Please Insert Figure 1 here >>

*Figure 1: Proposed conceptual framework for the relationship between customer's engagement and equity*

## Discussion

In summary, although several previous studies presented customer engagement as one of the most important emerging concepts in the marketing domain, the current paper contributes by applying the emerging literature of customer engagement in the B2B environment.

First, exploring the different concepts of customer engagement as attitude, behavior or value based, Brodie et al. (2011) defined *engagement* as a psychological state formed from customer experiences based on dealing with a specific element of the brand. Whereas *levels of customer engagement* differ, and depending on situations, defined engagement as an attitude. On the other hand, other researchers (Van Doorn et al., 2010) defined engagement as behavioral manifestations that a customer exerts towards a company or a brand. Consequently, according to that definition, taking an action or behavior is the basic element distinguishing between engaged or disengaged customers.

A general definition that covers all customers' activities was introduced by Pansari and Kumar (2017) they defined engagement as the process of a customer's value addition to the firm. This study showed the importance of engagement, since disengaged customers may cause dissatisfaction with firms through negative word-of-mouth or reviews or any other behavior; therefore, engagement might include negative effects as well as positive ones (Van Doorn et al., 2010).

Second, reviewing previous studies indicates that the engagement process had an iterative nature which made consequences of engagement relations antecedents in other sequential engagement cycles (Hollebeek, 2011; Brodie et al., 2011).

Third, our review of several studies showed *customer engagement* as a multidimensional construct and determined its three dimensions, cognitive, emotional and behavioral (Brodie et al., 2011; Hollebeek, 2011; Hollebeek et al., 2014) which are discussed in this paper.

Fourth, *customer equity* was defined as the total discounted values for all current and potential Firm's customers (Rust et al., 2004; Lemon et al., 2001), because it demonstrated to businesses the importance of investment in relationships with customers to keep or attract customers.

And finally, the work of *customer equity* analyzed in this paper indicates the reasons to invest in customer equity, as well as determining three dimensions for customer equity—value equity, brand equity and relationship equity—which were consistent with dimensions identified in other studies (Rust et al., 2004; Vogel et al., 2008; Kim & Ko, 2012).

Accordingly, *value equity* is the objective assessment for benefits perceived by a customer as what is given up for what is received (Lemon et al., 2001). *Brand equity* is the customer's subjective or personal assessment of intangible features without perceived value for functional features of the brand (Aravindakshan, 2004). Finally, *relationship equity* is defined as the customer's tendency to deal with the firm beyond objective and subjective assessments of a Firm's offerings of products or services based on the firm's effort to enhance these relations (Vogel et al., 2008).

Thus, this study proposes a robust framework for customer engagement in a B2B context, including its antecedents, dimensions and consequences.

### *Managerial Implications*

In addition to the conceptual contributions, our analysis of the proposed framework highlighted several managerial implications.

First, our analysis shows that it is crucial to understand the antecedents and outcomes of customer engagement to enable B2B firms to build their marketing strategies based on the customer engagement process to truly estimate the right return on marketing actions (Panasri & Kumar, 2017).

Second, managers should engage individual customers or narrow segments in two-way communications, building long-term relationships by promoting the firm's products that customers would value most at any certain time (Rust et al., 2010). We found that the customer equity concept encourages firms to consider their customers as the major source of current and future cash flow and confirmed that the increase of CLV is the key goal of marketing strategy (Persson & Rayals, 2010).

Third, today, more than any time before, B2B firms have more and better ways to get engaged with customers and other supply chain partners due to social media and technological capabilities that enable firms to track and retain customers efficiently (Wang et al., 2017).

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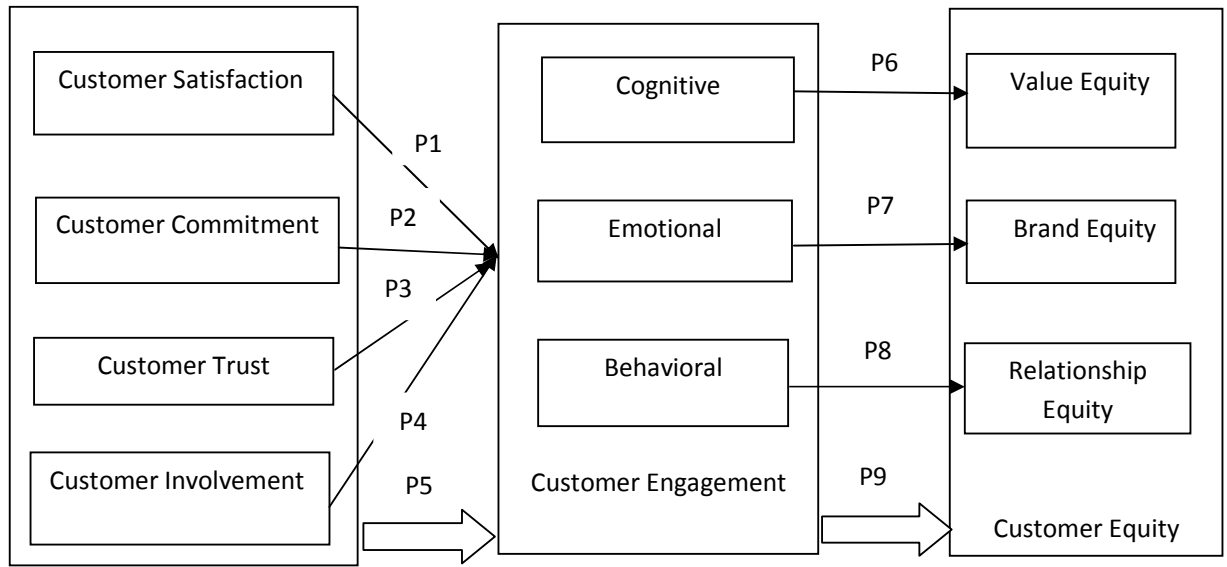
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*Figure 1: Proposed conceptual framework for the relationship between customer's engagement and equity*