Going beyond transactions

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ECONOMIC OUTCOMES OF CUSTOMER ENGAGEMENT: EMERGING FINDINGS, CONTEMPORARY THEORETICAL PERSPECTIVES, AND FUTURE CHALLENGES[2]

[2] This chapter is largely based on Beckers, Sander F. M., Jenny van Doorn, and Peter C. Verhoef (2015), "Economic Outcomes of Customer Engagement: Emerging Findings, Contemporary Theoretical Perspectives, and Future Challenges," in *Customer Engagement: Contemporary Issues and Challenges*, Roderick J. Brodie, Linda D. Hollebeek, and Jodie Conduit, eds. Oxford UK: Taylor and Francis, forthcoming.

2.1 INTRODUCTION

Building customer relationships and focusing on customer value management is of increasing importance for firms in today's landscape (e.g., Beckers, Risselada, and Verhoef 2013). Within the building of customer relationships an evolution is taking place; the relationship between firms and customers is evolving from unidirectionality (i.e., from firm to customer), and later bidirectionality, towards a cooperative relationship (see Figure 1.1). In this next frontier, often labeled as 'customer engagement behavior', rather than being passive recipients of companies' actions, customers provide value to, and co-create value with, companies through non-transactional customer behaviors (Beckers, Risselada, and Verhoef 2013). This co-creation is often in conclave with other customers and/or firms within interactive social networks (e.g., Risselada, Verhoef, and Bijmolt 2014).

Customer engagement behaviors (i.e., non-transactional customer behaviors) have thus become a very important topic for companies (Brodie et al. 2011; Verhoef, Reinartz, and Krafft 2010). Such behaviors can sometimes make or break a company and its brand and therefore have clear economic implications. For instance, a Twitter campaign by McDonald's was 'hijacked' by customers who started to make fun of the company (Verhoef, Beckers, and Van Doorn 2013). Customers nowadays add value for companies through transactions, but also through non-transactional behaviors. This value addition can be in the form of providing customer knowledge, providing product referrals to other customers, and/or influencing other customers (Kumar et al. 2010). Benefits of these value-added activities for companies are numerous, and range from more efficient and effective value creation to enhancing customer relationships, although these behaviors can also be a double-edged sword since they might not always be positive (Beckers, Van Doorn, and Verhoef 2015).

Not surprisingly, given the above introduction on how customer engagement behaviors have a clear and growing impact on companies, recently both academics and practitioners have begun to empirically investigate the economic outcomes of customer engagement (behavior) and interactivity. Numerous studies have emerged on this topic. However, to our knowledge there is currently not an overview available of the empirical findings regarding the consequences of customer engagement (behavior). We feel, given the current state of research, that the time is ripe for such an overview. Also, since the overall objective of this dissertation is to investigate the outcomes of customer engagement behaviors, providing such an overview is a logic first step. Therefore, the first aim of our chapter (1) is to provide an overview of emerging and converging findings of the consequences (in terms of customer, firm, and other stakeholder outcomes) of customer engagement (behavior). From our overview we conclude that research on the firm outcomes of customer engagement behavior as an overarching construct is largely lacking to-date. We feel research on firm outcomes of the overall customer engagement behavior construct can benefit from applying a unified theoretical perspective in order to analyse the underlying rationale that through customer engagement behaviors customers become co-producers of value. Yet, we observe that unified theoretical perspectives on economic outcomes of customer engagement behaviors, and its key drivers, remain under-developed to-date. In response to this observed research gap, our second (2) objective is to introduce relevant contemporary theoretical perspectives (i.e., transaction cost economics, the resource-based view, and social exchange theory) on firm outcomes of (the company's strategies with respect to) customer engagement behaviors. We thereby aim to examine the theoretical foundations for customer engagement behavior and firm performance. Specifically, we investigate theories originating in all various theoretical domains (i.e., economic, behavioral, and economic/behavioral domains) which are deemed relevant for relationship marketing (Odekerken-Schröder 1999), thereby providing a comprehensive view. In so doing, (as throughout this entire dissertation) we focus on the behavioral dimension of the customer engagement construct, since this represents the managerial focal point for most organizations in terms of driving the economic outcomes of customer engagement (Bolton 2011).

Our chapter proceeds as follows. In the next session we summarize recent empirical findings on the economic outcomes of customer engagement (behavior). Based on our summary we argue that current literature could focus more on firm-level performance consequences of the overall customer engagement behavior construct and potential contingencies associated with these outcomes. In doing so, we believe it is particularly worthwhile to apply an overarching theoretical framework. We therefore, in the following section, present the foundations of various traditional organizational theories and discuss their applicability in order to analyse the economic outcomes of customer engagement behavior. In the final section we explore future research directions.

2.2 EMERGING FINDINGS ON CUSTOMER ENGAGEMENT OUTCOMES

As specified in the introduction, recently a lot of (academic) research on customer engagement (behavior) has emerged. Customer engagement was one of the Marketing Science Institute's top research priorities (MSI 2010) and the underlying changes in customers and customer experiences continue to be so today (MSI 2014). In Table 2.1 we provide an overview of the findings on the outcomes of customer engagement (behaviors). We do not claim that our overview is exhaustive (given the contemporary interest in customer engagement as a research topic such an overview would be virtually impossible to provide), yet we included the most-cited exemplary papers within the domain, and we complemented these key papers with some of the most recent work (primarily from the major marketing journals, such as the *Journal of Marketing* and the *Journal of Marketing Research*). We focused on empirical findings from quantitative research, since they, amongst others, test the propositions developed in some of the earlier conceptual and qualitative research, which have had true merit in laying the foundations of the customer engagement construct. Following Van Doorn et al. (2010), we classified the outcomes studied into customer outcomes, firm outcomes, and other outcomes, and distinguished various types of customer engagement investigated (customer engagement as an overarching construct, or distinct behavioral manifestations of customer engagement; word-of-mouth, voice, co-creation, or community participation). Note that for means of completeness, although we primarily focus on the behavioral dimension of customer engagement and despite the number of studies being scarce, we decided to also include research on the effects of the attitudinal and emotional dimensions of the customer engagement construct. Also note that we ordered the table based on outcome level studies, followed by respectively the studied construct and name of the author(s).

Table 2.1: **Overview of exemplary and key research on the outcomes of customer engagement**

Author(s)	*Year*	*Outcome construct*	*Type of CE studied*	*Main finding(s)*
		Customer		
Bagozzi and Dholakia	2006b	Attitudinal	Community participation	Participation in online support community leads to intentions of additional positive behaviors (e.g., spending money, co-creation) towards the company
Bendapudi and Leone	2003	Attitudinal	Co-creation	Customers have a self-service bias when they participate in co-production which reduces their satisfaction
Calder, Malthouse, and Schaedel	2009	Attitudinal	Customer engagement	Online engagement positively impacts attitude towards advertisement
Fuchs, Prandelli, and Schreier	2010	Attitudinal	Co-creation	Customers feel a sense of psychological ownership when they are involved in product selection which increases their product demand
Gruen, Osmonbekev, and Czaplewski	2006	Attitudinal	Word-of-mouth	Customer know-how exchange positively impacts product value perception and recommendation intentions
Heidenreich et al.	2015	Attitudinal	Co-creation	Failure in high co-creation services leads to larger reduction in satisfaction than failure in low co-creation services
McAlexander, Schouten, and Koenig	2002	Attitudinal	Community participation	Brandfest participation positively impacts attitude towards the brand, the company, and fellow customers
Ofir and Simonson	2001	Attitudinal	Voice	When customers (anticipate they) are asked for their opinion a negativity bias occurs; reducing satisfaction
Scott and Craig-Lees	2010	Attitudinal	Customer engagement	Product recognition is enhanced by audience engagement

Table 2.1: *Continued*

Author(s)	***Year***	***Outcome construct***	***Type of CE studied***	***Main finding(s)***
		Customer *continued*		
So, King, and Sparks	2014	Attitudinal	Customer engagement	Customer engagement positively impacts loyalty intentions
Sprott, Czellar, and Spangenberg	2009	Attitudinal	Customer engagement	Highly brand engaged consumers are less time-sensitive and price-sensitive regarding the brand. They also pay more attention to the brand, have a better recall of the brand, and a higher preference for the brand
Beckers et al.	2015	Attitudinal and cross-customer	Community participation	Online customer community support increases customer satisfaction (for users and upper managers within a B2B organization), static online support decreases customer satisfaction (only for upper managers)
Algesheimer, Dholakia, and Herrmann	2005	Attitudinal and emotional	Community participation	Community engagement enhances participation, continuation, and recommendation intentions; yet, community engagement also leads to normative pressure and ultimately reactance
Brodie et al.	2013	Attitudinal and emotional	Customer engagement	Customer engagement leads to connection and emotional bonding, customer empowerment, customer loyalty and satisfaction, and trust and commitment
Hollebeek, Glynn, and Brodie	2014	Attitudinal and emotional	Customer engagement	Consumer brand engagement, especially the affection component, has a positive influence on self-brand connection and brand usage intent
Algesheimer et al.	2010	Behavioral	Community participation	Usage of an online marketplace community makes customers more efficient and selective sellers and more conservative in their bidding
Bayus	2013	Behavioral	Co-creation	Customers whose previous co-creation ideas were implemented propose less diverse ideas

Table 2.1: *Continued*

Author(s)	***Year***	***Outcome construct***	***Type of CE studied***	***Main finding(s)***
		Customer *continued*		
Bone et al.	2015	Behavioral	Community participation	Usage of online community support decreases usage of the more costly traditional offline customer support
Zhu et al.	2012	Behavioral	Community participation	Online community participants make riskier financial decisions than non-participants
		Firm		
Chan, Yim, and Lam	2010	Employee	Co-creation	Customer co-creation can cause job stress among a company's employees
Schmitt, Skiera, and Van den Bulte	2011	Financial	Word-of-mouth	Customers that are acquired through referral programs are more valuable, have a higher contribution margin, and a higher retention rate
Trusov, Bucklin, and Pauwels	2009	Financial	Word-of-mouth	Word-of-mouth referrals are more effective in driving customer acquisition than traditional advertising activity
Villanueva, Yoo, and Hanssens	2008	Financial	Word-of-mouth	Customers that are acquired through marketing actions are more valuable in the short-run, yet customers that are acquired through word-of-mouth are more valuable in the long run
Fang	2008	Product	Co-creation	The effect of customer participation on product innovation and speed to market can be positive or negative depending on customer network connectivity and NPD process interdependence
Noordhoff et al.	2011	Product	Co-creation	In a B2B setting embedded ties with customers hurt supplier innovation due to fear of opportunism
Berger, Sorenson, and Rasmussen	2010	Sales	Word-of-mouth	Negative word-of-mouth can increase sales for products with low prior awareness and reduce sales for well-known products

Table 2.1: *Continued*

Author(s)	***Year***	***Outcome construct***	***Type of CE studied***	***Main finding(s)***
		Firm *continued*		
Borle et al.	2007	Sales	Voice	Customer satisfaction survey participation increases customer purchase behavior
Chen, Wang, and Xie	2011	Sales	Word-of-mouth	Negative word-of-mouth has more influence on sales than positive word-of-mouth; only positive (not negative) observational learning has an (positive) impact on sales
Chevalier and Mayzlin	2006	Sales	Word-of-mouth	When reviews get more positive sales increase. Negative reviews are more influential than positive reviews
Chintagunta, Gopinath, and Venkataraman	2010	Sales	Word-of-mouth	Positive word-of-mouth drives sales. It is the valence of word-of-mouth that matters and not the volume
Floyd et al.	2014	Sales	Word-of-mouth	Meta-analysis documents that sales elasticity of review valence is.69 and sales elasticity of review volume is .35
Godes and Mayzlin	2009	Sales	Word-of-mouth	Word-of-mouth is most effective in driving sales for products with low initial awareness
Gopinath, Thomas, and Krishnamurthi	2014	Sales	Word-of-mouth	Only the valence of word-of-mouth has an impact on sales
Ho-Dac, Carson, and Moore	2013	Sales	Word-of-mouth	Online reviews impact sales of weak brands and do not impact sales of strong brands
Kumar et al.	2013	Sales	Word-of-mouth	Social media conversations can drive customer influence effect and customer influence value
Lilien et al.	2002	Sales	Co-creation	Co-creation projects involving lead users result in larger sales value

Table 2.1: *Continued*

Author(s)	***Year***	***Outcome construct***	***Type of CE studied***	***Main finding(s)***
		Firm *continued*		
Ludwig et al.	2013	Sales	Word-of-mouth	When reviews have greater increases in positive content the impact on conversion behavior becomes smaller, the same pattern does not hold for negative content
Manchanda, Packard, and Pattabhiramaiah	2015	Sales	Community participation	Customers that are active within communities spend more, especially those customers that contribute content by posting and those with more social ties in the community
Tang, Fang, and Wang	2014	Sales	Word-of-mouth	Mixed-neutral (balanced positive and negative) user generated content (UGC) enhances its effectiveness, whereas indifferent-neutral (neither positive nor negative claims) UGC decreases the effectiveness of UGC
You, Vadakkepatt, and Joshi	2015	Sales	Word-of-mouth	Meta-analysis shows that the sales elasticity of electronic word-of-mouth volume and valence are .236 and .417, respectively
Beckers, Van Doorn, and Verhoef	2015	Shareholder value	Customer engagement (Word-of-mouth, voice, co-creation)	Stimulating customer engagement reduces shareholder value; especially in initial stages, for highly reputed firms, and when the market is turbulent
Chen, Liu, and Zhang	2012	Shareholder value	Word-of-mouth	Relative valence of a review influences stock return in the direction of their valence
Luo	2009	Shareholder value	Word-of-mouth	Negative word-of-mouth reduces a firm's cash flow and stock price
Tirunillai and Tellis	2012	Shareholder value	Word-of-mouth	Word-of-mouth is correlated with stock performance and negative WOM can negatively impact stock performance

Table 2.1: *Continued*

Author(s)	***Year***	***Outcome construct***	***Type of CE studied***	***Main finding(s)***
		Other		
Thompson and Sinha	2008	Cross-brand	Community participation	Brand community participation decreases adoption of new products from competing brands
Moreau, Bonney, and Herd	2011	Cross-customer	Co-creation	Customers that customize products for other customers have a higher willingness-to-pay than customers that customize for themselves
Thompson and Malaviya	2013	Cross-customer	Co-creation	Disclosing that an advertisement is co-created by another customer can cause two opposite effects: skepticism about the ad creator competence and identification with the ad creator

Notes: We ordered the table based on outcome stakeholder studied, followed by respectively the studied construct and name of the author(s). We classified the outcomes studied into customer-, firm-, and other outcomes (based, for instance, on Van Doorn et al. 2010) and distinguished various types of customer engagement investigated (customer engagement as an overarching construct or distinct behavioral manifestations of customer engagement; word-of-mouth, voice, co-creation, or community participation).

In reviewing Table 2.1 we observe two main insights:

- The outcomes of customer engagement (behavior) are mostly positive. Specifically, 21 of the examined papers report positive outcomes as key findings, such as increased satisfaction and sales. However, negative outcomes are also shown: 11 papers shown in Table 2.1 report negative outcomes as core findings, such as employee job stress and decreased shareholder value. The remaining 15 papers report both positive as well as negative main outcomes (e.g., negative and positive word-of-mouth effects).
- Most research studies the effectiveness of a single customer engagement behavioral manifestation in isolation (i.e., 40 out of 47 papers), instead of the overarching multi-faceted customer engagement construct (i.e., a mere 7 out of 47 papers examined study the overarching engagement construct).

Other observations from Table 2.1 include:

- Within the studies of a single customer engagement behavior, (e) word-of-mouth (e.g., online reviews) has received the most attention (i.e., out of 40 papers focusing on a single customer engagement behavior, 19 papers solely address word-of-mouth), especially with firm sales as a key outcome variable (i.e., 12 included papers limit their focus to the effect of word-of-mouth on sales). We also identified two recent meta-analyses; one in the *Journal of Marketing* (You, Vadakkepatt, and Joshi 2015) documenting a sales elasticity of electronic word-of-mouth volume of .236, and a sales elasticity of electronic word-of-mouth valence of .417. A second meta-analysis, which appeared in the *Journal of Retailing* (Floyd et al. 2014), indicated that the retail sales elasticity of review volume and review valence are .34 and .69, respectively.
- Customer engagement behaviors are separately linked to firm consequences, but outcomes of the overarching customer engagement construct are almost always studied at the customer level (i.e., 6 out of the 7 papers that study the consequences of the overall customer engagement construct have a customer dependent variable, herein survey methodology is the most popular research method).
- The effect of customer engagement (behaviors) on other stakeholders, that is, besides firms and customers, are largely overlooked: only 6 out of 47 studies in Table 2.1 investigate the effect of customer engagement on employees, shareholders, or competitors, and we did not identify any empirical studies addressing the effects

of customer engagement on society at large (e.g., consumer welfare, economic and social surplus, the government, public policy makers).

Thus, although the outcomes of focal behavioral manifestations of customer engagement in isolation have been studied in relative depth, studies investigating the outcomes of (customer) engagement as an overarching construct are few to-date. Most "studies have been predominantly exploratory in nature, thus generating a lack of empirical research in this area to date" (Hollebeek, Glynn, and Brodie 2014, p. 149). The few empirical studies that study the outcomes of the overarching customer engagement construct, typically, focus on customer outcomes. We propose that future research should focus on the firm outcomes of customer engagement (behaviors) as an overarching construct. Distinct customer engagement behaviors arise out of the cognitive and emotional dimension of customer engagement, and have in common that they change the way value is created between firms and customers (Beckers, Risselada, and Verhoef 2013). Therefore, distinct customer engagement behaviors likely share common antecedents and outcomes. This makes a comprehensive and integrated perspective on various non-transactional customer-firm interactions (to exploit underlying communalities) warranted and yielding benefits over studying distinct customer engagement behaviors in isolation (Van Doorn et al. 2010). In short, research can benefit from adopting an integrative perspective on customer engagement behavior, instead of focusing on a single manifestation behavioral of customer engagement. Next, we argue that contemporary theoretical perspectives are especially fruitful to study firm consequences of customer engagement behavior as an overarching construct, which we apply by presenting a number of relevant theoretical perspectives.

2.3 CONTEMPORARY THEORETICAL PERSPECTIVES ON THE FIRM OUTCOMES OF CUSTOMER ENGAGEMENT BEHAVIORS

Our review of studies on customer engagement (behavior) outcomes highlights the need to develop a unified view on the firm outcomes of the overall customer engagement behavior construct. In doing so, we believe it is particularly worthwhile to apply a cohesive theoretical perspective. Such perspective can exploit the communality underlying the overarching customer engagement behavior construct that customers become co-producers of value (e.g., Beckers, Risselada, and Verhoef 2013; Prahalad and Ramaswamy 2004a). Different traditional (organizational) theories have their own viewpoint on the benefits and drawbacks of this communality, and thus how this translates into firm performance. A unified theoretical perspective could also be used to determine systematic contingencies of the outcomes of (firm's strategies with respect to) customer engagement behaviors. Nevertheless, we feel such theoretical perspectives are under-developed to-date. Therefore, in this section, we will introduce three relevant contemporary theoretical perspectives: transaction cost economics, the resource-based view, and social exchange theory. We start with a justification of theory selection, followed by conceptual analyses of anticipated firm outcomes of customer engagement behaviors based on our selected theories.

2.3.1 Theory Selection

In our analysis of relevant theoretical perspectives on firm outcomes of customer engagement behaviors we decided to include transaction cost economics, the resource-based view, and social exchange theory. Although we acknowledge there might be alternative viewpoints (e.g., agency theory, equity theory, political economy theory) we selected the aforementioned theories based on their applicability in a customer engagement behavior setting and their complementarity arising from each belonging to a separate relevant theoretical domain (and collectively covering all relevant domains) for relationship marketing (Odekerken-Schröder 1999). Note that, for means of conciseness, we decided to include one central theory per theoretical domain in our discussion. Transaction cost economics, the resource-based view, and social exchange theory, are such central theories, since they were fundamental theoretical perspectives during the evolution of relationship marketing (Palmatier 2008). Despite these selection criteria, likely needing special emphasis is justification of our choice for transaction cost economics rather than agency theory. While both theories might be applicable to analyse customer engagement behavior outcomes and share similarities among several dimensions and analyse similar problems (e.g., Kochhar 1996), we decided to focus attention on transaction cost economics for the following two reasons: First, we analyse from an aggregated firm perspective (for which transaction cost economics is more applicable) rather than from an individual customer perspective (for which agency theory is more applicable). Hence, "at the elementary level, there is a difference in the level of analysis between the agency theory and transaction cost viewpoints" (Kochhar 1996, p. 717). Second, contrary to agency theory, transaction cost economics has been credited

Table 2.2: Summary of anticipated firm outcomes of customer engagement behavior

Theory	*Type of effect*	*Prediction*	*Rationale*
TCE	Main effect	On average, the firm outcomes of customer engagement behavior are negative	Managing customer engagement behavior leads to behavioral uncertainty (that is, risk of potential negative engagement behaviors), since companies have no safeguarding mechanism to enforce positive outcomes
TCE	Moderator: Customer relation-ship investments	Companies with more customer relationship investments obtain lower firm outcomes	Relationship specific investments are being put on the line when managing customer engagement behaviors, especially since no safeguards against opportunistic behaviors are available
TCE	Moderator: Demand uncertainty	Firm outcomes are reduced under demand uncertainty	Under demand uncertainty customer input is more likely to be obsolete and misdirected, since customers' future wants and needs are unstable and unknown
TCE	Moderator: Frequency	Frequency reduces firm outcomes	With more frequent activity it becomes more efficient to produce in-house instead of relying on customers' contributions and risks of negative outcomes are higher because customers become more empowered
RBV	Main effect	On average, the firm outcomes of customer engagement behaviors are positive	Customer engagement behaviors can aid companies in building resources that are valuable, rare, and inimitable or non-substitutable (i.e., strategic resources)
RBV	Moderator: Corporate reputation	Firm outcomes are reduced when a company has a good reputation	Corporate reputation is a strategic resource that can be built through managing customer engagement behaviors; if a company already possesses this resource engagement behavior efforts might be redundant
RBV	Moderator: Customer loyalty	Firm outcomes are reduced when a company has a loyal customer base	Customer engagement behavior can enhance loyalty, hence engagement efforts are redundant if a company already possess a loyal customer base
RBV	Moderator: Internal (R&D) resources	Companies with more internal (R&D) resources obtain lower firm outcomes	Internal (R&D) resources and benefitting from the wisdom of the crowd through their customer engagement behaviors might be substitutes

Table 2.2: *Continued*

Theory	***Type of effect***	***Prediction***	***Rationale***
RBV	Moderator: Marketing capabilities	Companies with superior marketing capabilities obtain better outcomes	Companies with superior marketing capabilities are better able to build strategic resources (and employ these resources) by managing engagement behaviors
SET	Main effect	On average, the firm outcomes of customer engagement behaviors are positive / negative	Customers make a cost/benefit trade-off when exchanging with companies, this implies two opposing effects when interacting with customers through customer engagement behaviors: potential benefits are enhanced, but potential costs are also enhanced

Note: TCE stands for transaction cost economics, RBV stands for resource-based view, and SET stands for social exchange theory.

as central theoretical perspective with respective to relationship marketing (Odekerken-Schröder 1999; Palmatier 2008). Nevertheless, later in this dissertation, when we analyse at the individual level, we apply agency theory (see Chapter 4, yet therein we apply agency theory to a more traditional agency problem; not between firm-customer, but rather within a customer organization). In short, we investigate viewpoints arising from transaction cost economics, the resource-based view, and social exchange theory to explain firm outcomes of customer engagement behaviors. Since our focus is on firm outcomes, we explicitly incorporate analysis of firm strategies to drive these outcomes. We summarized the anticipated firm outcomes of customer engagement behaviors based on the various theoretical perspectives in Table 2.2. Table 2.2 also contains an overview of the key process, i.e., the underlying rationale, and key moderators by which each theory anticipates customer engagement behavior to translate into firm performance.

2.3.2 Transaction Cost Economics

The first theoretical perspective that we investigate to identify the firm performance consequences of customer engagement behaviors (and contingencies thereof) is transaction cost economics. When stimulating customer engagement and the resulting customer engagement behaviors, companies seek joint value creation with customers and involve customers in activities that were traditionally performed in-house (e.g., Prahalad and Ramaswamy 2004a). For instance, by stimulating word-of-mouth companies partially outsource advertising and acquisition to customers (e.g., Libai 2011; Villanueva, Yoo, and Hanssens 2008). This means that a company decides to what extent it involves its customers in value creation. This decision is similar to a traditional make, buy, or ally decision, as is common in transaction cost economics. We therefore argue that classical elements of transaction cost theory can help explain the economic outcomes of engagement behaviors.

The basic premise of transaction cost theory is that the benefits of competition establish outsourcing (i.e., market governance) as a default option for organizing production. However, in some circumstances leading to market failure, the costs of outsourcing exceed its benefits, and in-house production (i.e., hierarchical governance) is more efficient. Elements that can lead to potential market failure are relationship-specific investments, uncertainty, and frequency (Geyskens, Steenkamp, and Kumar 2006). These elements are also relevant with respect to the firm's management of customer engagement behaviors.

However, rather than a classical market versus hierarchical governance dichotomy, (most) firm-initiated customer engagement behaviors entail hybrid governance mechanisms, and involving customers in value creation differs from traditional inter-organizational arrangements in important ways. In traditional outsourcing agreements, co-operating firms create value *for* customers, rather than *with* them, and are contractually bound by formal governance mechanisms (e.g., Kim 1999; Mooi and Gilliland 2013). By contrast, involving customers in the production process makes formal governance more difficult, because the size and heterogeneity of the customer base prevents contractual binding. Furthermore, the types of value creation behaviors customers undertake generally are "noncontractible" (Dyer 1997). Creative activities in particular (e.g., innovation inputs, novel solutions to business problems, designing appealing advertising content) cannot be captured effectively in contracts (neither in an employer-employee relationship, nor in a buyer-supplier relationship), because human creative efforts and abilities are too heterogeneous to standardize or specify (Benkler 2006; Weber 2004).

Therefore, instead of market governance, when firms initiate and/or manage customer engagement behaviors some form of hybrid governance mechanism is required. Customer value co-creation seeks joint outcomes (Prahalad and Ramaswamy 2004a), which represents a social form of production: therefore, the particular hybrid governance form companies use to stimulate customer engagement behaviors likely reflects a social transactional framework (Benkler 2006). Rather than relying on economic incentives and formal and explicit controls, which is typical for market governance, a social transactional framework uses social norms and informal and implicit control mechanisms to encourage participants to self-identify their tasks (e.g., deciding to participate by contributing to a company's online community; Rindfleisch et al. 2011). This approach thus avoids the transaction costs associated with specifying customers' creative efforts for pricing or managerial command. Hence, the transaction costs for customer input in value creation are lowest in a social production governance mode (Benkler 2006; Cook 2008). Just as customer engagement behaviors change value creation, this novel, hybrid governance mode can be viewed as a new economic institution reflecting social forms of production, with joint effort and outcomes (Cook 2008; Rindfleisch et al. 2011).

2.3.2.1 Main effect: Behavioral uncertainty

Still, the central governance issue that companies face when involving customers in value creation, by stimulating customer engagement behaviors, is behavioral uncertainty. Especially since no strong market or traditional inter-organizational governance mechanisms (e.g., contractual binding, regular progress meetings, long-term relationship incentives) are applicable in order to induce customers to comply with company objectives value creation based on customer engagement behaviors is risky for companies (Hoyer et al. 2010). That is, these behaviors may be value enhancing (e.g., low-cost new product development; Hoyer et al. 2010), but they also can be value destroying (e.g., negative word-of-mouth; Luo 2009). In other words, although creating value through customer engagement behaviors might be more efficient (e.g., word-of-mouth can replace advertising costs; Villanueva, Yoo, and Hanssens 2008) and more effective (e.g., co-creation might lead to products with better market fit; Hoyer et al. 2010) it is uncertain whether companies can obtain these benefits, while risks are enhanced (i.e., an exchange hazard arises). The central problem of performance ambiguity arises when stimulating customer engagement behaviors, because companies give away control over value creation activities to customers (Cook 2008), without any means to enforce positive outcomes. Furthermore, the social transactional governance mode seeks joint value, instead of benefits accruing to an individual firm (Sawhney and Prandelli 2000), yet the need for companies to capture the created value hinders the efficiency, thereby increasing transaction costs (Benkler 2006; Ghosh and John 1999). Hence, from a transaction cost economics perspective, although customer engagement behaviors can potentially be positive or negative, the central issue is that there is no suited governance mechanism available to systematically influence customer engagement behavior outcomes.

Next, we argue that this central governance issue of performance ambiguity may be attenuated or enhanced, depending on its interplay with three other circumstances identified in the transaction cost literature to generate market failure. These other circumstances are relationship-specific investments, external uncertainty, and frequency.

2.3.2.2 Moderator: Relationship-specific investment

Relationship-specific investments are tailored to a specific external party. According to transaction cost economics, such investments increase the risk of market failure because they cannot be deployed outside the relationship. By making investments specific to an independent partner, the focal firm becomes more dependent on (Geyskens, Steenkamp, and Kumar 2006) and thus more vulnerable to opportunistic behavior (i.e., "self-interest seeking with guile") by the other party (Williamson 1985). When companies stimulate customer engagement behaviors, they grow to depend on customers, putting for instance their brand name capital and its associated benefits at stake in this customer-firm interaction (Ghosh and John 1999). Therefore, when stimulating customer engagement behaviors, companies need a safeguarding mechanism to protect their previous investments in customer relationships and prevent opportunistic behavior. However, in a customer engagement setting, there are no strong market mechanisms available to achieve these outcomes. From an aggregated perspective, relationship-specific investments in a customer engagement behavior setting are all investments made by a company in order to strengthen the bond with its customers, for instance investments in customer trust, corporate image, and brand name capital. Customer engagement behaviors can erode these investments: for instance, with respect to customer co-creation, customers might come up with product suggestions which are not in line with the current corporate image, or, with respect to customer voice, a company might not be willing or able enough to address all customer feedback which can reduce customers' trust. Hence the risk of stimulating customer engagement behaviors is particularly acute for companies that have invested in customer relationships.

2.3.2.3 Moderator: External uncertainty

With respect to external uncertainty, transaction cost economics distinguishes demand uncertainty from technological uncertainty (Geyskens, Steenkamp, and Kumar 2006). We consider demand uncertainty more relevant for the management of customer engagement behavior, because it arises directly from the partner's transactional behavior (i.e., the customer). Managing customer engagement behaviors is not so much to uncover future technological requirements; instead, it should better reveal customers' needs and wants (Hoyer et al. 2010; Kumar et al. 2010). Therefore, we focus our attention on demand uncertainty.

When demand is uncertain it is hard to predict the requested volume for a company's offering, due to market fluctuations (Walker and Weber 1984). In inter-organizational relationships, it can lead to coordination difficulties, in terms of specification or modification, which, in turn, raise transaction costs (Geyskens, Steenkamp, and Kumar 2006). With regard to customers involved in value creation, demand uncertainty arises because their needs and wants change rapidly (Anderson, Day, and Rangan 1997), and therefore companies need to closely monitor them (Gatignon and Xuereb 1997; Kohli and Jaworski 1990). However, customer engagement behavior management goes beyond listening to customers and traditional market research by letting customers participate in value creation. Yet, when customers are in the driver's seat and take a level of control of value creation activities (Hoyer et al. 2010), the firm's flexibility diminishes. Such flexibility, however, is necessary in unstable environments, to ensure adaptivity and avoid obsolescence (Anderson, Day, and Rangan 1997). In a rapidly-changing environment the feedback customers provide the company, the recommendations they make to their peers, and their co-creation input may be valuable currently, but not for the future per se. In this case, stimulating customer engagement behaviors increases (rather than decreases) demand uncertainty for companies, and creates an exchange hazard associated with acting on obsolete customer input in the value chain. Customers may not be able to foresee what their future needs are. As automotive pioneer Henry Ford is said to have put it: "If I had asked people what they wanted, they would have said faster horses" (e.g., Vlaskovits 2011). Under demand uncertainty, customers thus may either make mistakes in their value-adding engagement activities, or overestimate their contribution ability (Benkler 2006).

Hence, it is very valuable for firms to monitor customers under demand uncertainty to learn their evolving needs and wants. However, customer engagement behavior management might not be to best way to do so, since customer engagement behaviors goes beyond mere listing to customers by letting customers actually participate in company value creation processes. For instance, customers may be involved in translating values and needs into attributes (e.g., Fang 2008), which reduces the firm's flexibility and it is questionable whether customers are capable to adequately do so. Therefore, social transactional governance incurs transaction costs associated with correcting and eliminating poor outcomes, in "parallel [with] quality control problems faced by firms and markets" (Benkler 2006, p. 112). The central governance concern of performance ambiguity is amplified with demand uncertainty, because customers may engage not just in negative efforts, but also misdirected effort (e.g., constructive customer engagement behaviors that turn out to be obsolete).

2.3.2.4 Moderator: Frequency

The transaction cost economics element frequency refers to the amount or recurrence of transactions (Geyskens, Steenkamp, and Kumar 2006). When transactions are more frequent, the firm enjoys the advantages of a repeating game with a strategic partner, which reduces opportunism threats (Dyer 1997), and facilitates the recovery of the overhead costs associated with organizing such transactions (Williamson 1985). However, when firms manage customer engagement behaviors, these advantages may disappear, considering the vastness and heterogeneity among the group of potential customers. The same customers do not respond to all customer engagement initiatives per se, and their responses vary substantially across such initiatives. Even if a company frequently involves customers in value creation, ex-ante ambiguity about their responses is unlikely to decline, as it would if they developed a solid relationship through a recurring game with a single partner. By contrast, the overhead cost benefits may still apply. That is, the fixed costs of performing the value-added function, such as customer acquisition, can be recovered more easily when the frequency of performing the function increases (Anderson and Schmittlein 1984; Williamson 1985).

In addition, a company that involves customers more frequently in value creation loses more substantial control over value-adding functions and empowers customers (Hoyer et al. 2010). These customers may learn to recognize their greater power and knowledge about products and quality, which they may exploit to achieve premium returns (Anderson and Jap 2005). Hence initiative frequency may lead to more safeguards, although the number and heterogeneity of customers complicates this process. On the other hand, overhead costs can be better recovered with higher initiative frequency. Further, customers become more empowered, which would lead to higher transaction costs/higher opportunity costs, due to a higher propensity of misdirected effort.

2.3.2.5 ***Conclusion***

To conclude, with respect to the economic outcomes of customer engagement behaviors, although there are potential upsides to customer engagement behaviors, transaction cost theory identifies behavioral uncertainty as a main exchange hazard, since companies have no means to enforce positive outcomes such that they can obtain these potential upsides. This indicates that according to transaction cost theory, on average, firm outcomes of (company's strategies with respect to) customer engagement behaviors are negative. This behavioral uncertainty may be enhanced by making relationship-specific investments (these investments become vulnerable), demand uncertainty (which may cause obsoleteness and misdirected behavior), and frequency (in-house production becomes more efficient and customer empowerment increases). Hence, firm outcomes are, according to transaction cost theory, even more negative for companies that have invested in customer relationships, operate in turbulent environments, and/or solicit customer engagement behaviors multiple times.

2.3.3 Resource-based View

Besides transaction cost economics it is insightful to investigate the merits of additional perspectives on customer engagement behaviors. One such perspective lies in adopting a resource-based view. This perspective seems insightful since it departs from a different theoretical standpoint (Odekerken-Schröder 1999). At the heart of the distinction between both theoretical perspectives is whether the mechanism to be explained that underlies a company's customer engagement behavior initiative is "a fear of opportunism (as posited by transaction cost economists), or a quest for sustainable advantage (as posed by resource-based view theorists)" (Schilling and Steensma 2002, p. 387). Since power is shifting from companies to customers (as explained above and due to the rise of new digital media, which resulted in a more open economy, and consequently changed customer behavior; see for instance seminal work by Lynch, Jr. and Ariely (2000), and Prahalad and Ramaswamy (2004b)), customers are becoming less dependent upon companies. "In fact, the balance of power in value creation is tipping in favor of consumers" (Prahalad and Ramaswamy 2004b, p. 1). Additionally, for most products there is not a monopolistic market, rather markets typically become more competitive and customers have the choice where to take their business (World Economic Forum 2015). In light of these factors, companies do face a strong need to safeguard against potential opportunistic behavior of customers. Yet, at the same time companies also face a strong need for differentiation in order to survive in the competitive landscapes they operate in. Therefore, both a transaction cost perspective and a resource-based view on customer engagement behavior have merit.

The resource-based view of the firm claims that firms represent collections of strategic resources and are inherently heterogeneous in terms of their resource possession (Wernerfelt 1984). Firms leverage their strategic resources "to create competitive advantages, which in turn confer performance advantages" (Crook et al. 2008, p. 1142). Resources must meet certain criteria in order to be a source of sustainable competitive advantage. Crucial characteristics that render resources strategic (i.e., a source of sustained competitive advantage) are value, rareness, and inimitability (e.g., Peteraf 1993).

2.3.3.1 Main effect: Building of strategic resources

Through managing customer engagement behaviors companies can build strategic resources in two ways. First, previous literature classifies corporate reputation (e.g., Crook et al. 2008) and customer loyalty (e.g., Wernerfelt 1984) as resources that adhere to the above characteristics – thus, both corporate reputation and customer loyalty are by itself strategic resources. Managing customer engagement behaviors is a way for companies to enhance both corporate reputation (e.g., Van Doorn et al. 2010) and customer loyalty (e.g., Hollebeek, Glynn, and Brodie 2014). For instance, by being active within brand communities, customer attachment to the focal brand as well as other brand users tends to increase, subsequently driving customer loyalty (e.g., Algesheimer, Dholakia, and Herrmann 2005; Bagozzi and Dholakia 2006a). Further, the way a company manages a brand community influences customers' level of trust in the company (Porter and Donthu 2008), and will ultimately affect the company's reputation (Walsh and Beatty 2007).

Second, by stimulating customer engagement behaviors, companies attempt to gain access to a strategic resource, which resides within their customer base, that is, the wisdom of the crowd. A prime source of value for companies seeking to stimulate customer engagement behavior is customer knowledge value (Kumar et al. 2010). Through customer engagement behaviors, customers are able to contribute relevant emotional, cognitive, and/or physical resources (Hollebeek 2011b), which provide companies with unique knowledge. Unique knowledge, in turn, is identified under the resource-based view as a strategic resource (Crook et al. 2008). Customer knowledge and creative efforts adhere to the characteristics that render resources strategic: (1) value, (2) inimitability, and (3) rarity. Such knowledge is invaluable (1) to firms for a number of reasons, for example customer participation in co-creation (for instance, by providing creative solutions) has the potential to enhance the success of new products (e.g., Fang, Palmatier, and Evans 2008). Customers' knowledge and skill contribution (e.g., their creative effort) is also difficult to imitate or substitute (2), since they are protected by knowledge barriers. "They cannot be imitated by competitors because they are subtle and hard to understand because they involve talents that are elusive" (Miller and Schamsie 1996, p. 522). They also tend to be rare (3), "given the zero cost of existing information and the declining cost of communication and processing, human capacity becomes the primary scarce resource in the networked information economy" (Benkler 2006, p. 52). Thus by tapping into the wisdom of the crowd through engagement behavior initiatives, such as the establishment of brand communities, companies complement their internal resources with the strategic resources posed within their (external) customer base and a whole new resource spectrum emerges (O'Hern and Rindfleisch 2009). This suggests that "market scholars should view a firm's resources and capabilities from a broader network-based (embodied) perspective, rather than focusing narrowly on its internal (embedded) assets" (O'Hern and Rindfleisch 2009, p. 100).

Access to these external resources is controlled by the customers themselves, since they hold the intellectual property rights of their own ideas (Hoyer et al. 2010). Yet, given the above discussion regarding the importance of these resources, companies should be willing to go to great lengths to obtain these resources; for instance, by paying substantial amounts of money. Not surprisingly, we observe such occurrences in practice. An example is Lay's, a potato chip manufacturer, which rewards the winner of a flavor suggestion contest with one million US dollars, or one percent of the one-year net sales of the flavor (cf. www.dousaflavor.com).

2.3.3.2 Moderators: Current and internal resources

Nevertheless, these resources may not have the same value for all companies. Specific contingencies thus exist to the economic outcomes of customer engagement behaviors from a resource-based perspective. Namely, the usefulness of customers' resource contribution for a company is a surrogate for the company's valuation of these resources. Whether the wisdom of the crowd is valuable for a company depends, amongst others, on the company's own resource possession. If a company already possesses strong customer relationships, a good corporate reputation, and/or many internal R&D resources and capabilities, tapping into the wisdom of the crowd may be redundant (e.g., Beckers, Van Doorn, and Verhoef 2015).

2.3.3.3 Moderator: Marketing capabilities

Beyond resource redundancy, there are additional caveats in creating strategic resources through customer engagement behavior management. A disadvantage of relying on customer knowledge value is a potential loss of critical internal know-how, and an increase in the dependence on customers (Gassmann, Kausch, and Enkel 2010). Also, when customers contribute their intellectual property (e.g., creativity), the question emerges as to the ownership of these resources, and to the ownership of value-creating activities provided by customers that arise out of these resources (Gassmann, Kausch, and Enkel 2010; Hoyer et al. 2010). For instance, to avoid this potential drawback, Lay's potato chip employs a strict policy in their previously mentioned flavor suggestion contest (www.dousaflavor.com). How to best govern customer engagement and how to optimally motivate customers to provide their resources (i.e., how to best access resources controlled by the customers themselves), represent intriguing questions for future research. A lot of academic research is emerging on how customers could be motivated towards enhanced levels of engagement. Broadly speaking customers could be motivated by financial incentives, but also through social, psychological, and/or technical incentives (e.g., Hoyer et al. 2010; Nambisan and Baron 2009). For instance, recent research suggests that by giving financial incentives people provide fewer, but better ideas (Torres 2015). Nevertheless, from previous research we know not all firms are equally able in motivating customers. Due to inherent differences in marketing capabilities some firms might be better able to build successful customer relationships than others (Day 2003), thus some firms might be more capable in building strategic resources through managing customer engagement behaviors than others and might be better able to use these resources to create superior firm performance. Such marketing capabilities are developed through extensive learning and should be intertwined with the founding fabric of an organization (Day 1994). Basically "capabilities are the glue that brings assets together and enables them to be deployed advantageously" (Day 1994, p. 38). Essentially, companies with superior marketing capabilities are more likely to be able to employ the needed glue to turn customer engagement behaviors into strategic resources. Given the previous discussion it is not surprisingly that the resource-based view has previously been criticized to merely focus on firm heterogeneity of resource possession without attention to heterogeneity in resource employment. Nowadays the resource-based view tends to be complemented with a dynamic capabilities perspective (Morgan, Vorhies, and Mason 2009). "Literature indicates that while possessing valuable, rare, inimitable, and non-substitutable resources may be beneficial, firms also require complementary capabilities to be able to deploy available resources in ways that match the market conditions faced in order to drive firm performance" (Morgan, Vorhies, and Mason 2009, p.910). This suggests that especially companies with good marketing capabilities can benefit from customer engagement behavior management.

2.3.3.4 ***Conclusion***

To conclude, the resource-based view implies for the economic outcomes of customer engagement behaviors that such behaviors can be used to build and create resources, which are valuable, rare, and inimitable or non-substitutable. Although questions may arise as to the ownership of these resources, our analysis suggests, in general, that firm outcomes of (company's strategies with respect to) customer engagement behaviors tend to be positive from a resource-based view perspective. However, this positive effect may be attenuated for companies that already have a good reputation, a loyal customer base, and/or much internal R&D knowledge and capabilities (they already possess these strategic resources and therefore customer engagement behavior efforts to build these resources may be redundant). On the other hand, the building of strategic resources through customer engagement behaviors might be especially valuable for companies with good marketing capabilities, since they have the necessary capabilities to build strategic resources from customer engagement behaviors and to translate the acquired strategic resources into superior firm performance.

2.3.4 Social Exchange Theory

Besides a transaction cost view and a resource-based view, it is insightful to investigate the applicability of social exchange theory in a customer engagement behavior setting. Social exchange theory complements the former theoretical perspectives because it is built on a different theoretical foundation, namely behavioral theory (Odekerken-Schröder 1999).

The basic tenet of social exchange theory, developed by Blau (1964), is that (social) exchange results from a process in which the actors undertake cost-benefit analyses. Specifically, actors engage in relationships as long as they expect optimized and positive equity arising from these relationships (e.g., Cropanzano and Mitchell 2005; Emerson 1976). In technical terms, “a resource will continue to flow only if there is a valued return contingent upon it” (Emerson 1976, p. 359). The building of social exchange through frequent interaction creates interdependence and reciprocity in the relationship, which under the right conditions, have the possibility to create highly valuable relationships between the parties involved (Cropanzano and Mitchell 2005).

2.3.4.1 Main effect: Increasing benefits within cost/benefit trade-off

The theory has important implications for customer engagement behavior as the next step within relationship marketing (see also Hollebeek 2011b). Exchange is a construct that lies at the heart of marketing in general (already noted by Bagozzi back in 1975) and relationship marketing in particular (Morgan and Hunt 1994). Within relationship marketing, and in line with social exchange theory, the focus is on building long-term relationships with customers, rather than short-term, single transactional exchanges (Luo 2002). By focusing on customer engagement behavior, companies have the potential to further enhance customer relationships (Beckers, Van Doorn, and Verhoef 2015). Stimulating customer engagement behaviors creates additional customer-firm interaction points (Hoyer et al. 2010). This connectivity has the potential to build and enhance customer-firm relationships through mere additional interactions, since (according to social exchange theory) as long as the parties involved adhere to certain ‘rules’ “relationships evolve over time into trusting, loyal, and mutual commitments”

(Cropanzano and Mitchell, 2005 p. 875). Something as small as filling out a customer satisfaction survey can deepen customer relationships (Borle et al. 2007). Beyond mere additional interactions, the customer-firm social exchange through customer engagement behaviors adds value for both customers and firms beyond the transactional side of their relationship. From the customer's perspective they can benefit financially (e.g., receive rewards), psychological (e.g., having fun), social (e.g., feeling a sense of community), and technological (e.g., learning about a product) from customer engagement behaviors (e.g., Hoyer et al. 2010; Nambisan and Baron 2009). Additional customer-firm interactions beyond purchase can increase the benefits accruing from exchange relationships for a customer with a focal company, such that customers will remain loyal. The reciprocity element of social exchange theory also implies that if customers receive a favorable service experience, they will return the favor by engaging in positive behaviors toward the firm (Hollebeek 2011b).

Hence on the positive side, social exchange theory implies for customer engagement behavior that it aids companies in providing additional benefits, beyond the transaction, to customers and therefore customers would be more likely to continue the relationship. Companies that were effective in creating mutually beneficial, trustworthy relationships with customers through customer engagement behaviors include Starbucks with its customer idea platform (http://mystarbucksidea.com), Ford with its Fiesta movement (McCracken 2010), and Harley-Davidson with its brand community (e.g., Algesheimer, Dholakia, and Herrmann 2005; McAlexander, Schouten, and Koenig 2002).

2.3.4.2 Main effect: Increasing costs within cost/benefit trade-off

On the negative side, social exchange theory posits that customers undertake explicit cost-benefit analyses such that they may end the relationship if the relationship-related costs are perceived to outweigh its benefits. Therefore, if a company develops a customer engagement behavior strategy it should make sure to develop a suitable level of perceived benefits to their customers. In other words, to explain the economic outcomes of customer engagement behavior, companies should always keep in mind whether customers receive sufficient benefits from their exchange relationship with a focal company, rather than looking only at the company's individual benefits. While this seems a trivial remark, in practice companies are not always sufficiently responsive and trustworthy towards their customers. There are numerous well-known examples of companies' lacking responsiveness. For instance, Tiger Airlines marked an online complaint on its Facebook page as irrelevant and tried to hide the complaint, thereby causing an outrage amongst customers (http://sproutsocial.com), Boeing responded to an 8-year old they were not interested in unsolicited ideas, which did not run well among their customer base (Clifford 2010) and, perhaps the most famous of all even with its own Wikipedia page, United Airlines did not respond appropriately after having broken a musician's guitar (www.youtube.com).

Key lessons from social exchange theory for these companies in particular, and companies in general, are that "exchange requires a bidirectional transaction – something has to be given and something returned. For this reason, interdependence, which involves mutual and complementary arrangements, is considered a defining characteristic of social exchange (Molm, 1994)" (Cropanzano and Mitchell 2005, p. 876). Further, "although companies are not inclined to interact with consumers at all points in the value chain, opportunities for exchanges between the company and the consumer neither begin nor end when a consumer purchases something from a company. Indeed, the point of exchange need not be restricted to where the company and the consumer trade money for finished goods or services" (Prahalad and Ramaswamy 2004b, p. 5). Thus, as transactions and relationships can be seen as occurring through social exchange they bring responsibilities, obligations, and reciprocity for both parties involved (Emerson 1976). With the development of novel communication channels, such as social media, customers become empowered and have increasing ability to follow-up on companies in events where they did not hold up their end of the bargain (e.g., Prahalad and Ramaswamy 2004b). After all, the relationship between firms and customers is no longer unidirectional (Beckers, Risselada, and Verhoef 2013). When managing customer engagement behaviors companies should prevent potential losses (such as losing face) to customers (Fombelle, Bone, and Lemon 2014). They should be responsive, yet have a fine line to walk, since overreacting does not create additional value (Knox and Van Oest 2014) and providing the wrong incentives and benefits to the wrong customers could backfire (Füller 2010). Social exchange theory implies that especially private rewards, such as gaining reputation or knowledge within online communities, are effective in motivating customers to entail in positive exchange behaviors (Nambisan and Baron 2010).

2.3.4.3 ***Conclusion***

To conclude, social exchange theory posits that customers undertake an explicit cost/benefit-analysis when prolonging their relationship with a company. For the management of customer engagement behaviors, on the positive side, this implies that firms could create highly beneficial interactions and exchanges, thereby increasing the relationship benefits. On the other hand, social exchange theory also states that when building relationships there are responsibilities and obligations for both parties involved. When managing customer engagement behavior to build customer relationships there is a risk for companies not upholding these obligations, thereby increasing costs for customers, and facing ultimate customer churn and/or retaliation. Hence, according to social exchange theory the firm consequences of customer engagement behavior can be either positive or negative, mediated by whether customer perceived value is positive or negative.

2.4 CONCLUSION AND FUTURE RESEARCH DIRECTIONS

Customer engagement (behavior) and its key outcomes is an area of prime importance for companies, as reflected in the emergence of both academic and business research on this topic. Outcomes investigated range from customers' cognitions and emotions, to company sales and shareholder value. However, our overview shows that customer engagement behavioral manifestations have often been studied in isolation to-date, and that the few studies investigating customer engagement (behavior) as an overarching construct primarily investigate particular customer (rather than firm) outcomes. Further, contingencies of the economic outcomes arising from unified theoretical perspectives on customer engagement behavior are lacking in the literature to-date. Therefore, we presented three contemporary theoretical perspectives (i.e., transaction cost economics, the resource-based view, and social exchange theory) to assess the economic outcomes of customer engagement behavior. We summarized our conclusions drawn from these theories regarding the firm consequences of customer engagement behavior in Figure 2.1.

Figure 2.1 displays the mechanism (and potential contingencies of this mechanism) by which each theory foresees customer engagement behavior to translate into firm performance. Due to behavioral uncertainty transaction cost economics expects a negative impact of customer engagement behavior on firm performance (which may be enhanced by relationship-specific investments, demand uncertainty, and frequency), while the resource-based view would suggest a positive impact of customer engagement behavior on firm performance due to the building of strategic resources (which may be enhanced for companies with superior marketing capabilities and may be attenuated for companies with strong customer relationships, a good corporate reputation, and/or many internal R&D resources and capabilities). By contrast, social exchange theory is unsure about the impact of customer engagement behavior on firm performance, since according to social exchange theory engagement behaviors can enhance costs as well as benefits for customers in exchanging with a focal company.

These theoretical perspectives and our overall discussion regarding the economic outcomes of customer engagement behavior bring forth important future research avenues. Some of the most fundamental and inspiring arising research questions are as follows:

- What is the 'best' unified theoretical perspective on customer engagement behavior outcomes?
    - Which perspective has superior explanatory power in terms of performance variance?
    - Which perspective is the most informative for managers?
    - Which perspective is the most informative for policy makers?
    - Are there any other (unified) theoretical perspectives that can be utilized besides transaction cost economics, the resource-based view, and social exchange theory, to better explain or predict the economic outcomes of customer engagement behaviors? In the theory selection section we already foreshadowed that alternative viewpoints are possible. For instance, given that customers are taking over roles traditionally performed by company employees, rather than viewing customer engagement behavior from the perspective of a customer/firm relationship, it could also be viewed as an employer/employee relationship. From the latter viewpoint especially a principal-agent perspective is expected to be fruitful (e.g., Eisenhardt 1989).
    - Should the perspective employed be dependent on the particular customer engagement dimension under investigation? For instance, our resource-based view reasoning seems most appropriate with respect to customer co-creation in new product development, whereas some of our transaction cost economics reasoning might be most appropriate with respect to word-of-mouth.
- What is the average firm consequence of customer engagement behavior?

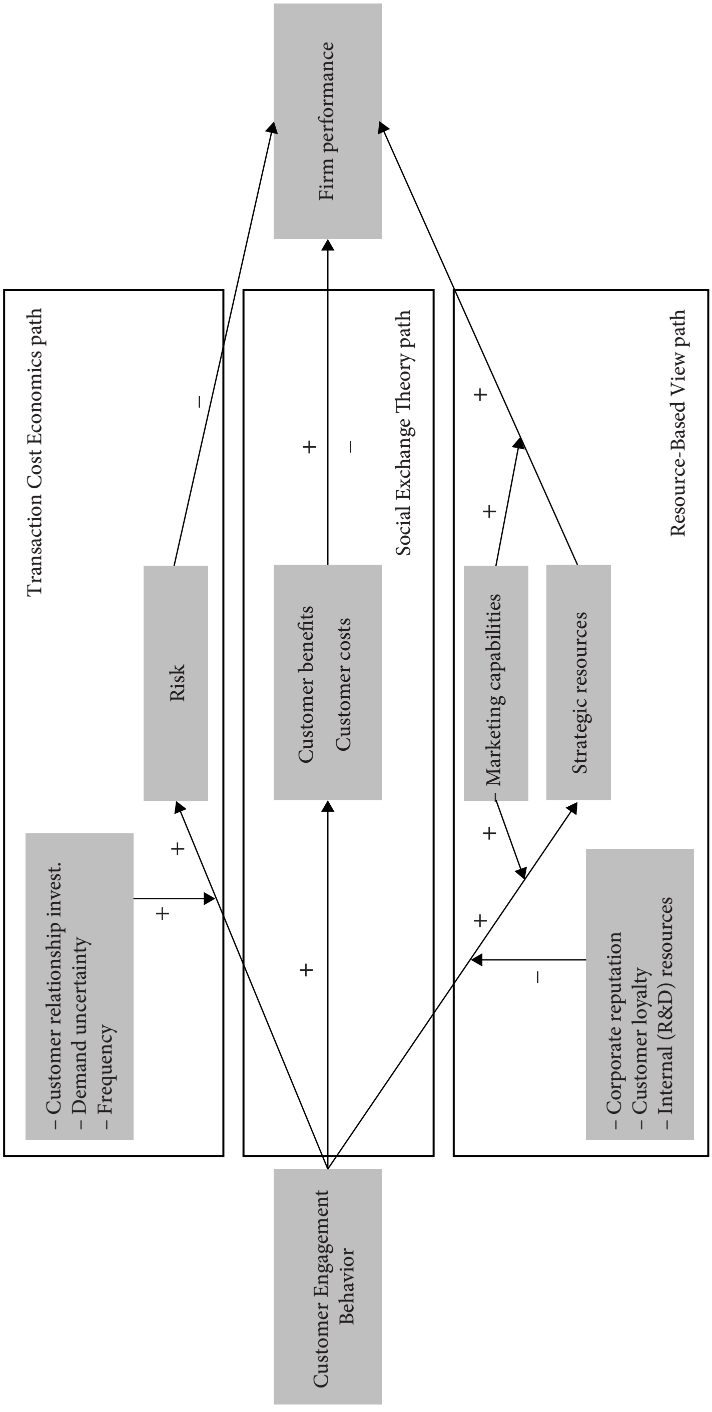

Figure 2.1: Theoretical paths to firm consequences of customer engagement behavior

  - Transaction cost economics would suggest a negative main effect, the resource-based view would suggest a positive main effect, whereas social exchange theory is uncertain about whether the main effect is positive or negative (see Figure 2.1). Future research, therefore, could empirically determine an overall effect of customer engagement behavior on firm performance (perhaps by utilizing a meta-analytical approach).
- What are the mediators of the economic outcomes of customer engagement behavior?
  - With respect to firm outcomes, from a transaction cost viewpoint behavioral uncertainty, and consequently, firm risk is expected to operate as a primary mediator, while the resource-based view indicates that the building of strategic resources is the main mediating process. By contrast, social exchange theory dictates customer perceived value (cost-benefit trade-off) to be the key mediator (Figure 2.1).
  - What are potential other mediators? For instance, what are the most important mediators for focal customer outcomes?
- What are the contingencies of the consequences of customer engagement behavior?
  - To illustrate, transaction cost economics predicts moderating effects of demand uncertainty, customer relationship investments, and frequency. On the other hand, the resource-based view predicts moderating effects of corporate reputation, customer loyalty, internal (R&D) resources, and marketing capabilities (Figure 2.1).
  - What are potential other moderators? An important question is, for instance, how effects differ between various manifestations of customer engagement behavior (e.g., word-of-mouth, voice, co-creation, community participation)?
- What are the effects of customer engagement behavior on other stakeholders apart from firms and customers?
  - What are the effects on shareholders? Beckers, Van Doorn, and Verhoef (2015), for instance, show that stimulating customer engagement behavior can reduce shareholder value.
  - What are the effects on employees? To illustrate, the main finding of Chan, Yim, and Lam (2010) is that customer co-creation can cause job stress among a company's employees. Another interesting topic relates to the interrelationship between customer engagement and employee engagement.

    - What are the effects on competitors? Thompson and Sinha (2008) explicitly focus on this question. Their findings indicated that community participation decreases adoption of new products from competing brands. What are potential other outcomes on competitors?
    - What are the effects on society at large? Amongst others in terms of consumer welfare, economic and social surplus, the government, and/or policy makers.
- How do we quantify the economic outcomes of customer engagement behavior?
    - Which methods are best suited? To illustrate, studies that investigate customer outcomes of customer engagement (behavior) primarily utilize survey methodology. How does this methodology relate to experimental research in order to capture the outcomes of customer engagement behavior (for instance, are these methods complementary, or substitutes)? Can triangulation be applied?
    - Which metric is best suited? Sales effects are popular at the firm-level (e.g., 15 of the 25 firm-level studies included in Table 2.1 have firm sales as the key outcome metric), and satisfaction is the most popular metric at the customer-level (although at the customer outcome metrics are more diverse, i.e. only 5 out of the 19 customer outcome studies included in Table 2.1 use customer satisfaction as key outcome metric). What is the value of these metrics relative to other metrics, such as return-on-investment?
    - Which type of data is needed? In recent business practice and literature much attention is given to 'big data' (e.g., McAfee and Brynjolfsson 2012) and as specified in the Introduction, companies are predicted to make increasing use of online customer behavior data (www.cmosurvey.org). Is big data the most useful type of data to study the consequences of customer engagement behavior?

All in all, we believe customer engagement behavior represents a highly relevant topic for both academics and practitioners. We are pleased to see that research has begun to investigate the (economic) outcomes of customer engagement (behavior), and hope that future research continues to emerge on the effectiveness of the nascent, inspiring topic of customer engagement behavior. We also hope that future research will take up the remaining challenges, such as by investigating the research questions posed above.