



## Consumer-based approach to customer engagement – The case of luxury brands



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### ABSTRACT

The current study investigates a customer-based approach to customer engagement with a focus on behavioral engagement manifestations. Utilizing theories of social motives and positive psychology, the study proposes that desire and social value are related to consumers to engage with luxury fashion brands, and that such engagement leads to subjective well-being. The data was collected at a well-known venue for luxury fashion brands in Lisbon. The results show that social motives are indeed significantly related to customer engagement which affects an individual's subjective well-being. Some customer engagement behaviors partially mediate the relationship between social motives and well-being. Discussion of these findings and implications for the literature and practitioners conclude the paper.

### 1. Introduction

Competition among luxury brands is intensifying with more alternative products and available marketing and sales channels (e.g. social media, online trading). Having loyal customers becomes a key to achieving competitive advantage and sustaining business profitability (Hallowell, 1996; Kim and Ko, 2010; Loureiro and Araújo, 2014). Among all marketing endeavors (e.g. delivering superior service quality and products), engaging customers with the brand or firm through various means has evidently been an effective approach to achieving customer loyalty and profitability (e.g. Kumar and Pansari, 2016). Reports show that actively engaged consumers account for more than 23% increase in a firm's average revenue, while actively disengaged consumers account for a 13% revenue drop (Digital Service Cloud, 2013).

The concept of consumer engagement is gaining popularity in both business and academic communities. Although it has been variously conceptualized and operationalized (see van Doorn et al., 2010), customer engagement generally has a behavioral focus and refers to a customer's behavioral manifestations towards a brand or firm. Although empirical work on customer engagement has been sighted in the literature, prior publications are mostly conceptual (e.g., Bowden, 2009; van Doorn et al., 2010; Brodie et al., 2011) or centred on online communities (e.g., Gummerus et al., 2012; Moreno-Munoz et al., 2016; Sawhney et al., 2005; Sashi, 2012). The empirical testing is primarily focused on firm-based outcomes (e.g. customer loyalty, buyer-seller relationship, brand engagement, customer satisfaction and

commitment) (e.g., Gummerus et al., 2012; Sashi, 2012; So et al., 2016; Vivek et al., 2012). Admittedly customer engagement has a range of benefits for the firm as engaging with the brand organization is reflected in customers taking part in co-production and value co-creation with the organization (Lemon and Verhoef, 2016). However, knowingly customers only opt to engage with the business for their own benefits - in anticipation of better value or better quality products. Very few studies have approached from consumers' perspective to understand how engagement relates to customer-based antecedents and outcomes.

In view of the research void, the current study investigates individual factors that are associated with customer engagement with a focus on the luxury fashion industry. The luxury brands stand out from the mainstream ones with a reputation of exclusivity and high-end quality. Luxury brand firms combine quality, authentic and hedonic factors in a way that appeals to the emotional and self-worth values of a consumer, which enhances their social value and instills the desire to possess the luxury brand products. When consumers are motivated by a desire and the exclusivity of social value, they would strive to engage with the brand communities as a means of affiliation (Fionda and Moore, 2009). Such affiliation is a reflection of a well-lived life or subjective well-being (Peterson et al., 2008).

Consistent with the foregoing discussion, the current study examines how desire and social value relate to consumers' engagement with luxury fashion brands and how such engagement relates to their subjective well-being. The study contributes to customer engagement literature and reveals how engaging with luxury brands can be elicited

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from consumers' social motives (i.e. desire and social value) and how such motives and engagement influence their subject well-being. Understanding these relationships has important implications for luxury brand organizations and marketers. In the case that social motives play a significant role in customers' willingness to engage with a brand, marketing endeavors should be attended to addressing these motives instead of focusing on various expensive promotional campaigns (e.g. celebrity endorsement on luxury fashion brands) (Prentice and Zhang, 2017). On the other hand, although engaging customers ultimately benefits the business organization, the motive underlying customers' volitional engagement may be individual-based (e.g. subjective well-being) and deviate from marketers' primary focus on financial profitability.

### 1.1. Conceptual background

Van Doorn and colleagues (2010) approach customer engagement from a behavioral perspective and propose a comprehensive framework to address the antecedents, conceptualization and consequences of customer behavioral engagement from customer, firm and context-based perspectives. In the case of luxury fashion brands, we contend that the customer-based perspective is more reflective of genuine engagement with the brand or firm. This proposition is consistent with theories of social motives and positive psychology. Social motive is reflective of human need for affiliation or fear of rejection (Gable, 2006). Positive psychology is concerned with an individual's good life or well-being, indicating the value of a most well-lived and fulfilling life (Loureiro and Panchapakesan, 2016).

The customer-based model resonates with Dholakia and Bagozzi's (2002) effortful decision making theory. The authors contend that, in the case of non-routine goals, pre-psychological processes play a significant role in motivating the decision maker to engage in goal-striving processes. These processes can be guided by subsequent volitional and motivational goal implementation (Gollwitzer, 1996). The non-routine decision making is reflected in the effort invested by the decision maker, the perceived importance of the decision, and the willingness of decision enactment.

Purchasing luxury fashion brands can be viewed as such non-routine decision making process due to its financial value. Bagozzi et al. (2003) stress that the motivational process such as desire and social value represent the motivational impetus of the decision maker's volitional intention to act (Perugini and Bagozzi, 2004). The action is likely manifested in customers' willingness to engage with a brand. Kumar and Pansari (2016) conceptualize customer engagement from a behavioral stance and operationalize this construct into four behavioral facets: consumer purchase, referral, consumer influence and knowledge. These facets indicate how customers engage with a firm by purchasing the firm products, recommending and sharing them through social media and making suggestions for the firm to improve the products and service. The four facets of customer engagement are indicative of a customer's volitional action and spontaneous engagement and will be used in the current study. Van Doorn et al.'s (2010) customer-based model posits that social motives such as social identity and consumption goals, inter alia, influence customer engagement which results in customers' cognitive, attitudinal and emotional consequences. Drawing on this proposition, the current study investigates the relationships among social motives, customer engagement and customers' emotional consequences. Following the foregoing discussion, the study opts for two social motives (namely, desire and social value) and individual's subjective well-being as the emotional consequence. Subjective well-being refers to the subjective sensation of happiness and joy in a consumer's life when having the luxury items and interact with the brand (Bhullar et al., 2013; Etkin, 2016; Loureiro and Panchapakesan, 2016).

The following section provides the relevant literature review to propose how social motives (desire and social value) are associated to customer engagement, and how engagement leads to subjective well-

being. Kumar and Pansari's (2016) four-dimensional behavioral focused customer engagement model is opted for the purpose of this study.

## 2. Literature review and hypothesis development

### 2.1. Desire and customer engagement

The luxury fashion brands are masters in implementing the AIDA (Attention, Interest, Desire and Action) framework and inciting desire (DeMers, 2013). Desire is defined as a deep-rooted want for something (Bagozzi et al., 2003). Consistent with this conceptualization, desire in this study refers to a motivational want to buy and use fashion luxury brands. These brands spread seeds that capture the attention of the consumers, instill the sensation of uniqueness, distinctive, upper-scale, and excitement. Consumers are drawn to these brands/products as which symbolise their own lives. In an economically developed society, luxury consumerism is motivated by desire (Boujbel and d'Astous, 2015). Desire becomes a motivation for the decision-making process (Bagozzi et al., 2003). This motivation can be based in a variety of social, emotional or evaluative sources, and is frequently followed by behavioral intentions or actual behaviors triggered by the desire (Perugini and Bagozzi, 2004).

As luxury items are comparatively more expensive than non-luxury products, consumers' behaviors are often reflected in their intensive involvement with the brand through engaging with the brand community either online or offline. They desire to possess it before embracing the action to purchase them and influence others, and to be in the disposition to give feedbacks as users and receive incentives of being engaged with the brands (Kumar and Pansari, 2016). These incentives could be monetary (e.g., special discount, gifts), and non-financial rewards (e.g., the socio-economic status, design and style of the fashion luxury brand). An individual's desire for these rewards would influence this person to be engaged with the preferred luxury fashion brand.

Customer engagement, according to Kumar and Pansari (2016), is manifested in purchasing and referring a brand, as well as sharing brand experience and improving the brand products through contributing to the brand community and giving feedback. The authors refer to these as consumer purchase, referrals, consumer influence and knowledge. The desire associated with luxury is linked to a deeper wish of not only possessing something that is valuable in financial terms, but also in status and achievement (Keller, 2009). The ownership of a luxury product brings functional benefits as well as a sense of prestige to the owner (Shukla and Purani, 2012). When a consumer's desire for a luxury product is triggered, he or she would seek means to engage with the product through purchasing it if financially available. As owning a luxury brand resembles social or financial status, the owner would showcase such status by actively referring the brand/product (referral) for the economic benefits they receive and anticipated non-financial values derived from engaging with the fashion luxury brand, sharing their brand experience in social media or other brand communities (consumer influence), or providing feedback for the brand firm to improve on the product as a means to demonstrating involvement with the luxury brand (knowledge). Consequently, the following hypotheses are offered:

**H1a.** Desire for luxury fashion brands' products is positively associated with purchase of the brand products.

**H1b.** Desire for luxury fashion brands' products is positively associated with referring the brand products.

**H1c.** Desire for luxury fashion brands' products is positively associated with exerting consumer influence on the brand products.

**H1d.** Desire for luxury fashion brands' products is positively associated with providing knowledge to the brand products.

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