

Understanding *Customer Engagement* in Services

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Abstract

This paper aims to establish a conceptual understanding of *customer engagement*. Drawing from management, marketing, applied psychology literature and marketing practitioners' views, an initial working definition of *customer engagement* was formed. *Customer engagement* describes the level of a customer's various "presence" in their relationship with the organisation. The presences include physical presence, emotional presence and cognitive presence. *Customer engagement* is conceived as a higher-order construct which consists of four components, namely, vigor, dedication, absorption, and interaction. Given the intangible nature of services and that a degree of customer-provider social interaction is typically required in delivery of services, we contend the construct has high relevance in service industries. Eight related marketing constructs were identified and compared to *customer engagement*. Key reasons for devoting research attention to *customer engagement* are also discussed.

Introduction

The limitations of key marketing constructs such as service quality and customer satisfaction in explaining and predicting customer loyalty has been, and continues to be, widely acknowledged (i.e. Stauss and Neuhaus, 1997; Taylor and Baker, 1994). Hence significant attention has recently been devoted to developing the notion of *customer engagement* in various industries as a superior predictor of customer loyalty (behavioural and attitudinal). Large organisations and consulting firms such as MasterCard and Gallup have suggested various potential benefits of "engaging" the customer. Organizations such as GM, Sony, and MasterCard have developed and/or implemented various marketing strategies related to *customer engagement* (see Stringer, 2006). Despite this recent attention, little has been done to understand conceptually and clearly define the scope of *customer engagement*. Interestingly however, the concept of *employee engagement* has been well researched in the management literature and has been found to be an excellent predictor of employee performance. This paper represents the first attempt to begin to explore the notion of *customer engagement* in service industries which, we argue, has the potential to make a unique contributions in explaining service loyalty.

This paper offers several contributions: 1) it establishes a conceptual understanding of *customer engagement*, which has not been done previously; 2) it distinguishes *customer engagement* from similar marketing constructs; and 3) it establishes the significance of further exploring and understanding the construct and its impacts, especially in service industry settings.

This paper will firstly examine engagement as conceptualised in the management literature, and then define the construct of *customer engagement*. Secondly, it will distinguish *customer engagement* from eight similar existing marketing constructs and in doing so specify the domain of engagement. Finally, the significance of further studying *customer engagement* and its potential impacts will be established.

Conceptual Development

Employee engagement

The meaning of engagement in the management and applied psychology literature is reasonably consistent. Kahn (1990) has conceptualized the construct of engagement, and his work has been widely cited in most of the studies in this area when defining personal/employee engagement (i.e. Harter, Schmidt and Hayes, 2002; Rothbard, 2001; Salanova, Agut and Peiró, 2005; Schaufeli, *et al.*, 2002). Kahn (1990) defined personal engagement as “the simultaneous employment and expression of a person’s ‘preferred self’ in task behaviors that promote connections to work and to others, personal presence (physical, cognitive, and emotional), and active, full role performance” (p. 700). Schaufeli, *et al.* (2002, p. 75) further described engagement as “a more persistent and pervasive affective-cognitive state that is not focused on any particular object, event, individual, or behavior”. Finally Salanova, Agut and Peiro (2005) considered engagement to possess motivational properties.

The presence and absence of an engaged state refers to presenting one’s preferred self and one’s less preferred self. An engaged person is more likely to present his/her preferred/true self. For instance, we often see employees who are physically at work, but exhibit no enthusiasm, no commitment, no passion and who are simply reactive even when serving the firm’s customers. Thus, while a disengaged employee may still “physically present” such as attending meetings or going to work everyday, they may not display their true nature or emotionally connect with the discussion. In addition to one’s presence of one’s ‘preferred self’, the cognitive, emotional and physical presence have to be “simultaneous” in order to conclude that this person is “fully engaged” (Kahn, 1990). It seems to us that the same state could also apply to a customer when dealing with a service firm – i.e. during the service encounter, particularly since customers have been considered as “partial employees” or “co-producers” in some service situations (see Baron, Harris and Davis, 1996; Bendapudi and Leone, 2003).

According to Kahn (1990), the scope of engagement covers more than the relationships between the employees and their organization. The relationships are not restricted to only the vertical (both upper and lower) hierarchy within the organization, but it can also include the horizontal relationship within the organization. For instance, it can be the connection between the employees and their colleagues. The connection also refers to the relationships between both internal and external groups of the organization, although there is little available evidence to understand this aspect as a defining concept of engagement (i.e. Rothbard, 2001; Salanova, Agut and Peiró, 2005).

After an extensive literature review, Salanova, Agut and Peiró (2005) concluded that there are three dimensions of employee engagement: *vigor, dedication and absorption*. “Vigor is high levels of energy and mental resilience while working, the willingness to invest effort in one's work, and persistence even in the face of difficulties. Dedication is characterized by a sense of significance, enthusiasm, inspiration, pride, and challenge at work. Absorption consists of being fully concentrated, happy, and deeply engrossed in one's work whereby time passes quickly, and one has difficulty detaching oneself from work” (p. 1218). From a customer perspective, it is not difficult to see how these might apply when customer are dealing with a service organization – *some customer* may be enthusiastic, happy and absorbed and even proud when having a service encounter with

say, Macquarie Bank financial advisor. Others may not be so positive in their emotional and cognitive states.

Customer engagement

Marketing practitioners seems to have a simpler but somewhat different view on what *customer engagement* means. Marketing practitioners' interpretation of *customer engagement* seems to focus on the "interactions" between the customers and the firm (see Stringer, 2006). The review of marketing practitioners papers also suggests that engagement occurs at various levels: such as brand, product and individual level (i.e. front line service providers) (see Peppers and Rogers, 2006; Stringer, 2006).

As discussed earlier, customers are sometimes treated as "partial employees" or "co-producers" (see Baron, Harris and Davis, 1996; Bendapudi and Leone, 2003), and as such we argue that high customer engagement, like employee engagement, means that customers present themselves physically, cognitively, and emotionally, during a service encounters. We also argued that the customer engagement dimensions are similar to employee engagement dimensions, however, because of the lack of work related to the "interaction" aspect of a conceptual definition of personal engagement, we argue that interaction should be included as one of the customer engagement dimensions. That said, it is important to note that the significance of an interaction aspect in service settings, specifically customer-to-customer interactions, has been raised (see Baron, Harris and Davis, 1996).

Drawing from the preceding discussion on employee and customer engagement, an initial working definition of *customer engagement* is formed. We describe *customer engagement* as the level of a customer's various "presence" in their relationship with a service organisation. The presences include physical presence, emotional presence and cognitive presence. *Customer engagement* is a higher-order construct, and it comprises of four components, namely, vigor, dedication, absorption, and interaction.

Vigor refers to the customer's level of energy and mental resilience while interacting with the service employees, the organization, the brand or with other customers. It also refers to the willingness to invest time and effort in his/her role. So the customers are likely to be persistence as stay loyal and play his/her role even in the face of difficulties. *Dedication* refers to the customer's sense of belonging as a customer. The customer is proud of the firm they patronise and is enthusiastic and passionate to play their role. He/she is often inspired by the service employees, the firm, the brand or the other customers. *Absorption* describes the customer as being fully concentrated, happy, and deeply engrossed while playing his role. They feel time passes quickly while interacting with the service employees, the firm, the brand or the other customers. Customers might also find it difficulty of detaching themselves from the brand. *Interaction* refers to the various interactions and connections. It can be the interactions between the customer and the front line service employees, between the customer and the organization, between the customer and the brand, and among the customers themselves.

Customer Engagement and Similar Marketing Constructs

Eight closely related marketing constructs have been identified. They are: perceived service quality, flow, rapport, personalization, relationship closeness, relationship quality, co-production/customer participation, and relationship branding. The constructs were

chosen because of they are conceptually close to *customer engagement*, and there is a need to differentiate customer engagement from the closely related constructs. The following sections will compare *customer engagement* with these eight constructs.

At first glance, **perceived service quality** and its five dimensions: tangibles, reliability, responsiveness, assurance, and empathy (Parasuraman, Zeithaml and Berry, 1988) might seem to overlap with customer engagement. Among these five dimensions, responsiveness and empathy appear to be close to *customer engagement*. However, responsiveness and empathy measures the service providers' performance rather than focusing on the customers' performance. Brady and Cronin (2001) later proposed a third-order factor model, which consists of interaction quality, physical environment quality and outcome quality. However both models on perceived service quality focus on the customers' evaluation of the service performance. While it is important to measure customer's perception of service providers' performance, customer engagement focuses on the customers' performance. Furthermore, service quality does not measure the simultaneous employment and expression of the customer's preferred self. In addition, perceived service quality is cognitive and subjective evaluation in nature (Oliver, 1993; Parasuraman, Zeithaml and Berry, 1988). In that sense, perceived service quality is different from *customer engagement*. Next, the construct of **flow** (often referring to internet usage) is close to a component of engagement- *absorption*. Both flow and absorption can be characterized as full concentration and distortion of time (time passes quickly) (see Salanova, Agut and Peiró, 2005; Schaufeli, *et al.*, 2002). However, May, Gilson and Harter (2004) distinguished engagement from flow. They argued that flow is mainly cognitive involvement, and it focuses on the "peak" experience during the cognitive involvement suggesting that customer would feel time passes quickly. On the other hand, engagement is more than just cognitive involvement, and it focuses more than just the "peak" experience. We argue that *customer engagement* is a higher-order construct, and while flow is similar to absorption, the scope of *customer engagement* is much broader than flow.

The construct of **rappport** focuses on the "customer-employee" interactions during the service encounter only (Gremler and Gwinner, 2000; Salanova, Agut and Peiró, 2005). As such it does not impact on the broader issues of customer engagement with the organization or brand. Next, we consider **personalization**. Mittal and Lassar define personalization "as the social content of interaction between service employees and their customers". Thus personalization concerns the manner in which service employees relate to customer e.g., as either people-cold and impersonal at the one end to warm and personal at the other" (Mittal and Lassar, 1996, p. 96). While it seems to fall within the scope of engagement, we contend that it is covered in our dedication dimension (i.e. the customer's sense of belonging). The customer is proud of the firm they patronise and is enthusiastic to play their role. They are often inspired by the service employees, the firm, the brand or the other customers. Next, the construct of **relationship closeness** captures the depth of interpersonal relationships. In order to argue that the relationship is "close", there needs to be high degree of interdependence on both of behavioural and emotional aspects (Barnes, 1997). As compared to relationship closeness, *customer engagement* is broader than just behavioural and emotional contact. *Customer engagement* not only focuses on the relationship between the customers and the service provider, it also looks at the relationships among the customers themselves. Drawing from previous studies, Ulaga and Eggert (2006) argued that **relationship quality** is a higher-order construct, which consists of several components, such as commitment, satisfaction, and trust, while we propose that customer engagement is a higher order construct consisting of vigor,

dedication, absorption and interaction components. **Customer participation** focuses on the customers' involvement in producing and delivering of the service (Bendapudi and Leone, 2003) and traditionally focused on the economic effects and the "physical" presence of the customers, while customer engagement not only focuses on the physical presence but also on the psychological process. Finally, **relationship branding** (also called brand relationship or consumer-brand relationship) is restricted to focusing on the scope and depth of the relationship between consumers and the brand (Fournier, 1998).

In summary, the above discussion suggests that there is in fact some overlap between our conceptualization of engagement and some existing marketing constructs, especially in a services context. However it is also clear that the existing constructs do not cover the broader scope of engagement as we conceive it.

The Significance of Studying *Customer Engagement*

While large organizations, such as GM, MasterCard and Sony, have been investing on developing *customer engagement* programs (Stringer, 2006) and marketing consultants are making claims about the benefits of enhancing *customer engagement*, very little is known about the conceptual foundations of the construct. Although very little research attention has been devoted to customer engagement in the services marketing literature, *employee engagement* has attracted significant attention in areas of management and applied psychology. Some benefits of employee engagement, such as its associations with organization motivation and job performance have been found (see Kahn, 1990; Salanova, Agut and Peiró, 2005). If we look through a different lens and view employees as customers of an employer brand (i.e. the organization they really wanted to work for and be associated with), then it is not hard to see some parallels with a conception of customer engagement. Additionally, as discussed earlier, *customer engagement* is similar to, however broader than, the construct of rapport. Studies have suggested several benefits of rapport in service recovery and these benefits include post-failure customer satisfaction, increased repurchase intentions and decreased negative word of mouth (see DeWitt and Brady, 2003). It may be reasonable to propose that *customer engagement* has similar, if not more, benefits of enhancing post-failure customer satisfaction, increasing repurchase intentions and decreasing negative word of mouth. Moreover, studies have also demonstrated the importance of emotional attachment of the customer (see Barnes, 1997). As for *customer engagement*, since it also focuses on the affective element of the customers, the similar benefits of enhancing relationship closeness may also be obtained by enhancing *customer engagement*.

Overall *customer engagement* possesses broad and unique characteristics, and this may enable *customer engagement* to offer unique contributions to the service industries, where customers are often part of the product and service delivery process (see Johns, 1999). However, to date little has been done to explore how engagement from the customers' perspectives, may be used to explain key marketing metrics such as service quality, customer satisfaction and loyalty. With customer satisfaction and service quality studies typically only explaining 20-30% of the variance in customer loyalty across a range of industries (Bolton, Kannan and Bramlett, 2000), the stage is set for the development of a construct that better reflects customers emotions and cognitions towards a service brand and firm. This is the issue we start to address in this paper.

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