Going beyond transactions

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CONCLUSION AND FUTURE RESEARCH DIRECTIONS

5.1 INTRODUCTION

Customer management is very important for companies nowadays (e.g., Verhoef, Reinartz, and Krafft 2010). Not surprisingly, many companies have implemented the use of customer relationship management technologies (e.g., Band 2010) and thereby acknowledge that the focus should be on relationships with customers instead of on single transactions with customers. Within customer management, customer engagement behaviors (i.e., as defined by us throughout this dissertation, as non-transactional customer behaviors) can be seen as the new frontier in customer management; through customer engagement behaviors customers become involved in company value creation processes, which substantially alters customer-firm interactions (e.g., Libai 2011; Prahalad and Ramaswamy 2004a; also see Chapter 1 for a more in-depth discussion). Hence, the central premise underlying customer engagement behavior and this dissertation is that the firm's management of customer engagement behaviors can be regarded as involving customers in value creation. Non-transactional customer behaviors are not completely new, however they are on the rise, particularly due to the increasing use of social media channels (e.g., Libai et al. 2010; Verhoef, Beckers, and Van Doorn 2013). Nevertheless, although both companies and customers acknowledge the relevance of customer engagement behaviors, thorough empirical research on the effects of customer engagement behaviors is largely lacking (e.g., Bijmolt et al. 2010; Hollebeek, Glynn, and Brodie 2014). This dissertation aims to fill this void.

Specifically, throughout this dissertation, we have focused on the effect of customer engagement behavior on customer- and firm performance. In this final chapter we will highlight how we achieved the aims we formulated in Chapter 1 and present our main findings and conclusions regarding these objectives and associated research questions. Furthermore, we will discuss managerial implications of our studies. We end this chapter with directions for future research.

5.2 MAIN OUTCOMES

Our overarching goal is to investigate the effectiveness of customer engagement behaviors. To achieve this goal we formulated three interrelated research objectives; (1) identify theoretical perspectives on the effects of (firm's management of) customer engagement behaviors, (2) empirically determine customer engagement behavior outcomes for firms and customers, and (3) determine contingencies of these outcomes. In Table 5.1 we summarize how (the findings of) each of our research projects (Chapters 2, 3, and 4) contributed to achieve these objectives.

5.2.1 Theoretical Perspectives on Customer Engagement Behavior Outcomes

Our first objective was to identify theoretical perspectives on the effectiveness of customer engagement (behaviors). Customer engagement behavior is a next phase in customer-firm interactions and makes customers co-creators of value (e.g., Vargo and Lusch 2004). Distinct theoretical perspectives have their own viewpoint on this underlying central premise of this dissertation. In particular Chapter 2 was meant to achieve the objective of identifying relevant theoretical perspectives on (firm) outcomes of customer engagement behavior. In this conceptual study we investigated theoretical viewpoints on customer engagement behavior effectiveness from all relevant theoretical domains (i.e., economics, behavioral, and economic/behavioral domains) for relationship marketing (Odekerken-Schröder 1999). The first theoretical viewpoint we investigated was transaction cost economics. Applied to customer engagement behavior outcomes the basic foundation of transaction cost economics is that customer engagement behavior causes behavioral uncertainty for companies. That is, customers create (or destroy) value for companies through their engagement behaviors, yet companies are uncertain whether the behaviors of customers will be positive or negative (for instance, when setting up a viral marketing campaign companies are not sure whether they accidently might trigger negative word-of-mouth; e.g., Verhoef, Beckers, and Van Doorn 2013), especially since companies have no means to enforce positive outcomes when interacting with customers. The second theoretical viewpoint we investigated was the resource-based view. Applied to customer engagement behavior outcomes the basic foundation of the resource-based view is that customer engagement behaviors can be used to build strategic resources (i.e., valuable, rare, and inimitable or non-substitutable resources); such behaviors can be used to build customer loyalty and corporate reputation (which are by itself strategic resources) and to get access to the wisdom of the crowd (a strategic resource residing in the company's customer base). The third theoretical viewpoint we investigated was social exchange theory. Applied to customer engagement behavior outcomes the basic premise of social exchange theory is that customers make a cost/benefit trade-off when interacting with companies and continue their relationships with companies as long as the cost/benefit trade-off remains positive. Within this trade-off, customer engagement behaviors bring costs (time, money, and effort) as well as benefits (social, psychological, technological, or financial) for customers.

In Chapter 3 we combine multiple (theoretical) viewpoints and integrate them into a value enhancement/value depreciation-framework. By doing so, in our value enhancement/value depreciation-framework we determine the overall predicted direction of the effects of several customer engagement outcome contingencies. For instance with respect to the moderating effect of corporate reputation both a transaction cost perspective as well as a resource-based view indicates that companies with a good reputation would benefit less from customer engagement behavior. We also put these predictions to the test: we empirically investigate a net effect of companies' stimulation of customer engagement behaviors. For moderating variables, such as market turbulence, whereby different viewpoints posit opposite predictions we determine which conceptual rationale dominates.

In Chapter 4 we introduce another novel view on customer engagement behavior based on principal-agent theory. As introduced in a call for other (unified) theoretical perspectives on customer engagement behaviors in Chapter 2, a principal-agent perspective is expected to have merit in studying customer engagement, since through engagement behaviors customers can be viewed as becoming company's employees (for instance, customers may become brand ambassadors). In Chapter 4 we predict that in a B2B setting job function influences how various support channels (with various degrees of customer co-creation in product support) are evaluated in terms of customer satisfaction, reflecting a classic principal-agent problem. In this study we argue and show that users (as agents pursuing their own (job function) interests) and upper managers (as principals responsible for protecting their customer organization's interests) do not have a uniform perspective when evaluating various support channels. In particular, customer self-service in product support (by means of consulting static online knowledge) is evaluated differently based on different job function responsibilities.

Taking these various studies together we determined multiple overarching theoretical perspectives on customer engagement behavior outcomes. Noteworthy is that we show the core strength of 'classic' management theories; we show that prevailing organizational theories that have emerged decades ago can be developed and applied to the performance consequences of customer engagement behavior as the next frontier within customer value management.

Table 5.1: Overview of contributions of research projects to dissertation objectives

	Chapter 2	*Chapter 3*	*Chapter 4*
Objective 1: **Theoretical perspectives on customer engagement**	– Transaction cost economics (TCE) – Resource-based view (RBV) – Social exchange theory	– Integration of multiple theories into a value enhancement / value depreciation-framework	– Principal-agent theory
Objective 2: **Customer engagement behavior effectiveness: Main (empirical) findings**	– Current literature shows that outcomes of customer engagement behaviors (CEB) are mostly positive – Current literature also shows a great dispersion regarding outcome valence	– A firm's stimulation of customer engagement behaviors reduces shareholder value	– Online customer community support increases customer satisfaction (for users and upper managers) – Static online support decreases customer satisfaction (only for upper managers).
Objective 3: **Contingencies of customer engagement behavior outcomes**	– From a TCE standpoint: customer relationship investments, demand uncertainty, and frequency negatively impact CEB effectiveness – From a RBV standpoint: corporate reputation, customer loyalty, and internal (R&D) resources reduce CEB outcomes. Marketing capabilities enhance CEB outcomes.	– Frequency reduces CEB outcomes – Corporate reputation decreases CEB outcomes – Large firms benefit more from stimulating CEB – B2B firms benefit more from stimulating CEB – CEB outcomes are more negative under market turbulence	– Evaluation of online knowledge consultation (i.e., customer self-service in product support) differs based on job level (upper managers are negative whereas users are indifferent)

5.2.2 Customer Engagement Behavior Effectiveness: Main Empirical Findings

Our second objective was to (empirically) investigate the effectiveness of customer engagement behavior. To do so, in Chapter 2 we provide a starting point by creating, to the best of our knowledge, the first overview table of empirical findings on the effects of customer engagement (behavior). From our overview we draw two main conclusions; (1) the outcomes of customer engagement (behavior) are mostly positive, however there is a relative large dispersion in the valence of engagement outcomes (21 papers included in our overview show primarily positive outcomes, 15 included papers report primarily negative outcomes, and the remaining 11 papers report mixed outcomes), (2) customer engagement behaviors are often studied in isolation (e.g., investigating only customer co-creation in new product development instead of the full spectrum of customer engagement behaviors). Other conclusions we draw are that (3) especially popular are studies investigating the effectiveness of (e)word-of-mouth, in particular the effects of online reviews on firm sales, (4) the studies that investigate customer engagement as an overarching construct almost exclusively study customer outcomes (rather than firm outcomes), and (5) outcomes on other stakeholders besides firms and customers are largely overlooked. Besides the above described overview and associated observations, our conceptual study, which we presented in Chapter 2, further adds to current literature by introducing contemporary theoretical perspectives on the firm outcomes of customer engagement behavior (which we discussed in more detail above) and presenting important future research directions.

In Chapter 3 we took up the challenge to investigate the impact of customer engagement behavior as an overarching construct on firm performance. In this chapter we used the event study methodology to analyse investors' responses to announcements of companies' customer engagement behavior initiatives (specifically, initiatives with respect to word-of-mouth and customer voice). Our key outcome metric in this study is thereby shareholder value (i.e., company market valuation implications based on abnormal stock returns). A main finding of this study is that, on average, investors evaluate companies' customer engagement behavior initiatives negatively; the average abnormal stock return associated with customer engagement initiatives is -.24%. This finding, as well as additional findings of this study, point out that investors are likely cautious regarding the potential risks involved with customer engagement behavior. After all not every customer-firm interaction may end on a positive note, making customer engagement behavior perhaps a poisoned chalice in the eyes of investors. Nevertheless, this study also shows conditions in which customer engagement behavior initiative announcements enhance market valuation (see below).

In Chapter 4 we zoomed in on a particular type of customer engagement behavior: online (support) community usage. In this research project we investigated the effectiveness of passive web-based support usage (i.e., online knowledge consultation, such as browsing a frequently asked questions section) and active web-based support usage (i.e., active community support usage, such as posting questions in an online support forum), as well as the effect of service request activity (e.g., calling the support helpdesk) on customer performance in terms of customer satisfaction. Using a large dataset, which we gathered in corporation with a Fortune 100 supplier of high tech services, our main findings are that service request activity decreases customer satisfaction (likely because service requests are typically indicators of service failures) and active web-based support usage increases customer satisfaction (amongst others co-creating customer support and networking with other customer organizations is viewed as beneficial). Furthermore, for upper managers (and contrary to users), passive web-based support usage decreases customer satisfaction, probably because passive web-based support might not be the most current support channel and requires substantial navigation skills.

Taking the findings of these various projects together we can conclude that customer engagement behavior is a double-edged sword for companies. All studies show negative effects of firm's management of customer engagement behaviors. Nonetheless, all studies also show conditions under which customer engagement behaviors can bring positive outcomes.

5.2.3 Contingencies of Customer Engagement Behavior Outcomes

Our third and final objective was to determine contingencies of customer engagement behavior outcomes. To do so, in Chapter 2 we identified that there are multiple theoretical paths to firm outcomes of customer engagement behaviors each with its own key mediator and often with multiple associated key moderators. First, transaction cost economics views firm risk as key mediator and predicts customer relationship investments, demand uncertainty, and frequency to strengthen the impact of customer engagement behavior on firm risk (which consequently is predicted to reduce firm performance). Second, social exchange theory dictates that customer engagement behavior outcomes are dependent on customers' cost/benefit trade-off. Third, the resource-based view indicates the building of strategic resources to be the key mediator and predicts corporate reputation, customer loyalty, and internal (R&D) resources to reduce and marketing capabilities to increase the impact of customer engagement behavior on the building of strategic resources (which in turn is anticipated to enhance firm performance). Several of these identified contingencies (complemented with other moderators) have been tested in our empirical work, as described next.

In Chapter 3 we primarily investigated the interaction effects of social media usage, initiative frequency, corporate reputation, R&D intensity, and market turbulence on the relationship between customer engagement behavior initiative announcements and abnormal stock returns. Through a regression analysis we found empirical support for negative interaction effects of initiative frequency, corporate reputation, and market turbulence. In this study we also found noteworthy significant interaction effects of firm size (larger firms benefit more from customer engagement behavior), industry (companies operating in a B2B setting instead of a B2C setting benefit more from customer engagement behavior), and time trend (outcomes of customer engagement behavior become more positive over time).

The main contribution of Chapter 4 lied in the identification of a novel moderator based on principal-agency theory, in particular within the field of community research: job function. In this study we determined that evaluations of customer support channels are contingent on job function relevance. Specifically, we empirically showed differences in the evaluation of online knowledge consultation between upper managers and users. Whereas users appear to be indifferent towards this support channel, upper managers evaluate this channel negatively (based on the significant negative effect of online knowledge consultation on upper management satisfaction).

Taking the findings of these various projects together we have theoretically determined and empirically investigated moderating variables from all categories that are deemed relevant contingency factors within marketing strategy research (e.g., Homburg, Vollmayr, and Hahn 2014). We found empirical support for job level (upper manager vs. user) as customer characteristic, initiative frequency as strategy characteristic, firm size and corporate reputation as company characteristics, and B2B (vs. B2C) and market turbulence as market characteristics as moderators of the impact of customer engagement behavior on performance. In Figure 5.1 we provide an overview of these contingencies.

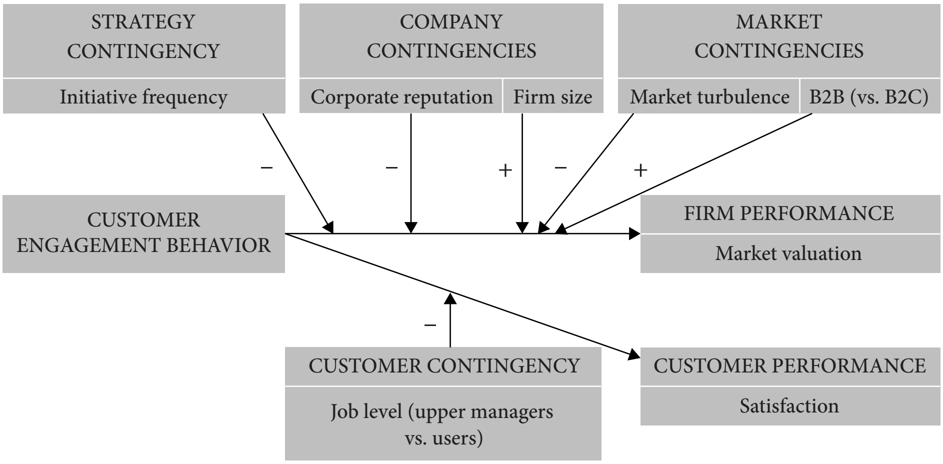

Figure 5.1: **Overview of empirically supported customer engagement behavior outcome contingencies**

5.3 MANAGERIAL IMPLICATIONS

Our various studies bring forth important managerial recommendations on how to approach customer engagement behavior. As specified in Chapter 3 many managers struggle with how to deal with empowered customers (IBM 2011) and fear negative outcomes when dealing with customer engagement behavior (Porter et al. 2011). Our findings confirm that, when approaching customer engagement behavior, companies face indeed a fine line to walk; over all studies we found that outcomes of customer engagement behaviors are not uniformly positive, but also not always negative. Thus, although we identify customer engagement behavior as the next frontier in customer management, we recommend companies to not jump on the customer engagement (behavior) bandwagon by default. Besides this general warning, our studies determine under which circumstances and for which companies customer engagement behaviors are most suited. Also, our studies contain recommendations on the design of company's customer engagement behavior strategies.

First, answering Leeflang's (2011) call to identify for which companies customer engagement is most suited, our empirical findings show that companies with the following characteristics can benefit from customer engagement behavior: large companies (they have more financial leverage and a larger customer base), companies with a low reputation (they have less to lose and more to win), companies operating in stable markets (customers' needs and wants are stable, which makes it easier to achieve benefits and reduces risk), and companies in a B2B setting (they typically deal with less heterogeneous and more loyal customers). Thus, we recommend these companies to actively approach and stimulate customer engagement behaviors (in particular word-of-mouth and customer voice behaviors).

Second, especially for B2B companies and/or when setting up online (support) communities, we also have guidelines on the design of customer engagement behavior programs. Chapter 3 indicates that B2B companies can benefit more from customer engagement behaviors than B2C companies, most likely due to reasons mentioned above. In the next chapter, Chapter 4, we studied a particular type of customer engagement behavior, online (support) community usage, within a B2B setting. When dealing with online support communities, we show, and recommend, that it is beneficial to move customer support away from traditional support channels (e.g., telephone helpdesks) towards more engaged online support communities. Although customers have to co-create customer support in these communities instead of having the service provider individually solve their problems, customers (both users as well as upper managers) become more satisfied from active support community usage and dissatisfied from traditional customer support. Since traditional support also typically is more costly for service providers (e.g., Bone et al. 2015), service providers can thus create a win-win situation by steering customers away from traditional support towards online support communities. However, within online web-based support, customers' active involvement is a prerequisite to reap benefits, since passively browsing online support (e.g., reading a FAQ-section) does not increase customer satisfaction, while active community usage (e.g., posting questions) does uniformly (for users as well as upper managers) increase customer satisfaction. We therefore recommend community owners to more clearly communicate the value of mere consumption of web-based support (i.e., lurker value) and/or, and perhaps the safest option, aim to activate customers in web-based support. Companies can do so by providing more benefits to customers when they are active, for instance by rewarding points (in order to satisfy customers' esteem needs) to community posters.

In addition, specifically for B2B companies, we show that a 'one size fit all' customer engagement behavior policy is not advisable. For B2B companies, customers are not solitary individuals, but multiple individuals collectively making up the customer organization. We show that individuals working at different job levels within the customer organization have different interests. Therefore, when dealing with customer engagement behavior in a B2B setting, companies should keep in mind which individual within the customer organization they are targeting. Ideally firms should provide sufficient benefits from customer engagement behavior for the single individual as well as the collective customer firm.

5.4 FUTURE RESEARCH DIRECTIONS

Our studies trigger potential fruitful avenues for future research direction. First, we believe it is important to study additional stakeholders besides firms and customers with novel outcome metrics. When assessing the effectiveness of a company strategy various stakeholders should be taken into account (Chakravarthy 1986), such as shareholders, employees, and customers (Geyskens, Gielens, and Dekimpe 2002). In Chapter 2 we determined that current customer engagement (behavior) studies primarily focus on customer- and firm outcomes. In Chapter 3 we investigated outcomes on a stakeholder which had, to the best of our knowledge, previously only be investigated with respect to separate customer engagement behaviors but not for the overall customer engagement construct: shareholders. In Chapter 4 we show important cross-customer effects of customer engagement behavior: the engagement behavior of one individual (in our case, support community usage of users) can impact another individual (in our case, satisfaction of upper managers). Nevertheless, we believe still more research is needed on additional customer engagement behavior stakeholders. Important research questions are, for instance: what are the effects of customer engagement behavior on society at large and what are the effects on competitors?

Second, we limited our attention to studying customer engagement behavior outcomes. An important and heavily researched topic, outside the scope of this dissertation, is what motivates customers to participate in customer engagement behaviors. Since such behaviors go beyond just purchasing, there is no formal need for customers to undertake them. Perhaps firms want to engage with customers, but customers may prefer to restrict their relationships with firms to formal transactions. Recent research has begun to investigate reasons why customers still perform customer engagement behaviors. Broadly and generally the motivations can be divided into four categories: technological motivations (e.g., learning about a product), psychological motivations (e.g., for fun), social motivations (e.g., for the sense of community and status), and financial motivations (e.g., receiving money) (Hoyer et al. 2010; Nambisan and Baron 2009). Important research questions, especially with respect to moderating factors, remain. Key question is: What are the differences in the motivations in different circumstances? For instance, do motivations differ between customers (i.e., customer heterogeneity), do motivations differ between specific behaviors (e.g., word-of-mouth vs. co-creation in new product development), do motivations differ based on the valence (positive or negative) of the behavior, how do motivations evolve over time (e.g., are customers first extrinsically motivated for customer engagement behavior and do they later become intrinsically motivated)?

Third, throughout this dissertation, for means of practical relevance, we put special emphasis on the firm's management and stimulation of customer engagement behavior. However, firm-initiated customer engagement behaviors may be different from customer-initiated (or organic) customer engagement behaviors. For companies, when they orchestrate customer engagement behavior instead of letting it naturally occur, they can take more control over these behaviors (Godes and Mayzlin 2009). However, as emphasized in this dissertation it is questionable whether companies have sufficient means available (e.g., contractual binding) in order to steer customers towards beneficial behaviors and reducing harmful behaviors (as Luo 2009 recommended). On the other hand, for customers, the essential difference between customer- and company-initiated customer engagement behavior lies in the motivational background. Customer initiatives are (more) intrinsically motivated, whereas the customers' implementation of firm initiatives is extrinsically motivated. In the motivational literature there is evidence that intrinsic motives lead to a higher (i.e., more positive) outcome than extrinsic motives (e.g., Deci, Koestner, and Ryan 1999). We therefore call for additional research to explicitly focus on customer-initiated customer engagement behavior.

Fourth, another decision we made in this dissertation was to focus on the behavioral dimension of customer engagement. Customer engagement as an overarching construct also contains cognitive and emotional dimensions, which will ultimately translate into observable customer engagement behaviors (see Chapter 1). Foremost given the managerial emphasis on dealing with the latter dimension we decided to restrict our attention to this element of the customer engagement construct. Since the start of this dissertation important developments have been made on the cognitive and emotional dimensions of customer engagement, especially by Hollebeek and colleagues (e.g., Hollebeek, Glynn, and Brodie 2014). Currently, multiple scales have been developed to measure the latent aspects (i.e., psychological disposition) of customer engagement (e.g., Hollebeek, Glynn, and Brodie 2014; So, King, and Sparks 2014). We call for research on empirically disentangling the latent sides of customer engagement from other constructs in customer management, such as commitment and satisfaction, and investigating whether similar effects and reasoning as posited in this dissertation hold for the outcomes of the cognitive and emotional dimensions of customer engagement.

Fifth, we call for research on the dynamics of and long-term perspectives on customer engagement behavior. Customer engagement behavior is a relatively novel topic for both practitioners and academics. A special issue of the Journal of Service Research appeared in August 2010, in which customer engagement was introduced as a new perspective in customer management. Customer engagement was a 2010-2012 Marketing Science Institute research priority and studying changes in customer and customer-firm interactions continue to be a Marketing Science Institute research priority today (2014-2016). Thus, customer engagement behavior remains to be a novel and relevant field nowadays. We found, in our view, very interesting outcomes of customer engagement behavior. Nevertheless, the significant time trend we found in our event study (Chapter 3) indicates that outcomes of customer engagement behavior initiatives become more positive over time. The question emerges whether our rationale and findings are specific for the early stages customer engagement behavior management and research is on or whether these reasoning and findings remain similar in the long-run. For instance, novel technologies, such as online (support) communities, become gradually accepted over time when customers and companies gain experience with them, at which point novel technologies may lead to both cost savings and satisfaction gains for the service provider (Rust and Huang 2012). Correspondingly, given the relatively early stages of customer engagement behavior, customers as well as companies might not know yet what is expected from them and how to properly deal with and/or conduct customer engagement behaviors, which could have caused negative outcomes of customer engagement. Nevertheless, we think our rationale and findings will hold in the long-run, since they all reflect on the central premise that customers become involved in company processes and are primarily based on human nature (e.g., principal-agent theory, social exchange theory). Besides, we also look forward to what the long-term future will bring as subsequent customer management frontier.

5.5 CONCLUSION

To conclude, in this dissertation we went beyond transactions and studied the effect of customer engagement behavior on customer performance and firm performance. Primarily due to the rise of new digital social media, non-transactional customer behaviors (i.e., customer engagement behaviors) have become very important. We determined outcomes of customer engagement behavior, contingencies of these outcomes, and theoretical perspectives on these outcomes. We hope to have triggered inspiration for future research avenues on this intriguing and fast pacing research, and above all managerial, topic.