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Relations between customer engagement into value creation and customer loyalty

Jurate Banyte^a, Aiste Dovaliene^{b*}

^{a, b} Kaunas University of Technology, K. Donelaičio g. 73, LT-44029 Kaunas, Lithuania

Abstract

Under modern market conditions, customer engagement into value creation is acknowledged as a factor that makes it possible for companies to survive the competition. The aim of this article is to reveal the relations between customer engagement into value creation and customer loyalty. Considering the fragmentary nature of studies performed in the field, based on the results of literature analysis, a conceptual model of relations between customer engagement into value creation and loyalty is constructed. Relations between customer engagement into value creation and customer loyalty are analysed in an integrated manner, i.e. through direct and indirect links between the two constructs.

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1. Introduction

With competition both in goods and service markets becoming more and more active, companies have to search for ways to retain their customers. As customers' demand is increasing, their participation in creation of a product or service and hence value today is a relevant object of scientists and practitioners' discussions. In a dynamic business environment, customer engagement enables sales promotion, product quality improvement, increase in customer satisfaction, decrease in costs and risk, and rise of competitive advantage (Di Gangi & Wasko, 2009; Brodie, Ilic, Juric & Hollebeek, 2013). According to Vargo and Lusch (2004), Prahalad and Ramaswamy (2004), value created

* Corresponding author. Tel.: +370 686 44595.

E-mail address: aiste.dovaliene@ktu.lt

jointly by customers and companies is a basis for future competition. The topic of customer involvement into value creation received a special attention from scientists in the first decade of the century (see e.g., Vargo & Lusch, 2004; 2008; Prahalad & Ramaswamy, 2004; Vargo, Maglio & Akaka, 2008). As customer engagement is becoming a relevant topic, research papers tend to analyse the issues of the impact of customer engagement into value creation on customer loyalty more and more actively. In the context of the studies, the findings of the research undertaken by Selden and MacMillan (2006), Auh, Bell, McLeod and Shih (2007), Rajah, Marshall and Nam (2008) should be mentioned. They revealed that both participants in the process benefit from customer engagement into value creation, i.e. the company gains competitive advantage and the customer has greater satisfaction which leads towards being loyal to the company. Acknowledging the importance of research results, it have to be stated the lack of research into relations between customer engagement into value creation and customer loyalty in the context of service provision.

The performed scientific literature analysis confirms the fragmentation and contextuality of the research in this field. The consensus regarding the construct of customer engagement into value creation has not been reached and the factors that determine the construct have not been presented in detail so far. There are also different interpretations of the impact of customer engagement on customer retention and their loyalty. Some authors (e.g., Auh et al., 2007) emphasize the direct influence that customer engagement into value creation has on customers' attitudinal loyalty (and denies its impact on behavioural loyalty), whereas other authors (e.g., Rajah et al., 2008) stress the indirect influence that customer engagement into value creation has and distinguish intermediate factors such as satisfaction, trust, and strength of relationship. In the context of analysing an indirect impact of customer engagement into value creation on customer loyalty, scientific literature also distinguishes the importance of degree of customer engagement into value creation, regarding the variable as an intermediate one, and customer satisfaction with engagement into value creation, which is regarded as a mediator in examining the relations among the degree of customer engagement, their satisfaction with a company, loyalty and customer expenses. Thus, different researchers choose to analyse only individual relations between customer engagement into value creation and customer loyalty. What is more, a chosen area of research may also have an impact on their research findings: although most researchers ground their research on Service -dominant (S-D) logic proposed by Vargo and Lusch (2004), they select very different areas of services to verify their theoretical insights empirically. The importance of context and research perspective when analysing value creation was also stressed by Grönroos and Ravald (2011). All this only confirms the necessity of additional theoretical and empirical research that would validate the phenomenon. Thus, with regard to the above-mentioned aspects, the problem analysed in the article is formulated as the following question: what relations between customer engagement into value creation and their loyalty exist?

The aim of the article is to develop a conceptual model based on findings of theoretical interpretation of relations between customer engagement into value creation and customer loyalty.

Research method: systematic comparative analysis of scientific literature.

The role of customer engagement into value creation for relationship development. Most authors regard best value for customer creation in all stages of its life cycle as a basis for solutions when developing relationships with customers. Prahalad and Ramaswamy (2004) also agree with this approach and state that modern customers are not only satisfied with acquisition of a product or service. According to the authors, customers being able to access the information about products and services and expected company transparency results in customer engagement and usage of their individual experience when creating value and hence in the transformation of conventional market. Interaction of a company and a customer is becoming a key element in the process of value creation. Engaged customers become partners who cooperate with the company in the process of value creation in order to satisfy their and other customers' needs, which is how customers become value co-creators (Sashi, 2012). Higgins and Scholer (2009) claim that the more an individual strives for a goal and becomes engaged, the greater value is perceived. Moreover, Prahalad and Ramaswamy (2004) state that the value perceived by customers increases with the level of their involvement with value creation; the value created in cooperation is not only a 'product' created by a joint effort of a customer and a company, it also involves the customer's experience and greater satisfaction when buying the company's product or service. According to Vargo et al. (2008), all the research conducted so far confirms that customer participation in the process of value creation is vital to the development of an innovative product or service that would satisfy customer needs.

The performed scientific literature analysis reveals that the concept of engagement in the context of marketing is based on the perspective of managing services and relations with customers. In reasoning the expression of this perspective, S-D logic is extremely important (Vargo & Lusch, 2004). With reference to the concept of customer engagement, the logic reflects the interactive experience of customer co-creation in the context of creating relations with other stakeholders (Vargo & Lusch, 2008; Brodie, Hollebeek, Jurić, & Ilić, 2011). When emphasizing the main role of customer engagement, Vivek, Beatty and Morgan (2010) base their approach on the extended perspective of relationship marketing that reveals the development of long-term valuable relationships with customers and value co-creation.

Customer engagement as a new perspective for customer relationship management is also mentioned by Verhoef, Reinartz and Krafft (2010). The authors analyse customer retention, customer value, and new product advantages as the outcomes of customer engagement. The outcomes determine corporate value which can be directly influenced by customer engagement.

The analysis of consequences of customer engagement into value creation for a company reveals exceptional attention to customer loyalty (Selden & MacMillan, 2006; Auh et al., 2007; Dong, Evans & Zou, 2008), which is defined by authors as the greatest benefit that helps companies to retain customers and increase profit (Reichheld & Scheffer, 2000).

In order to reveal the relations between customer engagement into value creation and their loyalty to the company, it could be noticed that researchers interpret them differently. While investigating relations between customer engagement into value creation and customer loyalty, Auh et al. (2007) analyse the direct impact of customer engagement into value creation on customer loyalty having separated attitudinal loyalty from behavioural loyalty in the context of financial services provision. The researchers determined that there exists a link between customer engagement into value creation and attitudinal loyalty. What is more, according to them, although there is no link between customer engagement into value creation and behavioural loyalty, attitudinal loyalty influences behavioural loyalty (Auh et al., 2007).

In their analysis of relations between customer engagement into value creation and customer loyalty, Rajah et al. (2008) distinguish intermediate variables and state that the main task of marketing specialists nowadays is to reveal the impact of customer value creation on customer satisfaction, trust, strength of relationship, and customer loyalty. The findings of Rajah et al. (2008) showed that engagement of customers of companies providing tourism services into value creation increases customer satisfaction and trust, which results in stronger relationship between the company and customers and customer loyalty. The authors also ascertained that the correlation between customer engagement into value creation and strength of relationships is negative if customers do not feel satisfied and do not trust the company.

Different interpretation of relations between customer engagement into value creation and customer loyalty was given by Grisseman and Stokburger-Sauer (2012) who analysed the impact of the degree of customer engagement into value creation on customer satisfaction with a company, their loyalty, and expenses. This model is unique because it contains a new construct, i.e. 'customer satisfaction with engagement into value creation'. The authors studied the influence that customer satisfaction with engagement into value creation has on relations between the degree of customer engagement into value creation and customer satisfaction, loyalty, and expenses. The research findings enable the authors to claim that customer satisfaction with engagement into value creation has no influence on the relation between the degree of customer engagement into value creation and customer expenses; customer satisfaction with engagement into value creation has an impact on relations between the degree of customer engagement into value creation and customer satisfaction with a company and their loyalty. The authors maintain that customers who are satisfied with their engagement into value creation are not necessarily more satisfied with the company than the customers who are less satisfied with engagement into value creation. Furthermore, the authors confirmed the assumptions that the degree of customer engagement into value creation has influence on their satisfaction with the company, loyalty, and expenses, and that customer satisfaction with the company affects their loyalty (Grisseman & Stokburger-Sauer, 2012).

2. Illustrations

The performed analysis of scientific literature allows us to state that the relation between customer engagement into value creation and customer loyalty is significant. However, those relations require a more exhaustive theoretical and empirical reasoning due to different approaches of research undertaken until now, when individual studies analyse only isolated relations between separate constructs. With this aim in mind, on the basis of scientific literature analysis, a conceptual model of relations between customer engagement into value creation and customer loyalty (see Figure 1) has been constructed. The structure of the model is based on the logic of research models proposed by Auh et al. (2007), Rajah et al. (2008), Grissemann and Stokburger-Sauer (2012), integrating the above-mentioned relations between individual constructs identified in the models.

Constructs of the model. Customer engagement into value creation discerned in the model is based on Verhoef et al. (2010) and on the results of all three above mentioned studies, yet it should be noted that those researchers investigated the construct in different contexts and named it differently. In the research of Auh et al. (2007) customer engagement into value creation is called ‘co-production’, whereas Rajah et al. (2008) refer to it as ‘co-creation’, and Grissemann and Stokburger-Sauer (2012) deal with it as ‘degree of co-creation’.

Customer loyalty as an outcome of customer engagement into value creation important for company’s activity was also analysed in all three above-mentioned works; however this construct was treated differently by the authors. In the research of Grissemann and Stokburger-Sauer (2012) it was considered as being a one-dimensional construct though integrating word-of-mouth recommendations and customer intentions; whereas the other sources (Auh et al., 2007; Rajah et al., 2008) viewed it as a two-dimensional – attitudinal and behavioural loyalty - construct.

Intermediate variables of the model are identified with reference to the model proposed by Rajah et al. (2008), also having in mind the main principles of relationship marketing theory, which considers customer satisfaction and trust as the main antecedents of long-term relationships.

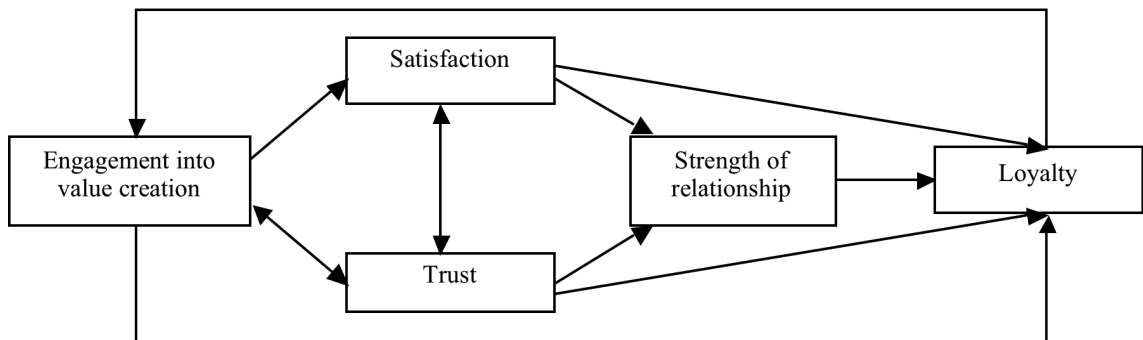


Figure 1. Conceptual model of customer engagement into value creation and customer loyalty

Relations between model constructs. A direct link between two main constructs of the conceptual model, i.e. customer engagement into value creation and customer loyalty, was studied by Auh et al. (2007). Grissemann and Stokburger-Sauer (2012) also researched the dependence of customer loyalty on a higher degree of customer engagement into value creation. Creation of best value for customer while involving customers into the process is considered to be the basis for the development of long-term relationships with customers resulting in customer retention and loyalty (Egan, 2011). On the other hand, referring to the same relationship marketing literature it could be stated that loyal customers are more capable of proper participation in a value creation. In any case, logically, when customers become loyal in one way or another, they become more interested in greater benefit from maintaining long-term relationship, i.e. become actively involved into the process of value creation. Therefore, the reversed direct link, i.e. relation between customer loyalty and engagement into value creation, is also probable.

Relationship marketing and service marketing approaches may be used to define the relations of engagement into value creation with intermediate variables distinguished in the model as well as the relation of the latter with customer loyalty. The construct of customer satisfaction has been discussed thoroughly in marketing literature. All

of the earlier discussed three groups of authors, Rajah et al. (2008), Grisseman and Stokburger-Sauer (2012) studied the relation between satisfaction and customer engagement (its degree) into value creation, the existence of the relation was also confirmed by Vega-Vazquez, Revilla-Camacho and Cossío-Silva (2013) and many other authors. The relation between trust and customer engagement into value creation was also emphasized by Rajah et al. (2008); it is also presupposed by S-D logic highlighted by Vargo and Lusch (2004). On the basis of that logic, there is an assumption that the higher degree of customer engagement into value creation is the greater trust between customers and company exists. On the other hand, another opinion, represented by Sashi (2012), Baumann and Le Meunier-FitzHugh (2013), is more often encountered in the literature. They analysed trust as a facilitator of customer engagement into value creation. Thus it can be stated that the relation between customer engagement into value creation and trust is reciprocal. The relation between satisfaction and trust has been widely analysed in the literature on relationship marketing. Selnes (1998) determined that satisfaction is the antecedent of trust in provision of services. On the other hand, theoretical attitudes (e.g., Egan, 2011) of relationship marketing allow us to claim the influence of trust on customer satisfaction; therefore, the relation between the constructs may be analysed as being reciprocal. Both the constructs, according to Rajah et al. (2008), may be considered as mediators between customer engagement into value creation and customer loyalty. Trust and satisfaction in relationship marketing literature are considered as the main antecedents of long-term relationships; however, the researchers' opinions do not always coincide when analysing their impact of customer loyalty. Emphasizing the fact that customer satisfaction and trust affect the strength of relationships with customers and customer loyalty the authors of this paper refer to the general attitudes of relationship marketing. Meanwhile, the literature analysis enables us to state that the strength of relationship not only determines the level of customer loyalty, but, according to the research of Rajah et al. (2008), also acts as a mediator between the constructs of customer satisfaction and trust and customer loyalty, which in turn may be subdivided into attitudinal and behavioural loyalty.

The developed conceptual model of relations between customer engagement into value creation and customer loyalty reveals not only the relations between the main constructs of the model but also the importance of intermediate variables and could be treated as a basis for further empirical exploration.

3. Conclusions

Systematic comparative analysis of scientific literature revealed that studies of relations between customer engagement into value creation and customer loyalty are fragmentary and depend on the research context. The conceptual model of relations between customer engagement into value creation and customer loyalty developed on the basis of literature analysis includes intermediate constructs that determine the relations, which allows us to analyse the relations in integrated manner, unfolding both direct and indirect relations between the two constructs. On the other hand, the presented model has certain limitations which should be revised before applying it to more detailed empirical research. The model does not include factors that condition customer engagement into value creation. Moreover, the influence of other customers on engagement into value creation and its relations with customer loyalty and intermediate variables is not evaluated. Finally, the model does not involve the factors that moderate customer satisfaction with their engagement into value creation (the outcomes of the process).

Despite the mentioned limitations, the conceptual research model may be considered to be a sufficient basis for constructing empirical research instrument.

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