Understanding Customer Engagement and Loyalty: A Case of Mobile Devices for Shopping

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ABSTRACT

This study aims at developing and validating a measurement model for customer engagement with specific focus on mobile devices for shopping. Further, role of customer engagement in building customer loyalty is explored. The research in this investigation used three studies for developing customer engagement scale and validating the proposed model. The study involved data collection from experts and users through varied methods including in-depth interviews, and surveys. Further structural equation modeling was used to analyze the data. Findings of this study include development and validation of customer engagement as second order construct arising out of six different customer experiences - *social-facilitation, self-connect, intrinsic enjoyment, time-filler, utilitarian and monetary evaluation experiences.* Further, the study established significant role of customer engagement in predicting customer loyalty in addition to existing constructs of satisfaction and convenience. This study contributes to evolving scholarly research on customer engagement. This study further provides a framework to retailers for devising matrices to track experiences and engagement of customers on mobile devices for shopping. Further, retailers may be able to use customer engagement to differentiate themselves from competition in attracting merchants and advertisers.

1. Introduction

Marketing landscapes are changing in last couple of decades whereby customers are not mere passive receivers of company messages but are actively involved in interactive relationships. Customer interactions with companies are shifting from traditional one-way mass media like print, radio and television to interactive online, social and mobile platforms. Practicing managers are therefore increasingly looking for ways to engage customers with their products through multiple online and mobile media. The research too in this domain is now shifting from customary construct of satisfaction to more active constructs of 'involvement', 'experience' and more recently 'engagement' in customer choice models to predict loyalty. However, existing research on customer engagement is largely conceptual (Brodie et al., 2011; Jaakkola and Alexander, 2014; Verhoef et al., 2010) with limited literature on operationalization, measurement and empirical validation of the construct. Also, engagement through mobile device, which is the first screen for a large customer base, remains to be unexplored.

The consumer 'engagement' concept has been conceptualized to explain consumers' interactive relationship with media channels or brands (Brodie et al., 2013; Calder, Malthouse and Schaedel,

2009; van Doorn et al., 2010; Hollebeek, Glynn and Brodie, 2014). Brodie et al. (2011) define 'customer engagement' as "a psychological state that occurs by virtue of interactive, co-creative customer experiences with a focal agent/object (e.g. a media)." In the era where online and mobile media are gaining more and more importance in the lives of customers, it is important to understand how experiences on these media lead to high customer engagement and in turn better business results for companies. The customer engagement in this study is conceptualized as arising out of customer experiences (Calder et al., 2013; Malthouse and Schaedel, 2009) while browsing through the shopping applications on mobile device. With mobile devices being first and most intimate screens for customers, engagement on this media has high potential for retailers to get desirable business outcomes from customers in the form of purchases and advocacy. Further, they are likely to get favorable view from merchants and advertisers by virtue of better customer engagement. This study is aimed at exploring the role of customer engagement in building customer loyalty. Towards this aim, this study has two objectives – a) to develop and validate a measurement model for customer engagement with specific focus on mobile devices for shopping, and b) to explore the role of customer engagement in building customer loyalty. This paper achieves these objectives by a research program involving series of studies employing mixed method research.

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The contribution of this paper is threefold. First, consumer engagement construct is defined with reference to usage of mobile devices especially for shopping and its relationship to customer experiences. While researchers have explored distinct customer experiences in-store and on-line settings, this study builds on engagement as a second-order construct that is manifested with various first-order "experience" constructs similar to (Calder et al., 2013; Malthouse and Schaedel, 2009) with reference to usage of mobile shopping applications. Second, this study identifies new experience dimensions for mobile devices and generates measures of engagement along with empirical validation of the measures. This provides novel insights as consumer behaviour in using mobile devices has several dimensions that have not been observed in online media using traditional PC devices. Thirdly, role of customer engagement in customer predisposition to shop more thereby demonstrating loyalty towards retailer is examined. The discussion on role of customer engagement is closed with how engagement can help companies in getting commitment from customers and in attracting as well as retaining merchants and advertisers.

2. Literature review

This section on review of relevant literature is divided into five sub-sections to achieve these objectives. Relevant literature on 'Customer Engagement' and 'Mobile Marketing' is reviewed in first two sections to build arguments for developing measurement model for customer engagement with mobile devices for shopping. Literature related to customer loyalty and its traditional antecedents are reviewed in section three towards second objective of this study. In section four, literature relating customer engagement and customer loyalty in similar environment is reviewed to build conceptual model for this study in final section.

2.1. Customer engagement

Customer engagement has been attracting considerable attention among practitioners as well as academicians in recent years. Customer engagement is a concept that is being explored as a tool to facilitate predictive power of customer behaviour including loyalty and referrals (Roderick and Brodie, 2011; Brodie et al., 2011; Calder et al., 2009; Pham and Avnet, 2009). This study begins with an overview of different conceptualizations of customer engagement from marketing literature. Scholars have conceptualized engagement in varied forms including consumer and customer engagement (Bolton, 2011; Verhoef et al., 2010), customer-brand engagement (Roderick J. Brodie et al., 2013; Hollebeek et al., 2014), community engagement (Brodie et al., 2013), customer-medium engagement (Calder, Malthouse and Schaedel, 2009; Kim et al., 2013), engagement for co-creation (Jaakkola and Alexander, 2014; Sawhney et al., 2005) etc. Such varied conceptualizations reflect evolving state of the construct. It also reflects on the growing interest among scholars from different viewpoints.

Along with varied conceptualizations, there are diverse definitions of customer engagement proposed by marketing scholars. Definitions of customer engagement vary from "a psychological process" driving customer loyalty (Bowden, 2008) to "a consumer's state of being occupied, fully-absorbed or engrossed," (Pham and Avnet, 2009). Hollebeek, 2011 defined "customer brand engagement" as "the level of a customer's motivational, brand-related, and context-dependent state of mind characterized by specific levels of cognitive, emotional, and behavioral activity in brand interactions". Further, "online brand engagement" has been conceptualized to comprise the dimensions of "sustained cognitive processing," "instrumental value" (i.e., utility and relevance), and

"experiential value" (i.e., emotional congruence with the narrative schema encountered in computer-mediated entities) (Mollen and Wilson, 2010). Calder, Malthouse and Schaedel (2009) focused on the experiential aspects while defining "media engagement" as "the sum of the motivational experiences consumers have with a media product."

Marketing scholars have essentially conceptualized engagement as a multidimensional construct (Bowden, 2008; Calder, Malthouse and Schaedel, 2009; Hollebeek, 2011; Mollen and Wilson, 2010) covering cognitive, emotional and behavioral dimensions. With the exception of van Doorn et al. (2010) who have proposed customer engagement behaviour as a uni-dimensional construct focusing on behavioral aspect, existing literature has strong inclination towards multidimensional form for customer engagement construct. Calder et al. (2009) proposed that engagement comes from experiencing a medium in a certain way. They defined an experience as a consumer's beliefs about how a medium fits into his/her life. Customer experiences could be driven by customer motivations for interactions with the focal object (medium, service/ brand). In the language of measurement models, experiences are first-order constructs while engagement is a second-order construct. Following Calder et al. (2009), this study focuses on customer-media engagement building on the relevant customer experiences. This approach is appropriate as this study focuses on mobile phones as a medium for online retailers for building engagement with the customers.

2.2. Mobile marketing – users and shoppers

The mobile devices offer customers anytime, anywhere ability to communicate without being connected by wires making them ubiquitous. Additionally, the mobile device is personal which has made it not just a technological gadget, but a cultural object that is part of everyday traditions and practices (Shankar et al., 2010). With mobile devices becoming an integral part of lives, research in the field of customer adoption has explored drivers of adoption through varied lenses. Consistent with the drivers of the adoption of any technological innovation, researchers have used Innovation Diffusion Theory (Rogers, 1983), Technology Adoption Model (Davis, 1989), Unified Theory of Acceptance and Usage of Technology (Venkatesh et al., 2003) to explore adoption of mobile devices and services. While these theories essentially focused on utilitarian aspect, some of the recent work is exploring hedonic aspects of adoption in case of mobile device based services. These include Uses and Gratification theory (Leung and Wei, 2000; Nysveen, 2005), which focuses on non-utilitarian benefits from adoption such as expressiveness and enjoyment and Media Gratification Theory (Atkin, 1973), adopted to mobile media (Tsang, 2004) that considers customers having different motives, utilitarian or hedonic, when using mobile media. As demonstrated by Nysveen et al., mobile devices usage intentions can be driven by perceived expressiveness of the mobile device (i.e., its ability to express fashion and style), enjoyment perceptions, usefulness and usability, and social pressure. The classic Unified Theory of Acceptance and Usage of Technology has also incorporated hedonic aspect as important adoption parameter while studying mobile internet adoption in a recent study to develop UTAUT2 (Venkatesh et al., 2012). While investigating customer engagement with mobile devices, therefore it is appropriate to explore both utilitarian and hedonic experiences.

Consumers often use mobile devices for several activities, including communication, listening to music, information search, conducting transactions, managing daily schedules, and socializing. Consumers also use the mobile devices for a variety of activities relating to shopping including creating shopping lists, product and price search, product comparison, making purchases, and