Understanding Patterns of Customer Engagement – How Companies Can Gain a Surplus from a Social Phenomenon

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With this paper we consider, the evolution of Customer Engagement (CE) and how companies can exploit the considerable strength of this social phenomenon. In order to create a viable framework, for managing CE, it is necessary to analyze the motivational stimuli of customers. We established that the Management of Customer Engagement should include three steps: identifying of engaged actors, creating interaction between them and building constant Engagement relationships. Using a holistic approach based on psychological and sociological theories, the authors examine the dimensions of CE. Following both theoretical approaches, proposals are made for organizing customer relationship marketing of CE.

INTRODUCTION

For some time now companies have been detecting the innovative influence of Customer Engagement (CE), for example a facebook website about products or services where users post comments and generate ideas. Another example is the microblogging system of twitter where users can post short messages about products and services. The main problem for managing CE behavior is that companies often not know how to create a framework for using CE activities as a part of the relationship marketing. In order to create such a framework like this it is necessary to analyze the motivational stimuli of customers to engage themselves in facebook or twitter. In marketing science there has been increasing emphasis on psychological aspects of CE such as the exit-voice model of Hirschman (1970) and attachment theory (Ball/Tasaki, 1992). These approaches focus on the dyadic side of engagement relationships. In this paper we present a new holistic approach for understanding CE, which includes social-psychological and sociological dimensions. Based on this insight, we use social-psychological approaches such as in-group (peer-group)/out-group behavior, emotional contagion, and sociological theories like role behavior and network theory to analyze the motivation of customer to engage in. These approaches have lead to an conceptual framework for managing CE.

But why is CE so important? The long-term success of a business is largely driven by customers. Customers decide whether or not to purchase products or services. Therefore, customers are the focal point of many marketing and relationship activities (Porter & Donthu, 2008). In order to gain a surplus from
customers it is necessary to manage changing circumstances, which is referred by the new customer strength.

The reasons for this new customer “strength” include the following factors: (Henning-Thurau, et al. 2010; Hill, et al. 2006)

- Information and communication systems are available worldwide and can mostly be used without transaction costs.
- These information and communication systems lead to enhanced interaction between customers and companies. The outcome of this development is a „new customer self-perception“; customers are no longer passive consumers, in fact constituting co-producers.
- Due to increasing global competition and changing communication patterns, customers are more willing to change suppliers. Declining customer retention and loyalty is one negative consequence.

As a result, customers have changed their behavior so as to gain greater influence on the firms (Varadarajan & Yadav, 2009). Therefore engagement activities of customers can be considered as an economic resource. This development entails a new consumer-company relationship, which leading to a different role understanding. Consumers today are increasingly becoming co-creators through to their CE activities (Bolton & Saxena-Iyer, 2009).

As we point out subsequently in further detail, CE includes all activities extending beyond purchase transactions (van Doorn et al. 2010). With regard to the intensity of CE, researchers do not solely focus on the dyadic side of customer relationship but on network aspects of CE. (Verhoef, et al. 2010).

In order to comprehend the nature of CE, we consider other examples; first, there is the YouTube communication system, where customers directly promote goods and services from different branches. Second there are the contributions from apple users, who gave an introduction to three different ways of using applications. The examples demonstrate that CE includes a wide range of activities: (Roberts & Alpert, 2010).

**FIGURE 1**

**OPPORTUNITIES FOR CE APPLICATION**

- Advocate of the company
- Co-Creator
- Idea Generator
- Promoting products or services
- Worth-of-Mouth

In order to provide a deeper understanding of the mechanism and patterns of CE, this paper is organized as follows. Firstly, we consider the complexity of the CE-Phenomenon. Secondly we discuss the theoretical foundation of CE. Finally we analyze how companies can manage the process of CE, in order to gain a surplus from such activities as harnessing customer’s innovation potential or co-creation activity.
WHAT IS CE?

CE refers to customers engagement with one another, (with) a company or a brand. The initiative to engage can be both consumer- or company-led and the medium of engagement can be on- or offline. (Van Doorn, et al. 2010) define CE as “behavioral manifestation toward a brand or firm, beyond purchase, resulting from motivational drivers”.

In order to understand the difference between regular customer behavior before, during and after the transaction process and the high engagement level of actors influencing firms, it is helpful to consider the various forms of CE in the internet. It is evident that CE focuses on the surplus flowed by customers who become part of the firm or product. These actors have unique link connections to the goods, products, attributes and concepts of firms or companies. Typically CE is only possible, if actors use up-to date communication tools offered through web 2.0. These include platforms, chat rooms, web pages and other multimedia applications, which allow people to interact with companies. Through these technical developments, people can communicate and socialize in ways that are simply not possible in the offline world.

By examining this phenomenon, it becomes clear why the online marketing efforts of companies must differ from those in the offline world. CE in the internet is more direct and familiar so user-generated content can reach a new level. Yet, companies have to handle user generated content with caution, as it is not always positive for new products, solutions and the company’s reputation. The impact may also be negative, in particular if actors attempt to damage a company’s reputation. In order to understand the increasing development of CE and to exploit the strength of this phenomenon, companies must understand how CE works and its main elements. Therefore, we discuss the theoretical foundation and framework of CE in the following section.

All in all, CE can be divided into two fundamental dimensions:

1. A social phenomenon, which is a result of the escalating development of the internet in the late 1990’s, especially connection speed (broadband) in the following decade. This technical development has led to real-time communication. CE seems to be strongly connected with the act of self-promoting and self-evaluation (Goffman, 1959), which we describe explicitly in the next section. CE is also embedded in a broader network of actors, comprising other customers, company employees and the general public (van Doorn, et al., 2010).
2. A behavioural phenomenon: The engagement of actors in online communities revolving directly or indirectly around product categories and other consumption topics is a new form of customer behaviour with separate patterns, rules and principles. The process that leads to positive customer engagement with the company entails different degrees of customer activities. (See Figure 1)

Both, the dimensions and the associated outcomes and influences for CE are discussed below.

THEORETICAL FOUNDATION OF CE

We observe that CE focuses on the surplus deriving from customers being part of the firm or product. These actors have a specific attitude to goods, products, attributes or concepts of firms and companies. To explore the rules of CE, a two step approach can be used: Firstly, we explore the dyadic perspective of CE by identifying motivational drivers from social psychology. Secondly, we complete our examination with structural perspectives like roles and positions in social networks. These two approaches are connected by analyzing behaviour in social groups, which forms the focus of explanation.
Dyadic Perspective

CE provides an integrated framework for understanding what people want and how they think about companies’ market activities. Understanding the patterns of CE can be helpful to build sustainable relationships by using the customers “voice and expertise” to create customer-oriented products, services and solutions (Roberts & Alpert, 2010). In order to manage CE behaviour it is important to understand the motivational drivers. Therefore, social psychology theories such as in-group behavior, out-group behavior and emotional contagion are used to examine patterns of engagement.

The customer’s motive for engaging is a result of various internal motivational drivers. First of all, the basic condition of engagement is identification with the in-group. According to Social Identity Theory, people need to belong to the group in which they engage, so called “in-group”. In contrast, “out-groups” are understood as those to which an individual actually does not currently belong (Tajfel, et al. 1971). Experiments in social psychology have shown that in the case of allocation between groups the in-group will be preferred and that the difference between the in-group and the out-group will be maximized (Tajfel, et al. 1971). Therefore, it is important for the engagement process that customers have the feeling of belonging to the relevant social group. Social Identity is a result of knowledge and awareness of their membership in social groups and from the emotional value derived from this membership (Tajfel, 1982). Thus, the social group is “a collection of individuals who perceive themselves to be members of the same social category, share some emotional involvement in this common definition of themselves, and achieve some degree of social consensus about the evaluation of their group and of their membership in it” (Tajfel & Turner, 1986). But why is the process of identification with social groups so important in peoples’ lives? Social Identity Theory provides some convincing explanations (Tajfel & Turner, 1986):

- Individuals aspire to receive positive self evaluation
- Social identity is part of the self-evaluation, which comprises membership of different social groups and an evaluation of this membership.
• The evaluation of this membership with relevant out-groups creates a positive feeling of social identity, when a comparison with the out-group creates a positive differentiation. If this evaluation process is negative, individuals will generally leave the in-group.

The social identity approach is still used in the marketing context, to create a strong emotional connection between customers and companies. Companies can be seen as part of the individual in-group structure. The consumption of certain products and services is an expression of the self and identity (Belk, 1988; Thompson & Hirschmann, 1995). Through the consumption of products and services, one’s own identity is made visible to others (Goffmann, 1959, S. 17; Schau & Gilly, 2003). In the context of this “self-presentation”, the brand is an important link between consumption and identity (Fournier, 1988). The brand can be used to build sustainable relationships around the in-group structure, especially in the case of “brand communities” (Escalas & Bettmann, 2003). A brand community is a platform in which companies and customers can create real value, such as product innovations (Chaïkh, 2008). Brand communities can be used to gain competitive advantages, by creating innovative products and services (Schau, et al. 2009; Muñiz & O Guinn, 2001). Increased self-esteem through belonging to an in-group can be used to develop competitive advantages. In this sense: CE can be successful if the engagement activities enhance the social identity of the participants (Lam, et al. 2010).

As noted above, identification with the social group and the perceived emotional value constitutes an important motivational driver for Customer Engagement. Customers engage when they perceive that belonging to a group particular boosts their social identity. In this context, the process of emotional contagion is one possible explanation of the phenomenon. Basically, emotions are highly intensive and of short duration, so that they can affect decision-making and interactions (Forgas, 1992). The process of transforming emotions between subjects and individuals in the face-to-face environment is referred as emotional contagion (Howard & Gengler, 2001). Hatfield and colleagues define emotional contagion as “the tendency to automatically mimic and synchronize facial expressions, vocalizations, postures, and movements with those of another person and, consequently, to converge emotionally” (Hatfield et al. 1994). Two main principles of emotional contagion can be derived: (Bagozzi, 1999; Hennning-Thurau, et al. 2006; Pugh, 2001)

• Primitive Emotional Contagion entails facial expressions and gestures and body movements of the sender. The recipient adjusts his behaviour in response to the received signals.
• Conscious Emotional Contagion entails a social comparison process. Individuals search consciously for emotions, as a form of social information to reduce uncertainty. The uncertainty results from situational factors such as the adequacy of emotions in certain interactions. Individuals then tend to adopt their state of mind to the situation, so as to bridge the emotional gap.

The process of emotional contagion between individuals can be extended to groups. Studies in organizational behavior have shown that emotional contagion improves cooperation in groups, task performance and conflict management (Barsade, 2002). Moreover, research has shown that emotional contagion is also embedded in the electronic communication environment, such as E-Mail. (Thompson & Nadler, 2002) and can even occur without face-to-face interaction (Friedmann, et al., 2004). Especially the process of “conscious emotional contagion” can be used to create emotional value, thus stimulating CE.

**Structural Perspective**

Defining CE as a social phenomena (Anderson, 2008), especially the online activities), it is important to analyze the sociological processes of interacting, self-promoting and role playing. CE is not only a micro sociological phenomenon, but also associated with aggregated network structures (Wellman, 1988; White, 2008).

Internet platforms like MySpace or facebook, makes people engage in online communities that do not necessarily revolve around a particular product or service. People in an individual’s friend list on
MySpace, for instance, do not necessarily share a single consumption habit, although they do so relatively more often. When people are motivated to do something more frequently or in a different manner, divergent form normal transactions and consumption processes, the question is whether or not a new kind of altruistic behavior is evolving (DiMaggio, 1979). Economic approaches like the new institutional economy and the rational choice approaches do not evidently deliver a straight-forward approach to explaining the existence and importance of the exhibited behaviour.

The fact, that actors are enclosed by social relations is important for understanding the patterns of CE (White, 1992; Wellmann, 1988; Emirbayer, 1997). For example, online platforms like MySpace or facebook are nothing other than a huge area for social relations, organized by a third party. Engagement activities are mostly referred to online activities on platforms like facebook or YouTube. Considering the fact that the actors are engaged in networks, we can ascertain that these people are connected with other people! This is a form of relationship between the users of a social network; they are embedded in a system of relationships. This system of relations creates a special kind of structure, which can be identified as a social network structure (Emirbayer, 1997; Granovetter, 1985; Burt, 2004). Each member of a social network, who is linked with other actors, has a certain position in the network. Accordingly every contribution coming by a member is attributed to the position held (Goffman, 1973). This perspective is defined as the structural network approach, which deduces network activities from the structural patterns of the networks (Emirbayer, 1997; Granovetter, 1979; Burt, 1992).

Not only individualistic or rational considerations lead to CE. In fact it is mostly constrained to the position actors hold (Granovetter, 1985; Burt, 1992). CE activities such as blogging or promoting could be defined as activities which depend on the positions of actors within a social network. Every activity belongs to the position of some individuals in a form of role acting (Goffman, 1959). Indeed, each position in a social network includes one or more typical roles. For example the activities of bloggers can be identified as typical roles like: opinion leader or idea generator. It is also important to stress that roles emerge during the interaction process between actors (White, 1992).

We can surmise that every activity act, which can be defined as a positive or negative CE activity, belongs to a position someone holds, and the system of relations in which the actor is embedded (Granovetter, 1999). The aggregation of relational positions, lead to a typical network structure, which is a result of a contention processes between social network members (White, 1992). The motivational drivers are not only located in individual preferences and related considerations someone has, they are a result of role acting and network contention.

For companies, it is important to understand that CE is a social phenomenon accomplished by social networks. The question of how CE can be used to gain a surplus can be answered as follows. A surplus can be acquired by companies identifying the crucial roles actors play in a network. By locating a social network, it is possible to identify different actors with distinct roles, e.g. active bloggers or people who just follow other members and comment on their contributions. Revealing precise roles and positions are not straightforward, as social networks are characterized by increasingly and dynamic developments. Therefore companies have to focus not only one aspect or solely on engaging actors, but, in order to understand and use the strength of social networks; they have to observe the system of relations between embedded actors. Through comparing different network structures it is possible to understand why some networks are more active than others (Burt, 1992; Granovetter, 1985).

After having identified active network groups, it is essential for organisations to bring their contributions into the entire community. Even so they have to be open for different networks and different network cultures and allocating them to specific contributions like information or outblogging, it may be possible to develop strong relationships and ensure a positive customer engagement.
IMPLICATIONS FOR MANAGEMENT

In order to appreciate the complexity of CE, it is absolutely essential for companies to manage engagement activities, by taking into account both perspectives shown in Figure 2. The two perspectives can be used to deduce a framework, which includes implications for the management of CE. In addition, CE-marketing efforts must be consistent, both online and offline, so as to create a uniform appearance (Eisenberg & Eisenberg, 2006).
The first step is the identification of engagement actors, who are embedded in social networks like YouTube, Facebook or MySpace and create output, such as: comments, blogs, wikis or video content. The processes of identification are not only accompanied by the search. For active users, organisations must also analyze the network, in which those actors are embedded. By using the methods of social network analysis, companies can examine the patterns of relationships between different network actors. They can compare and consider which of those network structures has the greatest ability to generate engagement contributions.

After the process of identification, companies must interact directly through network groups in order to try and achieve engagement. During the phase of ongoing and mutual communication with the entire community, a form of identification takes place between network members and companies. As mentioned earlier, the process of creating a group identity can assist in stimulating CE activities. Group identity develops when participants feel that the activities of the group correspond with their social identity. This can be achieved by enhancing positive self evaluation through group activities (Tajfel & Turner, 1986). Consequently in the first step the group identity can be seen as a form of signal which activates engagement activities. Companies should focus the in-group behavior by providing incentives such as product or service information, so as to distance themselves from the relevant out-groups. With regard to the Facebook community, companies can place information on products and services by giving information on relevant out-groups such as on competitors, which boosts the in-group behavior accordingly.

The creation of group identity is intensified by creating an emotional value through interaction. The interaction within the group is one of the essential elements of stimulating CE. Interactions within the group emphasize the emotional value. It is also necessary to identify opinion leaders to stimulate interaction.

The various aspects of group identity foster relationships between the network actors and the organizations, which are trusting, mutual and sustainable. Deriving practical implications from the theoretical framework is not evident, as network communities follow their own rules and arrangements. Companies have to consider the plurality of sentiments, especially when they are vague. It is impossible to identify the different contributions from the network members. Each social network community has its own special rules, symbols and communication forms. To build long-term CE-activities, it is not enough merely to stimulate interaction. Companies have to focus the in-group behavior, by providing incentives for interactions, such as product- or service related information to draw attention to problems and trends concerning the product and or service. To create sustainable CE activities, it is essential to use the conscious emotional contagion process with active users. Identification with active users or opinion leaders leads to a social comparison process. An active user or opinion leader provides security about the rules and engagement of the social group. Adaption to opinion leader activities can bridge emotional gaps and uncertainty.
FIGURE 5
IMPLICATIONS FOR MANAGING CE

**Identification**
- create space for individual development
- Identify opinion leaders to stimulate interaction
- Create a group identity by setting framework conditions like “netiquette”

**Interaction**
- Create incentives for interaction such as product/service company information, problems with products/services,
- Create an appropriate emotional value
- Stimulate different forms of interaction such as comments, suggestions, discussions to create Roles

**Relationship**
- Make different facets of the emotional value evident.
- Accept network rules which are established in the group
- Accept different opinions
- Use opinion leaders to stimulate Emotional Contagion

Managing CE

SUMMARY AND OUTLOOK

This paper presents a theoretical framework for companies to organize their CE marketing activities. Based on a holistic approach, we have analyzed the motivation of customers to engage themselves beyond “normal” business relationships. The understanding of motivational drivers is necessary for identifying the nature of CE and the implications in customer relationship marketing.

Our implication is that we not only analyze the processes from a psychological point of view, but also explore CE as a social phenomenon. This is essential, in order to answer our research questions. In a nutshell, CE is a behavioral and complex social phenomenon. Based on our analysis, the theoretical fundament of CE consists of in-group/out-group behavior, emotional contagion and social network structures. In-group behavior yields clear implications for stimulating engagement behavior, by using opinion leaders, active users and group identity. The emotional value approach can be used to create interaction within the group and emotional contagion is the instrument for establishing stable engagement-relationships between customer and company, through creating varied long-term emotional values within the group. The structural network approach identifies motivational drivers of CE as a result of role acting and network contention. Each activity belongs to the positions actors have within a network of relationships. Role activities are associated with contention processes between members of a network community. Both theoretical approaches contribute to organizing customer relationship marketing activities in this field.
As this is a work in progress paper, the next step is to entail the development of a causal model and the formulation of hypotheses. The identification of opinion leaders and measuring of the strength of their relationship within their social network will form their basis for empirical testing. Subsequently, we will compare different network structures to identify why some network groups are more active than others with respect to engagement activities. The methodology of social network analysis is an appropriate instrument for identifying critical success factors in the field of CE. Finally, our causal model must be tested empirically. If the model is supported by the empirical results, it could form a basis for developing, a CE relationship management system.

REFERENCES


