Mixed Effects of Company-Initiated Customer Engagement on Customer Loyalty: The Contingency Role of Service Category Involvement

By Lena Steinhoff, Carina Witte and Andreas Eggert

Customer engagement, a customer’s active participation in and connection with a firm’s services, has been promoted as a key driver of customer loyalty. Yet, insights on how to effectively manage engagement are scarce. This article employs an experimental study to assess the loyalty effect of customer engagement and disentangle the effectiveness of company-initiated versus customer-initiated engagement for different customer types. We establish a positive impact of customer engagement on customer loyalty, mediated by company image. However, adopting a finer-grained view on engagement effectiveness, we show mixed effects of company-initiated engagement contingent on customers’ service category involvement. Specifically, for high involvement customers, company-initiated engagement positively affects loyalty, while it impedes loyalty for low involvement customers. Company image and reactance toward the company act as mediating mechanisms. We provide guidance to managers on how to design and whom to target with their engagement strategies.

1. Introduction

Managers and academics agree that for service companies, building, sustaining, and extending strong relationships with their customers is “in vogue, maybe more than ever” (Hennig-Thurau et al. 2002, p. 230). Accordingly, identifying and implementing initiatives to successfully strengthen customer relationships represents a key challenge. In recent years, customer engagement, reflecting a customer’s active participation in and connection with a firm’s services (Vivek et al. 2012), has been promoted as a “winning differentiator” that helps create “a deeper, more meaningful connection between the company and the customer, and one that endures over time” (Voyles 2007, p. 2).

Despite its recent popularity, understanding and managing customer engagement remains a challenge (Henderson et al. 2014; Kumar 2013; Kumar et al. 2010), prompting the Marketing Science Institute to repeatedly identify insights on how to engage customers as a research priority (Marketing Science Institute 2016). In particular, to date, the vast majority of customer engagement research is conceptual in nature (e.g., Brodie et al. 2011; Harmeling et al. 2017; Pansari and Kumar 2017; van Doorn et al. 2010); empirical evidence on the link between customer engagement and relationship outcomes such as customer loyalty is limited and many design questions require empirical investigation. Our study addresses this call for more re-
search. The aim of this research is to empirically analyse the effect of customer engagement on customer loyalty and disentangle the effectiveness of company-initiated versus customer-initiated customer engagement for different types of customers.

With this approach, we contribute to service research and practice in three ways. First, we theoretically argue and empirically demonstrate the effect of customer engagement on customer loyalty. While past research has conceptually proposed a positive relationship between the two constructs (e.g., Vivek et al. 2012), empirical evidence is still scarce (So et al. 2016). Specifically, the causal link may operate in both directions such that customer loyalty may lead to customer engagement or vice versa (Pansari and Kumar 2017; van Doorn et al. 2010). To the best of our knowledge, there is no empirical research on the direction of causality between customer engagement and customer loyalty. To account for the directionality of the customer engagement-customer loyalty link, we apply an experimental approach which is well suited for testing causality (Garnefeld et al. 2011).

Second, adopting a finer-grained view of customer engagement, we investigate the differential effects of company-initiated versus customer-initiated engagement. Customers’ engagement behaviour may occur either organically, i.e. it is intrinsically motivated and unsolicited by the company, or due to firms’ efforts to stimulate engagement, i.e. it is extrinsically motivated and solicited by the company (Vivek et al. 2012). For example, word-of-mouth communication may be initiated both informally by customers when talking to other potential customers or formally by companies launching an incentivized referral reward program (Kumar et al. 2010). Recent research promotes companies’ proactive encouragement and management of customer engagement (Harmeling et al. 2017). Yet, companies’ initiatives to evoke specific behaviours in customers are often perceived as persuasion attempts and may incur various responses depending on the targeted customers (Friestad and Wright 1994). Thus, company-initiated versus customer-initiated engagement might be differentially effective in enhancing customer loyalty. By disentangling the effects of different ways of engagement initiation, our study broadens our understanding of the engagement concept. Moreover, it helps managers to decide when a proactive approach to encourage engagement among customers is suitable or not.

Third, this study explores the conditions under which company-initiated versus customer-initiated customer engagement is effective. We theoretically and empirically underscore the need to consider customer-specific characteristics when proactively targeting customers with engagement initiatives. An important customer characteristic that might impact the relationship between company-versus customer-initiated engagement and loyalty is customers’ involvement in the service category (Pansari and Kumar 2017; Zaichkowsky 1985). Depending on customers’ service category involvement, i.e. the perceived importance of that service category to the customer, the effects of company-initiated customer engagement on customer loyalty can be either positive or negative, spurring differential psychological processes in customers’ minds. Investigating service category involvement as a potential contingency factor within the customer engagement-customer loyalty link, we contribute to the current academic discourse on the effectiveness of companies’ engagement marketing strategies (Harmeling et al. 2017). Specifically, we show that there is no one-size-fits-all approach to proactively soliciting customers’ engagement, but that cautious targeting is key. We thereby offer guidance to managers on whom to proactively engage in order to ensure engagement initiatives’ effectiveness.

2. Theoretical background

Our paper investigates the impact of customer engagement on customer loyalty. Moreover, we examine how the effects of customer engagement on customer loyalty might differ, depending on the interplay of who initiates the engagement (i.e., the company or the customer) and how involved customers are in a certain service category. Fig. 1 provides an overview of our conceptual models.

Customer engagement is defined as “the intensity of an individual’s participation in and connection with an organization’s offerings or organizational activities, which either the customer or the organization initiates” (Vivek et al. 2012, p. 133). Recent conceptual research discussed different aspects of the customer engagement construct (Kumar et al. 2010; Pansari and Kumar 2017; van Doorn et al. 2010; Verhoef et al. 2010). Customer engagement behaviours can take many forms, such as word-of-mouth activity, recommendations, helping other customers, blogging, writing reviews, cocreating new services, or even engaging in legal action (van Doorn et al. 2010). In our research, we focus on customer online reviews as a popular and relevant facet of customer engagement (e.g., Chevalier and Mayzlin 2006; Hennig-Thurau et al. 2004). Specifically, customer reviews on a company’s webpage or in a customer forum fulfill important functions. First, reviews provide the focal company with feedback on the customer’s service experience. Second, reviews serve as a source of information for other (prospective) customers of the service provider. Building on Kumar et al.’s (2010) typology of engagement behaviours, customer online reviews represent both customer knowledge behaviour as well as customer influencer behaviour.

Enhancing customer loyalty is one of the central objectives in relationship marketing. Therefore, the question wheth-
2.1. Model A: The effect of customer engagement on customer loyalty

We suggest customer engagement to positively impact customer loyalty. Moreover, we propose the positive loyalty effect to be driven by an enhancement of customer-perceived company image (Fig. 1, Panel A). Conceptual research argues that engaged customers should have more favourable attitudes toward a company (e.g., Vivek et al. 2012). We capture the attitude toward a company by company image, defined as a customer’s overall evaluation of a company (Aaker 1996; Lei et al. 2008).

The effects of customer engagement behaviour on company image can be explained drawing on Cialdini’s (2014) consistency principle. It sheds light on the role of prior behaviour on future attitudes and behaviour. Cialdini’s (2014, p. 101) consistency principle states that people have a deep desire “to be and look consistent with their words, beliefs, attitudes, and deeds”. The desire for consistency is triggered by an initial commitment. Thus, after having made a commitment, humans tend to align their attitudes and behaviours consistently. Customer engagement, i.e., in the form of customer reviews, can be considered as a commitment toward a company. Once a customer has...
committed himself by providing a positive review to or about a company, it can be assumed that he wants to be consistent with his statement. Therefore, an engaged customer will form more favourable attitudes toward the company. This customer will evaluate the respective company image more positively than a customer who does not voice any review of his experience. Therefore, we hypothesize:

H1a: Customer engagement has a positive effect on company image.

Simultaneously, present research proposes that engaged customers are more loyal than non-engaged customers (Vivek et al. 2012). Following the consistency principle (Cialdini 2014), engaged customers, as opposed to non-engaged customers, can be expected to have more positive attitudes toward the company they engage with. As a consequence, they should also align their behaviours accordingly, i.e., be more loyal to the company (Garnefeld et al. 2013; Verhoef 2003). This leads to the following hypothesis:

H1b: Customer engagement has a positive effect on customer loyalty, mediated by company image.

2.2. Model B: The effects of company-initiated customer engagement on customer loyalty

Our study does not only investigate the effects of customer engagement (i.e., versus non-engagement) on customer loyalty, but it also aims to understand the specific conditions under which customer engagement is effective for increasing loyalty. In particular, we have a closer look at the interplay of who initiates customer engagement and which type of customer engages with the company (Fig. 1, Panel B). In line with Vivek et al. (2012), customer engagement can be either company-initiated or customer-initiated. When customer engagement is company-initiated, customers are proactively encouraged by the company to engage. For example, a firm might proactively ask a customer (e.g., by e-mail, mail, or telephone) to voice his feedback, solicit customers’ contributions in a product or service innovation contest promoted through the firm’s offline and online advertisements, or invite customers to follow the company on their new social media channel (Vivek et al. 2012). Customer-initiated customer engagement instead means that customers are not approached by a company but themselves deliberately take the initiative to engage, e.g., by giving feedback on a review site or by writing a blog. Depending on who initiates it, we assume that customer engagement can have differential effects.

A critical factor that might determine the effects of customer engagement initiation is service category involvement. It refers to “a person’s perceived relevance of the object based on inherent needs, values, and interests” (Zaichkowsky 1985, p. 342). We expect an interaction between these two important characteristics, i.e., the engagement characteristic of who initiates it and the customer characteristic of how involved the customer is in the focal service category.

First, we argue that for high involvement customers, company-initiated customer engagement should positively affect company image. Wangenheim and Bayón (2007) argue that customers who are highly involved in a service category are more knowledgeable about the respective service as they search for more information about it. Moreover, involved customers are suggested to be more receptive toward marketing communications in that service category. Compared to low involvement customers, high involvement customers have greater knowledge about and interest in a service category, which also makes them communicate more about the service (Garnefeld et al. 2011). Therefore, highly involved customers appreciate it to be asked for their engagement by the company. Feeling honoured that the company recognizes their expertise in providing a review of their service experience, these customers are expected to evaluate the company image more positively. In turn, low involvement customers rather perceive companies’ proactive attempts to stimulate customer engagement as annoying. A company’s overt “begging” for reviews might dilute its image among customers featuring low service category involvement. In line with the consistency principle (Cialdini 2014), we expect that customers’ positive attitude toward a company, i.e., company image, also drives subsequent customer loyalty. This discussion leads to the following hypotheses:

H2a: The effect of customer engagement initiation on company image depends on customers’ service category involvement. When service category involvement is high, company-initiated engagement has a positive effect on company image.

H2b: When service category involvement is high, company-initiated engagement has a positive effect on customer loyalty, mediated by company image.

Second, we assume that for low involvement customers, company-initiated customer engagement might foster reactance toward the company. Customer reactance describes a negatively valenced attitudinal state arising when customers perceive themselves as being the target of an undesired persuasion attempt (Brehm 1989; Eagly and Chaiken 1993). By asking customers directly to engage, these customers might feel that the company seeks to impose a certain behaviour on them. Thus, they may feel their freedom of choice to be challenged. While according to the persuasion knowledge model (Friestad and Wright 1994), customers are well-aware of companies’ attempts to stimulate favourable customer behaviours, they may also deliberately resist those attempts both attitudinally and behaviourally. Consequently, we suggest that
company-initiated customer engagement can also result in reactance toward a company. We argue that this holds especially true for customers with a low degree of service category involvement. As described before, these customers are neither particularly interested in the service category, nor are they receptive to a company’s approaches. As a consequence, low involvement customers might feel irritated by companies that proactively target them to encourage customer engagement. Specifically, they might perceive the firm as being too pushy and want to exert their freedom to decide whether they want to engage and where to engage. Hence, we argue that these customers change their attitude in response to the perceived persuasion efforts in an opposed direction by feeling more reactance toward the company. In contrast, it can be expected that highly involved customers feel less reactance compared to low involvement customers. High involvement customers are receptive to information about their service category of interest and thus appreciate it to be approached by the company. They do not perceive the initiative of the company as a persuasion attempt and, thus, do not feel incited to form opposed attitudes. Instead, their reactance toward the company is suggested to decrease as compared to low involvement customers. Further, we argue that the decrease in reactance toward the company results in customers’ increased loyalty to the firm, as they want to behave consistently with their prior commitment (i.e., a positive customer review). Thus:

H3a: The effect of customer engagement initiation on reactance toward the company depends on customers’ service category involvement. When service category involvement is high, company-initiated engagement has a negative effect on reactance toward the company.

H3b: When service category involvement is high, company-initiated engagement has a positive effect on customer loyalty, mediated by reactance toward the company.

3. Experimental study

In order to analyse the hypothesized effects of our conceptual models A and B, we conducted an experimental scenario study which is commonly used in marketing research (e.g., Garnefeld et al. 2011; Wagner et al. 2009). This method is well suited for testing causality and the directionality of hypotheses (Garnefeld et al. 2011) and for providing insight into psychological responses to hypothetical situations (Kwon and Weingart 2004). We tested the proposed effects in the context of hotels, as respondents can be assumed to have direct experiences in this context (Lei et al. 2008). Moreover, customer engagement is common in this service category, as customer reviews are frequently asked for or given on various internet forums (Hennig-Thurau et al. 2004).

3.1. Design and participants

The study used a uni-factorial between-subjects design and manipulated customer engagement on three levels (company-initiated customer engagement, customer-initiated customer engagement, no customer engagement). Thus, we had two treatment groups that were exposed to a situation in which respondents engaged with a company, and a control group where customer engagement was not manipulated.

For data collection, we applied a procedure similar to that adopted by Wagner et al. (2009). Undergraduate marketing students of a German university were asked to recruit adult respondents according to age and gender quotas. Participation in the study was voluntary and incentivized by a lottery of two gift coupons of €25 for an online retailer. The experiment was conducted online; subjects were directed to a web page with the scenario and questionnaire. In total, 656 respondents were randomly assigned to one of the three experimental scenarios. Of these, 156 participants belonged to our company-initiated customer engagement treatment group, 158 were part of our customer-initiated customer engagement treatment group, and 342 accounted for our no customer engagement control group. The mean age was 32.6 years and 57.4 % were female.

Our assumption that participants would be familiar with hotel services and customer online reviews as a form of customer engagement was supported by the data. On average, respondents stayed 15.1 nights per year at a hotel for private and professional purposes (at least one night: 97.3 % of respondents). Moreover, 73.5 % of respondents indicated that they already had personal engagement experience by providing feedback (e.g., by writing a review) to a company. 44.0 % of those said that they had already expressed their opinion online.

3.2. Procedure

Each participant received a scenario and a questionnaire. The scenario provided a description of the participant’s relationship with the fictitious hotel chain Best2Stay. All participants were told that they had always been satisfied with their stays at the hotel chain.

To manipulate customer engagement, participants were told that Best2Stay offered a new customer review area on its web page, i.e. “Customers Share Their Opinion”, where customers could write reviews about their experiences with Best2Stay. To increase realism and vividness, a screenshot of the fictitious “Customers Share Their Opinion” web page was displayed. In the two treatment groups, respondents were told that they spontaneously had time and participated in the review forum by giving a short review of their past experiences with Best2Stay ho-
Best2Stay is an attractive company.  
Best2Stay’s services are superior compared to other hotels.  
Best2Stay has many positive attributes.  
Best2Stay’s services have a high quality.

Best2Stay’s services have a high quality.  
I feel my freedom of choice to be restricted by Best2Stay.  
Best2Stay tries to restrict my independence.  
I perceive Best2Stay as being unpleasant.

I am very interested in hotels.  
Sometimes I talk about hotels with other people.  
It is very interesting to get an overview of the many hotels and their services in the market.  
I am very interested in following reports on hotels on television, on the radio, and in magazines.

The next time I need a hotel, I will stay at Best2Stay.  
I consider Best2Stay my first choice for hotel stays.  
I will use the services of Best2Stay in the next years.  
In the future, I will book at Best2Stay.

Notes: CR = Composite Reliability, AVE = Average Variance Extracted. N.A. = Not Applicable. *Items were measured on a 7-point Likert-type scale ranging from 1 = “strongly disagree” to 7 = “strongly agree”. Numbers in brackets show \(\sqrt{AVE}\).

**Tab. 1: Construct measures and validity assessment**

<table>
<thead>
<tr>
<th>Construct Correlations</th>
<th>Ima</th>
<th>Rea</th>
<th>Inv</th>
<th>Loy</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Construct</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Company image (Ima)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Best2Stay is an attractive company.</td>
<td>.74</td>
<td>.86</td>
<td>5.34 (1.02)</td>
<td>.61</td>
</tr>
<tr>
<td>Best2Stay’s services are superior compared to other hotels.</td>
<td>.67</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Best2Stay has many positive attributes.</td>
<td>.87</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Best2Stay’s services have a high quality.</td>
<td>.83</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Reactance toward company (Rea)</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>I feel my freedom of choice to be restricted by Best2Stay.</td>
<td>.81</td>
<td>.92</td>
<td>2.11 (1.25)</td>
<td>.73</td>
</tr>
<tr>
<td>I perceive Best2Stay as being pushy.</td>
<td>.80</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Best2Stay tries to restrict my independence.</td>
<td>.93</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I perceive Best2Stay as being unpleasant.</td>
<td>.87</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service category involvement (Inv)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>I am very interested in hotels.</td>
<td>.85</td>
<td>.87</td>
<td>4.01 (1.59)</td>
<td>.62</td>
</tr>
<tr>
<td>Sometimes I talk about hotels with other people.</td>
<td>.80</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>It is very interesting to get an overview of the many hotels and their services in the market.</td>
<td>.80</td>
<td></td>
<td></td>
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<tr>
<td>I am very interested in following reports on hotels on television, on the radio, and in magazines.</td>
<td>.70</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Customer loyalty (Loy)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The next time I need a hotel, I will stay at Best2Stay.</td>
<td>.81</td>
<td>.92</td>
<td>5.59 (1.13)</td>
<td>.73</td>
</tr>
<tr>
<td>I consider Best2Stay my first choice for hotel stays.</td>
<td>.80</td>
<td></td>
<td></td>
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<tr>
<td>I will use the services of Best2Stay in the next years.</td>
<td>.89</td>
<td></td>
<td></td>
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<tr>
<td>In the future, I will book at Best2Stay.</td>
<td>.91</td>
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</table>

tels. Following the approach of Garnefeld et al. (2011), respondents in the treatment groups had the possibility to fill in a text box by providing a short comment on their past experiences with Best2Stay, making the engagement experience appear realistic and tangible. In the control group, participants were told that they did not have time to participate and thus did not leave any comment about their experience with Best2Stay hotels.

To manipulate customer engagement initiation within the customer engagement treatment groups, we varied the way in which customers found out about the “Customers Share Their Opinion” customer forum. In the company-initiated customer engagement group, participants were told that they received an e-mail from Best2Stay informing customers about the new “Customers Share Their Opinion” web page. These respondents were prompted in the e-mail to use the review site in order to communicate their opinion about Best2Stay hotels to the company and other guests. In the customer-initiated customer engagement group, participants were told that they found the “Customers Share Their Opinion” web page by casually browsing Best2Stay’s customer forum and coming across the new review site. Thus, these respondents did not receive any explicit encouragement to engage by the company. We detail our scenarios in the Appendix.

3.3. Measures

We adapted established multi-item scales to measure company image (e.g., Lei et al. 2008), reactance (e.g., Wendlandt and Schrader 2007), customer service category involvement (e.g., Wangenheim and Bayón 2007), and customer loyalty (e.g., Wagner et al. 2009). We modified them to fit the context of our study and provide item formulations in Tab. 1.
3.4. Manipulation and realism checks

Manipulation check results supported the effectiveness of our manipulations of customer engagement and customer engagement initiation. Participants were asked to indicate whether they participated in the “Customers Share Their Opinion” forum (M_{Customer Engagement} = 6.0, SD = 1.75; M_{No Customer Engagement} = 2.65, SD = 2.15; t = 21.97, p < .001). Participants in the treatment groups also indicated whether they were asked in an e-mail by Best2Stay to participate in the review site (M_{Company-Initiated} = 5.65, SD = 2.06; M_{Customer-Initiated} = 3.17, SD = 2.31; t = 14.47, p < .001). Our realism check suggested that respondents could easily imagine the described situation (M = 4.86; SD = 1.85). Finally, we analysed the written statements of our treatment groups. All participants voiced positive experiences with the service provider, writing comments such as “Everything was fine, I would like to come back!” or “My stay at Best2Stay was overall satisfying!”

3.5. Validity assessment

We assessed convergent and discriminant validity of the scales using Amos (see Tab. 1). All factor loadings, factor reliability, and average variance extracted exceeded the common thresholds. To test for discriminant validity, we applied Fornell and Larcker’s (1981) criterion.

3.6. Results

To test our conceptual models, we employed partial least squares (PLS) structural equation modelling (Ringle et al. 2015) which is well suited for experimental data with mediators (Baggozzi and Yi 1989; Iacobucci and Duhachek 2004). First, to test the effects hypothesized in Model A, we pooled the two customer engagement treatment groups and compared this customer engagement group to our no customer engagement control group. Path coefficients are provided in Tab. 2. Consistent with H1a, customer engagement had a positive impact on company image (.092, p = .008). We also checked for a mediating effect of company image on the customer engagement-customer loyalty link. Company image positively affected customer loyalty (.654, p < .001). Moreover, the indirect effect of customer engagement on customer loyalty was positive and significant (.092 × .654 = .060, p = .009). We therefore conclude that the effect of customer engagement on customer loyalty was fully mediated by company image, supporting H1b.

To get a finer-grained view on the effects of customer engagement, we look at the impact of who initiated customer engagement (i.e., the company or the customer) on customer loyalty. Thus, in Model B, we zoom into and compare our two customer engagement treatment groups.

<table>
<thead>
<tr>
<th>Structural Path</th>
<th>Path Coefficient</th>
<th>t Value</th>
<th>Total Effect</th>
<th>t Value</th>
<th>R²</th>
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<tbody>
<tr>
<td><strong>Effects on Company Image</strong></td>
<td></td>
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<tr>
<td>Model A</td>
<td>Customer engagement</td>
<td>.092***</td>
<td>2.42</td>
<td>.090***</td>
<td>2.42</td>
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<tr>
<td>Model B</td>
<td>Company-initiated customer engagement</td>
<td>-.001</td>
<td>.02</td>
<td>-.001</td>
<td>.02</td>
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<tr>
<td></td>
<td>Company-initiated customer engagement × service category involvement</td>
<td>.175***</td>
<td>3.13</td>
<td>.175***</td>
<td>3.13</td>
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<tr>
<td><strong>Effects on Reactance toward Company</strong></td>
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<tr>
<td>Model B</td>
<td>Company-initiated customer engagement</td>
<td>.037</td>
<td>.69</td>
<td>.037</td>
<td>.69</td>
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<tr>
<td></td>
<td>Company-initiated customer engagement × service category involvement</td>
<td>-.122**</td>
<td>1.79</td>
<td>-.122**</td>
<td>1.79</td>
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<td><strong>Effects on Customer Loyalty</strong></td>
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<tr>
<td>Model A</td>
<td>Customer engagement</td>
<td>.020</td>
<td>.67</td>
<td>.080**</td>
<td>2.06</td>
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<td></td>
<td>Company image</td>
<td>.654***</td>
<td>18.60</td>
<td>.654***</td>
<td>18.60</td>
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<tr>
<td>Model B</td>
<td>Company-initiated customer engagement</td>
<td>.012</td>
<td>.28</td>
<td>.006</td>
<td>.11</td>
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<td></td>
<td>Company image</td>
<td>.606***</td>
<td>10.87</td>
<td>.606***</td>
<td>10.87</td>
</tr>
<tr>
<td></td>
<td>Reactance toward company</td>
<td>-.139***</td>
<td>2.82</td>
<td>-.139***</td>
<td>2.82</td>
</tr>
</tbody>
</table>

Notes: Path coefficients and total effects represent standardized estimates. **p < .05 (one-tailed), ***p < .01 (one-tailed).

Tab. 2: Path coefficients from PLS analysis (Models A and B)
First, we tested the direct effects of company-initiated customer engagement on company image and on reactance toward the company. Neither the path between company-initiated customer engagement and company image (-.001, \(p = .493\)), nor the path between company-initiated customer engagement and reactance toward company (.037, \(p = .246\)) were significant. Thus, company-initiated customer engagement did not directly affect company image and reactance toward the company, respectively. Second, we checked for interaction effects with service category involvement. The interaction effect of service category involvement and company-initiated engagement on company image was positive and significant (.175, \(p = .001\)). Hence, when service category involvement is high, company-initiated engagement exerts a positive effect on company image, supporting H2a. For the interaction of service category involvement and company-initiated customer engagement on reactance toward the company, we found a significant negative effect (-.122, \(p = .037\)). Thus, consistent with H3a, when service category involvement is high, company-initiated engagement has a negative effect on reactance toward the company.

Company image had a positive effect on customer loyalty (.606, \(p < .001\)), while reactance toward the company negatively influenced customer loyalty (-.139; \(p = .003\)). We established moderated mediation effects, as the indirect effects of the interaction of company-initiated customer en-
gagement and service category involvement on customer loyalty both via company image \((.175 \times .606 = .106, p = .001)\) and via reactance toward the company \((-122 \times -.139 = .017, p = .074)\) were (marginally) significant. Together, company image and reactance toward company fully mediate the loyalty effect of company-initiated customer engagement, (marginally) supporting H2b and H3b. Thus, for customers that are highly involved in the service category, company-initiated engagement increases customer loyalty. In turn, for low involvement customers, company-initiated engagement decreases customer loyalty.

4. Discussion and implications

To the best of our knowledge, this study is the first to experimentally analyse the impact of customer engagement on customer loyalty. While conceptual literature suggests a positive relationship between customer engagement and loyalty (Pansari and Kumar 2017; Vivek et al. 2012), the effect and its causal direction have not been empirically investigated yet. It is important for service researchers and managers to understand the effects of customer engagement on customer loyalty and its underlying psychological processes, in order to evaluate whether customer engagement and its initiation by the company is a purposeful tool to enhance customer loyalty. Our aim was to shed light on the relationship between customer engagement and customer loyalty and on how engagement’s loyalty impact differs depending on the interplay between different forms of customer engagement initiation and customers’ service category involvement.

Our results allow for the following implications. First, we proposed that engaged customers evaluate the image of the company they associate with the engagement more positively and, consequently, are more loyal, which is supported by our data. Overall, we find a significant positive total effect of customer engagement on customer loyalty \((.080, p = .020)\). Thereby, our study provides empirical evidence for the propositions of conceptual papers (Pansari and Kumar 2017; van Doorn et al. 2010; Vivek et al. 2012).

The experimental design of our study enabled us to demonstrate that the mere act of engagement led to a more positive evaluation of the company and more loyalty among engaged customers, as compared to customers that had the same point of departure (i.e., were satisfied with the company), but did not engage. Thus, for service firms, the detected positive impact of customer engagement on customer loyalty implies that customer engagement can indeed be an effective means for enhancing loyalty and service managers should provide their customers with opportunities to engage.

Second, beyond this positive loyalty effect of engagement versus no engagement, we tested the effects of differentially initiated customer engagement (i.e., company-initiated versus customer-initiated) on customer loyalty. However, the total effect of company-initiated customer engagement on customer loyalty was not significant \((.006, p = .457)\). In general, the way customer engagement is initiated does not significantly affect customer loyalty.

Third, however, we demonstrated that in addition to the initiation of the engagement, it is important to look at customer-specific characteristics. Depending on the interplay between the initiation of the engagement as well as the service category involvement of the customer, customer engagement can trigger positive and negative psychological processes. Indeed, when service category involvement is high, company-initiated engagement has a positive effect on company image and a negative effect on reactance toward the company (see Fig. 2), thereby enhancing customer loyalty. In contrast, company-initiated engagement of customers with a low service category involvement results in a decrease in company image as well as an increase in reactance toward the company (see Fig. 2) and causes an overall reduction in loyalty. While recent research promotes customer engagement marketing, i.e. the deliberate initiation and proactive management of customers’ engagement behaviours towards the firm, as a viable strategy (Harmeling et al. 2017), our insights remind marketing scholars and managers that it is vital who is targeted by companies’ engagement initiatives.

From a managerial perspective, our insights call for caution when designing engagement marketing strategies. Initiatives to stimulate customer engagement can trigger differential psychological processes in customers depending on whom the company tries to engage. Thus, managers should not deploy a one-size-fits-all approach to customer engagement initiatives, but adapt the relationship marketing tool according to different types of customers. Specifically, the approach should be adapted to different levels of service category involvement in that managers should seek to identify those customers who are highly involved. For example, signals to recognise high involvement customers among the firm’s customer base might encompass customers’ subscription to the company’s loyalty program (i.e., or even a membership in an industry-specific coalition loyalty program such as Starwood Preferred Guest for the hotel industry), responsiveness to a company’s requests such as participation in a satisfaction survey (i.e., which may also include several involvement-related survey questions), or the voluntary subscription to newsletters or other company- or industry-specific communications (i.e., the focal company may offer their customers the opportunity to subscribe to industry-related magazines). Company-initiated engagement of highly involved customers results in an overall positive total effect on customer loyalty \((.123)\). Highly involved customers appreciate being targeted with a customer engagement ini-
tative and thus, should be approached by the company. In contrast, the total effect of company-initiated engagement of customers with a low service category involvement on customer loyalty is negative (-.123). In this case, company-initiated customer engagement dilutes the company’s image and fosters reactance toward it, reducing customer loyalty. Hence, managers should better leave alone customers who do not show involvement in the focal service category. Low involvement customers should perceive freedom to decide whether they want to engage or not.

5. Limitations and future research

This article offers an initial investigation of the effect of customer engagement on customer loyalty. Studying the loyalty-effect of customer engagement by looking at customer online reviews in a hotel context represents a suitable point of departure due to consumers’ familiarity with both hotel services and online reviews, as suggested by our sample. Yet, to advance this stream of research, the insights from our study need to be extended to other contexts. Several limitations of our study offer opportunities for further inquiry. We structure our discussion along potential engagement-related determinants, moderating factors, and performance outcomes.

First, we operationalized customer engagement as customer reviews, which represent one prevalent and relevant type of customer engagement (e.g., Chevalier and Mayzlin 2006; Hennig-Thurau et al. 2004). Yet, customers can engage with a company in many ways (Kumar et al. 2010; van Doorn et al. 2010) with potentially differential performance effects. Future studies should extend the analysis of the effects of customer engagement to other forms, such as customer service cocreation or customer-to-customer helping behaviours for example. Also, in our experimental scenarios, we held customer satisfaction constant by framing customers’ relationship with the hotel chain as consisting of positive experiences only, thereby focusing on the effects of positive customer engagement behaviour (i.e., positive customer reviews). However, in business practice, customer engagement can also have a negative valence, for example in the form of negative customer reviews, feedback, or word-of-mouth (van Doorn et al. 2010). To gain a more comprehensive and detailed understanding of the phenomenon of customer engagement, future research should go beyond positive engagement to also investigate the loyalty-strengthening or impeding effects of negative customer engagement.

Second, in this study, we focused on customers’ service category involvement as one relevant moderator variable that impacts the relationship between company- versus customer-initiated customer engagement and customer loyalty. However, as complex phenomena are typically subject to multiple contingencies (Garnefeld et al. 2011), it is important to identify and quantify additional moderating variables. In the context of customer engagement, we propose three interesting groups of moderators worth investigating in future studies: customer characteristics beyond service category involvement (e.g., expertise, opinion leadership), service characteristics (e.g., utilitarian versus hedonic services, continuous services), and engagement characteristics (e.g., incentivised engagement, company responsiveness to engagement).

Third, in our experiment, we study customer loyalty as a behavioural intention. Although it is a common approach to operationalize behavioural loyalty as loyalty intentions (e.g., Wagner et al. 2009), intentions can only act as a proxy for actual behaviour (Garnefeld et al. 2011). Our study should be replicated in a field setting with actual purchase behaviour indicating behavioural loyalty. Also, a promising avenue for further inquiry would be to go beyond purchase behaviours and look at engagement’s effects on future engagement behaviours, to capture the full range of company-directed customer behaviours and determine overall customer engagement value (Kumar 2017; Kumar et al. 2010). For example, a longitudinal study should be conducted to dynamically assess engagement cycles over time and look at changes in customers’ actual behavioural manifestations after they have engaged with the company.

Note

[1] The overall level of customer reactance we observe in our study is rather low. Our explanation for this finding is that in business practice, nowadays’ consumers and customers are used to companies’ frequent and soliciting communications. Thus, even when companies explicitly ask for customers’ engagement, this is a rather usual action that does neither surprise nor highly irritate customers, resulting in rather low overall levels of perceived customer reactance.
Appendix

Experimental scenarios and manipulations

1. Treatment group 1: Company-initiated customer engagement

*Please envision yourself in the following situation.*

You are a customer of the international hotel chain *Best2Stay* Hotels. During your previous stays in *Best2Stay* Hotels, you have always been very satisfied with the services of *Best2Stay*; the hotel’s service staff has always been very friendly and the rooms as well as the food provided have met your expectations.

Today, you receive an e-mail from *Best2Stay* which informs you about news from the company. On the webpage of *Best2Stay*, there is a new forum: “Customers Share Their Opinion”. In this forum, *Best2Stay* customers can provide their opinion about *Best2Stay* Hotels to the company as well as to other customers.

In their e-mail, the company prompts you to participate in the forum “Customers Share Their Opinion”.

You have time and participate in the forum by offering a brief review about your previous customer experience with *Best2Stay* Hotels.

*Please fill in the textbox provided below. A single sentence is sufficient, but please feel free to write more, of course.*

Thank you for sharing your opinion!

Your *Best2Stay* Hotels
2. Treatment group 2: Customer-initiated customer engagement

Please envision yourself in the following situation.

You are a customer of the international hotel chain *Best2Stay* Hotels. During your previous stays in *Best2Stay* Hotels, you have always been very satisfied with the services of *Best2Stay*; the hotel’s service staff has always been very friendly and the rooms as well as the food provided have met your expectations.

Today, you are browsing the webpage of *Best2Stay* to inform you about news from the company. On the webpage of *Best2Stay*, there is a new forum: “Customers Share Their Opinion”. In this forum, *Best2Stay* customers can provide their opinion about *Best2Stay* Hotels to the company as well as to other customers.

You find the forum “Customers Share Their Opinion” interesting.

You have time and participate in the forum by offering a brief review about your previous customer experience with *Best2Stay* Hotels.

Please fill in the textbox provided below. A single sentence is sufficient, but please feel free to write more, of course.

Thank you for sharing your opinion!

Your *Best2Stay* Hotels
3. Control group: No customer engagement

Please envision yourself in the following situation.

You are a customer of the international hotel chain *Best2Stay* Hotels. During your previous stays in *Best2Stay* Hotels, you have always been very satisfied with the services of *Best2Stay*; the hotel’s service staff has always been very friendly and the rooms as well as the food provided have met your expectations.

Today, you receive an e-mail from *Best2Stay* which informs you about news from the company [you are browsing the webpage of *Best2Stay* to inform you about news from the company]. On the webpage of *Best2Stay*, there is a new forum: “Customers Share Their Opinion”. In this forum, *Best2Stay* customers can provide their opinion about *Best2Stay* Hotels to the company as well as to other customers.

In their e-mail, the company prompts you to participate in the forum “Customers Share Their Opinion”. [You find the forum “Customers Share Their Opinion” interesting.] However, you do not have time and do not participate in the forum.

References


**Keywords**

Customer Engagement, Customer Loyalty, Service Category Involvement, Experimental Research