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Segmenting Customer-Brand Relationships: The Process of Customer Engagement

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Abstract

An investigation of the process of customer engagement, as revealed through customers' restaurant experiences, is presented. The study seeks to redirect satisfaction research towards an approach which encompasses an understanding of the role of commitment, involvement and trust in the creation of loyal customers, based on the extent to which customers are either new or, repeat purchase customers of a service. The approach seeks to provide a more complete understanding of the nature of customer-brand relationships and the processes by which loyalty may be developed and fostered amongst differing customer segments. The data for this study was provided by five focus groups and nine in depth interviews.

Introduction

Customer satisfaction has been viewed as a fundamental determinant of corporate performance. Much of the interest in the satisfaction construct has been fuelled by the purported links between high levels of customer satisfaction and strategic objectives such as consumer loyalty, word of mouth recommendation and increased market share (Allen and Willburn, 2002; Anderson and Mittal, 2000; Clarke, 2000; Heskett *et al.* 1994; Keiningham and Vavra, 2001; Mittal and Kamakura, 2001; Oyewole, 2002; Reichheld, 2003). Typically, this literature has promoted a state of customer satisfaction as being prerequisite for continued interest in the service category (Oliver, 1993). However, it has been argued that satisfaction is a poor predictor of behaviour, fails to capture the psychological depth of customers' responses to consumption situations (Oliver, 1999), and fails to discriminate between brand loyalty, and inertia repeat purchasing, thus leading to the development of marketing strategies which incorrectly assume that all customers should be treated alike (Mittal, Katrichis, and Kumar, 2001). Additionally, satisfaction is viewed as being only the beginning of a transitioning sequence that, if further developed, may lead to more affective and enduring states of commitment and loyalty (Oliver, 1999).

The relational orientation, as an alternative approach, considers the quality of customer-brand connections and is argued to provide a deeper appreciation of the factors that may influence the strength of customer-brand relationships over time when compared to the satisfaction paradigm (Fournier and Yao, 1997; Hess and Story, 2006). Yet, whilst customer-brand relationships are increasingly viewed as being of central importance in revealing the underlying dynamics that can enrich theoretical frameworks such as loyalty, limited research has attempted to investigate the process by which this may occur.

The objective of this study is to provide a conceptualisation of loyalty which retains depth of insight concerning the development of customer-brand meanings, whilst providing an approach which accounts for the temporal processes governing the development of enduring relationships amongst different customer segments. In doing so, it examines the formation and development of customer-brand relationships and in particular, the roles of commitment, involvement and trust in the creation of engaged and loyal customers. This study proposes a

framework for segmenting customer-brand relationships based on the extent to which customers are either new or repeat purchase customers of a service, and provides a means for identifying, understanding, and targeting customers in various stages of relational development.

Conceptual background

The concept of engagement has been explored in the organisational behaviour literature as a means to explain organisational commitment. It has been defined in this literature as; “task behaviors that promote connections to work and to others” which are expressed physically, cognitively and emotionally (Kahn, 1990, p. 700) and as a “pervasive affective-cognitive state that is not focused on any particular object, event, individual or behavior” (Schaufeli *et al.* 2002, p. 74) which enhances organisational productivity. Harter, Schmidt and Hayes (2002) additionally point to the positive relationship between high levels of employee engagement and increased customer satisfaction and loyalty. Engagement has also been discussed in the advertising literature where it is suggested that it may be used as a proxy measure of the strength of a company’s customer relationships based on the extent to which customers have formed both emotional and rational bonds with a brand (McEwen, 2004). Nonetheless, most of what has been written about engagement has its basis in practice rather than in theory or empirical research, giving engagement the appearance of being simply another management fad (Saks, 2006).

Engagement has not yet been investigated in the context of consumer behaviour. However, if a strong theoretical base can be developed, it may offer a possible framework with which to more closely examine the formation and development of customer-brand relationships and the circumstances under which enduring states of brand loyalty may be developed and maintained. Additionally, researchers have not yet investigated the extent to which engagement, as a process, is moderated by segment specific differences. However, it is argued that new, inexperienced customers commence their brand relationship from a cognitive, shallow, and attribute based evaluation of information, during which the depth of loyalty is no deeper than performance (Alford and Sherrell, 1996; Iglesias, 2004; Patterson, 2000). Drawing from the relationship marketing literature, calculative commitment may therefore be postulated, as one of the primary drivers of new customers’ consumption evaluations given their tendency to initially evaluate consumption experiences at the attribute level based on perceived risk and utility (Hess and Story, 2005). Calculative commitment may operate to initiate the engagement process for new customers given its role in the creation of rational loyalty. However, this form of commitment is viewed as ‘embryonic,’ based only on utilitarian connections resulting in a shallow brand relationship and spurious loyalty. It is proposed however that Oliver, Rust and Varki’s (1997) notion of delight may operate to accelerate new customers from a state of calculative to affective commitment.

Affective commitment in comparison, may assume greater relevance for experienced, repeat purchase customers of a service provider, who have well formed knowledge structures, established expectations, and who are seeking to develop a relationship with the provider (Hess and Story, 2005). Repeat purchase customers conversely, have moved beyond cost benefit evaluations, and seek, instead, to establish a deeper, ongoing, personal connection with the brand, service provider, or the experience itself (Gustafsson, Johnson and Roos, 2005; Koermer; 2005; Moreau, Lehmann and Markman, 2001). It is proposed therefore that

affective commitment may play a key role in the creation of emotional loyalty within the engagement process.

This study attempts to explore the antecedents and consequences of engagement within the context of customer service evaluation. It additionally explores the extent to which the process of engagement is moderated by the stage of customer-brand relationship development for new versus repeat purchase customers. Positing separate temporal pathways for the two segments, the study proposes that new customers' behaviour is primarily driven by calculative forms of commitment, a rational basis for purchase, whilst repeat purchase customers' behaviour is primarily driven by affective forms of commitment, a more emotionally based form of commitment. It also highlights the mediating roles of delight, involvement and trust in the engagement process. The study elucidates the mechanisms by which an enduring state of brand loyalty may develop amongst new versus repeat purchase customers of a service.

Methodology

The present qualitative study adopts a discovery orientation approach in that it seeks to explore the notion of customer engagement, its constituents, and the process by which engagement with a brand may develop. The study was conducted in the tradition of phenomenological enquiry in an effort to describe the meaning of customers actual experiences with regard to the concept of engagement (Creswell, 1998). The restaurant category was selected for this research as the sector for investigation due to the high level of interpersonal interaction within the category. Informants were selected on a convenience basis and represented a wide range of restaurant patronisation behaviours in terms of category usage, frequency of purchase and loyalty behaviours. A total of five focus groups and nine in depth interviews were conducted in light of the disciplinary standards put forward for the field of phenomenological investigation (Creswell and Plano-Clark, 2006). Informants were probed to uncover the nature of their relationship with the restaurant provider and the extent to which this relationship had both evolved and been shaped by temporal processes such as the development of a sense of commitment and trust towards the service provider.

Brief findings

The analysis generated two central insights into the existence, nature and process of customer engagement. These were firstly, that satisfaction is a necessary but not sufficient condition for the formation of a state of engagement and secondly, that the process of customer engagement differs according to the extent to which customers can be classified as new versus repeat purchasers.

The role of customer satisfaction, calculative commitment and loyalty

The findings from this study challenge the assumption that customer loyalty can be conceptualized as a simple, preference based attitude. Rather, the implications of the findings are more significant than this. It found that merely satisfying customers and providing them with rational, calculatively oriented benefits failed to lead to enduring and stable customer-brand relationships. This causes one to question the extent to which measures of customer satisfaction should be relied upon in the creation of customer loyalty eg. *"I'm looking for much more than satisfaction. It's non-emotional. I want to come away feeling like I have really had an experience..."*, *"...I have an expectation when I go out that things will be a*

certain way and if they aren't, I won't go back again. It wasn't that good and it was overpriced too. I wouldn't recommend it."

Satisfaction was insufficient in the creation of anything other than spurious levels of customer loyalty and weak customer-brand relationships. Often respondents expressed a form of mere satisfaction with a restaurant that they patronised based on the extent to which that restaurant met their baseline expectations on a number of primarily utilitarian attributes, without displaying any form of affective or emotional commitment eg. *"You go there when you feel like it. There is no commitment to go there all the time, you go when you're looking for convenience..."*, *"...I expected them to provide good service but I felt we weren't looked after as we had expected. It made me feel annoyed. Obviously food is not enough. You need to have a certain standard level of service. It doesn't have to be high, but it has to be an acceptable level."*

Satisfaction was therefore derived from the extent to which the customer experienced a state of calculative commitment. If performance, matched the customers' utility based expectations, then a basis for satisfaction existed. This however resulted in the development of a shallow and spurious form of loyalty. Enduring relationships, based on the qualitative findings, required the existence of significant emotional attachment to the service provider. Therefore, it seemed that whilst satisfaction may commence the transitioning process which may eventually produce a state of brand loyalty, mere satisfaction alone was inadequate in encouraging repeat patronage and word of mouth recommendation.

Customer engagement and the roles of trust, involvement and affective commitment

The findings suggested that new customers of a service initially base their consumption evaluations on functional level attributes due to their loosely formed expectation and knowledge sets eg. *"You go along hoping the foods going to be nice and with enough variety that each person will get something they like. I guess once will tell you enough. If the first experience was negative then I wouldn't go back."* However, for new customers a state of satisfaction and calculative commitment must be supported by stronger, entrenched emotional bonds if true brand loyalty is to eventuate eg. *"...We tried this new place. It had a good menu with a variety of things, it had good quality food, pleasant surroundings, soft flooring and it had good waiting staff. The waiter got involved and had a bit of a joke with us as well. That's what's important to me. It's the personable stuff. I would certainly go back and would hope the same experience happened again"*, *"...I would much rather buy from someone that I can relate to, that I have a connection with"*. Customer delight may additionally provide one mechanism with which to accelerate new customers' commitment from a calculative to an affective form eg. *"I had my birthday and they brought sparklers and wrote my name in chocolate on a plate. No one asked them to do that they just did it. That was the first time that I went there. It made me feel special and that they actually valued me as a customer. That led me to go back..."*. To this end, the fostering of a sense of affective commitment, involvement and trust seems critical to the development of a sustainable, repeat purchase, customer-brand relationship eg. *"I can always get a table there. They always serve me food I like and at a reasonable price so it's that kind of reliability. But I always get amazed by people who remember me where it's a fleeting acquaintance, they all know my name. It impresses me when that happens. It makes me feel like they take an actual interest in the customer"*, *"...He knows my name. He tells us some things about his life and it's just like you are family."*

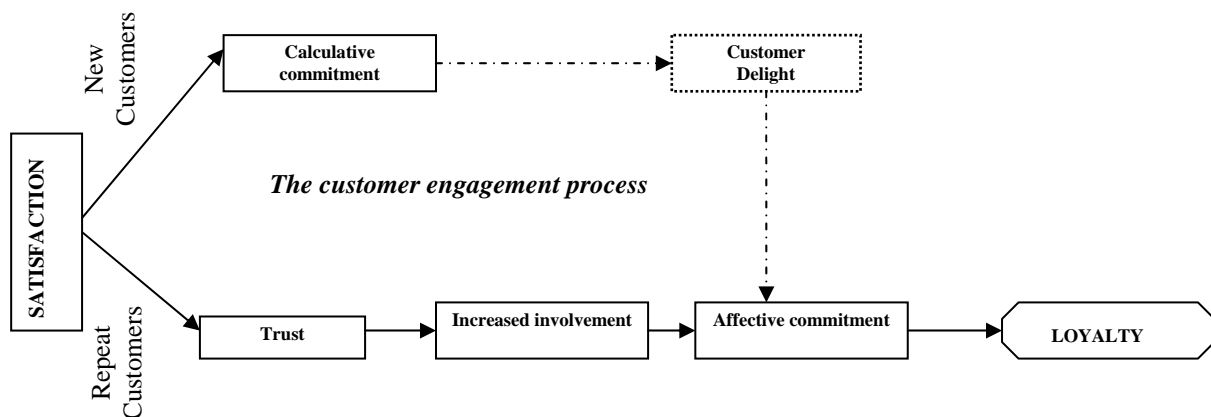
In a number of the interviews and focus groups, without emotional engagement, customer-brand relationships emerged as no more than fragile, convenient repeat purchases which were

devoid of emotional depth and which were subsequently, highly susceptible to various situational influences and deviations in service quality eg. “...*Last time I went there it was excellent, you could see that the menu was a bit out there whereas the other night it seemed a bit stock standard. A little bit of Australiana here and there but the traditional bit had disappeared.*” “...*It used to be one of the places I would frequently go but the staffs changed. They’re not as friendly anymore*”, “...*It's like anybody that you meet. You either build a rapport or you don't. Some places have it, some don't. It doesn't matter what industry.*”

Discussion & managerial implications

From these findings it is proposed that new, first time users of a service versus repeat users of a service follow two qualitatively different pathways to loyalty. The upper pathway in figure 1 shows the pathway for first time customers. It proposes that new customers of a service displayed a tendency to base their initial evaluations of service performance on their evaluation of functional benefits (i.e., value for money, convenience, utility). However it suggests that delighting the customer may accelerate the development of affective commitment with the service. The lower pathway in figure 1 shows the pathway for repeat users of a service. It proposes that repeat customers of a service have a strong tendency to evaluate service performance based on the extent to which the service provider offered them with relational benefits (i.e., affiliation, recognition, rapport, empathy). The model therefore offers management a lens with which to understand the nuances which may occur in customer-brand relationships for different segments and emphasises the need for management programs which proactively manage the customer base of new and repeat customers in order to foster affective, relational ties between the customer and service provider.

Figure 1. Model of the customer engagement process



Academics have long debated the usefulness of the customer satisfaction construct as a tool with which to accurately understand customers’ evaluative responses to services, yet satisfaction metrics continue to receive widespread support by practitioners. The present study provides additional evidence to confirm these suspicions and offers a more meaningful relationship-based framework within which to operate. A shift in thinking is therefore required away from the rather simplistic, static measures of satisfaction towards a more dynamic approach, which is cognisant of the drivers of enduring customer-brand bonds and the temporal processes that govern them. If our intentions in measuring customer loyalty are to identify and encourage strong and enduring customer-brand relationships, then it is

necessary to develop a framework which is sensitive to recognising the elements that may contribute to the development of such relationships. The issue of customer engagement, and its measurement, should therefore, be considered as a fundamental concern for managers who wish to move beyond the notion of merely satisfying customers, to establishing more powerful emotional bonds between their brands or services and their customers.

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