Summer 7-11-2016

A Road to Engagement

Anita Pansari

A ROAD TO ENGAGEMENT

BY

Anita Pansari

A Dissertation Submitted in Partial Fulfillment of the Requirements for the Degree

Of

Doctor of Philosophy

In the Robinson College of Business

Of

Georgia State University

GEORGIA STATE UNIVERSITY
ROBINSON COLLEGE OF BUSINESS
2016

ACCEPTANCE

This dissertation was prepared under the direction of the *Anita Pansari* Dissertation Committee. It has been approved and accepted by all members of that committee, and it has been accepted in partial fulfillment of the requirements for the degree of Doctor of Philosophy in Business Administration in the J. Mack Robinson College of Business of Georgia State University.

Richard Phillips, Dean

DISSERTATION COMMITTEE
Dr. V. Kumar
Dr. Alok Saboo
Dr. Nita Umashankar
Dr. Constantine Katsikeas

ABSTRACT

A ROAD TO ENGAGEMENT

BY

Anita Pansari

July 11, 2016

Committee Chair: *Dr. V. Kumar*

Major Academic Unit: *Marketing*

In Essay 1, we highlight the need and develop a framework for customer engagement (CE). We develop the theory of engagement, arguing that when a relationship is satisfying and has emotional connectedness, the partners become engaged in their concern for each other. Based on the theoretical support, our proposed framework elaborates on the components of CE as well as the antecedents and consequences of CE. We also discuss how convenience, nature of the firm (B2B vs. B2C), type of industry (service vs. product), value of the brand (high vs. low), and level of involvement (high vs. low) moderate the link between satisfaction and direct contribution, and between emotions and indirect contribution of CE, respectively. We also show how CE can be gained and how firm performance can be maximized by discussing relevant strategies. In Essay 2, we highlight the need and develop a framework for Engagement. We capture the multidimensionality of CE and Employee Engagement (EE), develop and refine items for measuring CE and EE, respectively. Next, we validate the proposed framework with data from 120 companies over two time periods. We develop strategies for firms to improve their levels of CE and EE to improve performance based on the first period measurement. Using the second-period time measurement, we observe that the influence of EE on CE is moderated by employee empowerment, type of firm and nature of industry and this effect is higher for B2B (vs. B2C) firms and service (vs. manufacturing) firms.

ACKNOWLEDGEMENTS

I would like to dedicate my dissertation to my father (Late. Sri Muralidhar Pansari), who believed in educating daughters, and in equal opportunities for both his son and daughters. A man who is instrumental in me being the person I am. He was and will always remain my source of strength and inspiration.

My name appears on the cover of this work, but it is the cumulative work of many people who have contributed to my life and my PhD journey to make this dissertation possible. I owe my gratitude to all who have become a part of my journey.

I would not be able to accomplish this task, without the unwavering support of my family, committee members, advisers, fellow PhD students and friends. I greatly appreciate their belief and confidence in me. I would like to express my deepest gratitude to my advisor Dr. V. Kumar (VK) who has been influential in molding me as a researcher from the day I met him. I will be forever grateful to VK for taking me under his wing, mentoring and believing in me through my years as a PhD student. He guided me with patience and encouraged me to dive into research problems with no fear. He also provided me with an excellent atmosphere for doing research and always believed in me. He has truly changed the path of my life by helping me discover my passion for research. I will always look up to him for advice and a source for inspiration as I build my career in this discipline.

I have been very lucky to meet so many fantastic teachers who have helped shape my thinking and eventually, my career path while I was in the program. I thank all the professors who have provided guidance professionally and personally. I would like to extend my appreciation to Dr. Densih Shah and Dr. Jeff Parker for giving me encouragement and helpful career advice. I also thank my dissertation committee of Dr. Nita Umashankar, Dr. Alok Saboo and Dr. Constantine Katsikeas for their valuable advice and insightful suggestions.

A good support system is really important to survive in the doctoral program. I have met great friends at the Center for Excellence in Brand and Customer Management (CEBCM), who have become my second family. I have shared both my joys and sorrows so many beautiful and fun moments with my friends: Sarang, Yash, Alan, Amalesh, Hannah, Angie, Brianna, Insu, Kate, Ashley, Hyunseok Song, Ankit, Avi, Baha, Jia, Rachel, Bharath, Jeff, Ericka, Gayatri, and Amber to name a few. Thank you for being a great family. I will miss the time at CEBCM and all of you.

Adenike Brewington and Karen Galanski deserve a special mention for their continuous administrative and technical support. They have been prompt and have always ensured my journey was smooth.

My deepest gratitude goes to my family for their sincere encouragement, sacrifices and inspiration. I thank my parents (Late. Muralidhar Pansari and Suraj Devi Pansari) who believed in me, encouraged me to dream big and always provided unconditional love. Making you proud will always be one of the main drivers in my life. I thank my brothers and sisters, Anil, Jyoti, Aruna, Dinesh, Archana, Tanay, Bhavana and Amit who supported me and pushed me to do well at every step. I also want to thank my nieces and nephews Poorvi, Jaanvi, Mrinank, Gatik, Tanvi, Aarav, Vansh and Arjun who motivate me to be a better version of myself and a role model for them. I also thank my amazing new parents Prem Gakhar and Nirmal Gakhar for giving me constant love and encouragement. Finally, I sincerely thank my loving partner, Sudhanshu for encouraging me to pursue my dreams, listen to my ideas, keeping me sane and giving me nothing but support and great food.

Thank you all.

Table of Contents

List of Figures

List of Tables

ESSAY 1- CUSTOMER ENGAGEMENT: THE CONSTRUCT, ANTECEDENTS, AND CONSEQUENCES

1.1 Introduction

Managing customers has evolved over the years, and this is evident from the metrics used in the different phases of marketing focus (see Figure 1). Until the 1990s, marketing was focused on customer transactions. The yardsticks used to measure the impact of these transactions on firm profitability were past customer value, share-of-wallet, and recency, frequency, and monetary value. The goals of organizations evolved with time, and this transaction-based perspective slowly evolved into relationship marketing (Morgan and Hunt 1994; Berry 1995) in the late 1990s and the early 2000s, where the core objective of firms was to establish positive relationships with customers and ensure customer satisfaction and loyalty via better products and services. Further, there is a detailed discussion in the literature of that era (Homburg and Geirging 2001; Shankar, Smith, and Rangaswamy 2003) on the link between customer satisfaction, loyalty, and profitability. There have also been discussions on understanding how long a customer will stay with a firm in a profitable manner by understanding the lifetime value of the customer (Kumar 2008). However, both managers and academicians understand that over the course of time, it is not enough to simply satisfy the customer to make him/her loyal and profitable. Profitable loyalty and satisfaction need to be evolved to a higher level, a level of desired differentiation and of sustainable competitive advantage. Therefore, the goal of organizations evolved from relationship marketing to engaging customers in all possible ways. This led to the rise of the term “engagement” among marketing academia and practitioners, as shown in Figure 1.

--- Insert Figure 1 here ---

Engagement has been discussed with different meanings in various contexts. In the business world, engagement has been termed as a contract. In management literature, it has been discussed as an organizational activity with the internal stakeholders. In marketing, engagement has been discussed as an activity of the customer toward the firm and is termed as customer engagement (CE) (Kumar et al. 2010; Brodie et al. 2011; Vivek, Beatty, and Morgan 2012). We suggest that when a relationship is satisfied and has emotional bonding, it then progresses to the stage of "engagement."

Companies continuously attempt to engage their customers in various ways. Some companies that have been successful are Dove and Coca-Cola. As of this writing, Dove's "real beauty sketches" is the most viral advertisement with 114 million total views (Kolowich 2015). Experts note that the video has reached the status of the most shared because of the "contents of the video, which elicited the intense emotional responses of 'warmth, 'happiness' and 'knowledge' from its target demographic — one of the key factors behind a video's sharing success." Similarly, Coca-Cola's campaigns across the world have always been aimed at striking an emotional chord among customers and have been the center of many conversations among customers for their creative and emotional content. Coca-Cola's "Hello Happiness" campaign in Dubai ensured that the customers were buying their product (to get the cap) and also becoming emotionally connected with the brand.

Brands like Dove and Coca-Cola have gone the extra mile to create brand-related conversations and engage their customers in every possible manner. Firms have been slowly shifting their focus from the objective of "selling" to "emotionally connecting" with their customers with the hope of generating sales and ultimately ensuring a lifetime of profitable loyalty. In other words, a firm's focus is shifting to personalizing interactions, delighting its audience, and understanding customers' unique challenges to make their lives better and involving them as spokespersons of the firm. These examples highlight how firms are engaging their customers across the world.

Customer engagement (CE) has been discussed in marketing in the recent past (Brodie et al. 2011; Vivek, Beatty, and Morgan 2012; Kumar et al. 2010) as an outcome measure of the firm's activities. Similarly, academicians and practitioners have been discussing a few other customer-centric measures such as customer satisfaction, customer involvement, customer loyalty, customer trust, customer satisfaction, customer commitment, and customer brand value to evaluate the effectiveness of the firm's marketing activities. We provide a clear distinction of these variables with CE and also highlight their relationship with CE in Table 1.

-------- Insert Table 1 -------

Table 1 provides the definition of the constructs, the measurements used, and how each is different from customer engagement. For example, customer involvement is a metric that evaluates "the level of relevance, excitement, value, appeal, wants and benefits" (Zaichowsky 1985). It has been used to categorize products based on the customer's level of involvement. It indicates the customer's level of motivation to seek information that may be used to manage and moderate any potential risk inherent in the decision-making process (Delgado-Ballester and Munuera-Aleman 2001), while CE has been conceptualized as the different activities of the customer that affect a firm's performance (Kumar et al. 2010). These activities include customer purchases, incentivized referrals that the customer provides, the customer's social media conversations about the brand, and the feedback/suggestions of the customer to the firm for better performance.

In the literature on CE, Kumar et al.’s (2010) definition and conceptualization differs from Vivek, Beatty, and Morgan (2012), who look at the intensity of customer participation with the firm, and that of Brodie et al. (2011), who note that customer engagement is a psychological state that occurs under a specific context. However, all of these studies show that CE is a multidimensional concept. A few studies argue that CE is influenced by various marketing activities and CE itself can influence firm performance. All the various definitions help us understand that there is a difference in defining and conceptualizing CE. Therefore, in this paper, we attempt to provide a holistic definition that encompasses all customer activities. We define CE as *the mechanics of a customer’s value addition to the firm, either through direct or/and indirect contribution*. This is consistent with the definition of Kumar et al. (2010), where direct contributions consist of customer purchases, and indirect contributions consist of incentivized referrals that the customer provides, the social media conversations customers have about the brand, and the customer feedback/suggestions to the firm.

Recently, Kumar and Pansari (2016) not only provided a conceptual framework for engagement but also offered an empirical test of the effect of engagement on performance. Their engagement construct included both customer engagement and employee engagement. Although their study highlighted linking engagement to performance, it did not discuss how engagement can be formed or initiated by the firm toward the customer. It is important to understand both the antecedents and consequences of customer engagement to enable firms to improve their strategies by focusing on the complete process of engaging customers.

The psychology literature suggests that engaged partners experience a more satisfied relationship and a strong emotional connectedness (Kitayama, Markus and Kurokawa 2000). We adapt this concept to understand how firms can engage their customers. Therefore, in this study, we develop a conceptual framework of customer engagement with the help of the academic literature and popular press. Our framework focusses on the process of customer engagement, by first showing how customer engagement can be gained, and then linking the direct and indirect contributions of CE on both tangible and intangible firm performance outcomes. In the framework, we also study the various factors moderating the link between satisfaction and the direct contribution of customers as well as between emotions and the indirect contribution of customers. The moderators are convenience, nature of the firm (B2B vs. B2C), type of industry (service vs. product), value of the brand (high vs. low), and the level of involvement (high vs. low).

In the next section, we discuss the motivation for our study, which provides a review of the relevant academic literature in marketing and the popular press. Then, we discuss the tenets of the engagement theory and focus on the conceptual framework, which comprises the components of CE, the moderators, and the consequences of customer engagement. Next, we discuss the managerial implications and provide strategies to manage customer engagement. Finally, we highlight the limitations of the study and the scope for future research.

1.2 Motivation

1.2.1Business perspective

Customer engagement is the primary focus of many firms. In a study comprising 438 marketing managers,[1] 63% of marketers defined engagement in terms of sales and repeat sales, 15% defined it as an impact on revenue by customers, and 22% as love for a brand. Although there are differences in the definition, more than 80% of marketers wanted to engage customers in a conversation to build advocacy and trust over the next three to five years. A study by Gallup highlights the benefits of engaging customers, noting that customers who are fully engaged represent an average 23% *premium* in terms of share-of-wallet, profitability, revenue, and relationship growth when compared with the average customer; an actively disengaged customer represents a 13% *discount* in those same measures. This highlights the importance of engagement in the marketplace. This finding is not restricted to any industry but can be generalized across industries, as seen in the following statistics from various studies by Gallup in 2013.

- In the consumer electronics industry, fully-engaged shoppers make 44% more visits per year to their preferred retailer than the actively disengaged shoppers. On average, the engaged consumer spends $373 per shopping trip, while actively disengaged customers spend $289 per trip.
- In casual restaurants fully engaged customers make 56% more visits per month than actively disengaged customers and in fast food restaurants fully engaged customers make 28% more visits per month than actively disengaged customers.

[1]http://www.marketo.com/about/news/majority-of-marketers-believe-marketing-needs-to-undergo-dramatic-change/

- In the hospitality sector fully engaged hotel guests spend 46% more per year than actively disengaged guests.
- In the insurance sector fully engaged policy owners purchase 22% more types of insurance products than actively disengaged policy owners do.
- In the retail banking industry, customers who are fully engaged bring 37% more annual revenue to their primary bank than customers who are actively disengaged.

1.2.2 Academic perspective

Engaging customers has been discussed extensively in marketing in the last decade by both academicians and practitioners, although from different perspectives. Academicians have gone beyond the benefits of relationship marketing such as lower marketing cost, higher revenue, higher marketing efficiency, and higher marketing efficiencies (Kumar, Venkatesan and Reinartz 2008). They focus on the activities of the customer toward the firm.

Vivek, Beatty, and Morgan (2012) state that customer engagement encompasses all the activities of the customer with the firm, initiated either by the customer or the firm. They define it 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” (p. 127). Their conceptual framework of CE involves participation and involvement of current or potential customers as antecedents of CE, while value, trust, affective commitment, word-of-mouth, loyalty, and brand community involvement are potential consequences. CE comprises cognitive, emotional, behavioral, and social elements in their conceptual framework. These authors treat all these components of CE as consequences of CE and not a part of the CE construct.

Van Doorn et al. (2010) note that CE is a “customer’s behavioral manifestation towards a brand or firm, beyond purchases, resulting from motivational drivers” (p. 253). They believe that if a customer’s goals are aligned with the firm’s goals, then CE should have a positive overall impact on the firm; however, if the customer’s and the firm’s goals are misaligned, CE may have more negative consequences. In other words, a customer would be engaged with the firm if he/she gets a lower price and derives maximum benefit, even if the firm is not realizing its potential profit. Hence, their conceptualization of CE seems to be restricted as they do not consider all the activities in which customers would participate if they are engaged with the firm. The activities of the customer can demonstrate the level of engagement with the firm. These activities include customer purchases, the incentivized referrals of the customer, social media conversations about the brand, and the customer feedback/suggestions to the firm for better performance (Kumar 2013).

Table 2 highlights the existing academic literature on customer engagement, the type of firm where the study was conducted (whether it is a conceptual or empirical study), and if it was an attitudinal or behavioral study. Although past studies discuss the concept of CE, none of them highlight the antecedents and consequences of customer engagement. Thus, from both the business and the academic perspective, studying the value of engaging customers is powerful for the firm.

-----Insert Table 2-----

Reinartz and Kumar (2002) echo the importance of engaging customers by noting that "to identify the true apostles, companies need to judge customers by more than just their actions" (p. 4). In the last 15 years, marketing academicians have discussed customer engagement extensively. The focus has been on different aspects like behaviors, attitudes, and metrics for measuring customer engagement. For example, CE has been discussed from the perspective of relationship marketing (Bowden 2009), service-dominant logic (Brodie et al. 2011), customer attitudes toward the brand (Vivek, Beatty, and Morgan 2012), and a customer's contribution toward the firm (Kumar 2013).

These various conceptualizations highlight the fact that customer engagement is a multidimensional concept. Academicians also note that customers may be valued incorrectly (overvalued or undervalued) when all activities of customer engagement are not taken into account (Kumar et al. 2010), which may result in an inappropriate allocation of resources (Verhoef, Reinartz, and Krafft 2010). Additionally, firms may calculate wrong returns on marketing actions (Rust, Lemon, and Zeithaml 2004) if they do not consider customer engagement, as it affects marketing metrics, which would subsequently affect firm value (Gupta, Lehmann, and Stuart 2004). Further, practitioners look at CE through a different lens. They define it as activities that facilitate "repeated interactions that strengthen the emotional, psychological or physical investment a customer has in a brand" (Sedley 2010, p. 7).

All these discussions confirm that customer engagement affects firm performance and is therefore important for valuing customers. We believe it is important to understand how customers can be engaged for maximizing firm performance. To do so, we suggest focusing on the theory of engagement, which forms the basis for building customer engagement. In the next section, we discuss the tenets of engagement theory.

1.3 Tenets of Engagement Theory

Customer management has evolved from a transaction perspective to relationship marketing over time, as shown in Figure 1. Firms focused on customer transactions until the 1990s. The impact of these transactions was measured by the firm’s profitability through past customer value, share-of-wallet, and recency, frequency, and monetary value.

The commitment trust theory (Morgan and Hunt 1994) paved the way for relationship marketing. According to this theory, the core objective of firms is to establish positive relationships with customers through developing commitment and trust with the customers. The objective of relationship marketing has been to establish long-term relationships with the customer (Jackson 1985; Berry and Parasuraman 1991). These long-term relationships should promote efficiency, productivity, and effectiveness (Morgan and Hunt 1994) and also be cooperative. The definitions of trust and commitment have been established in the literature by Morgan and Hunt (1994), Moorman, Zaltman and Deshpande (1992), and Moorman, Zaltman and Deshpande (1993). Trust has been defined as “a willingness to rely on an exchange partner in whom one has confidence" (Moorman, Deshpande, and Zaltman 1993, p. 82), and commitment has been defined as “an enduring desire to maintain a valued relationship" (Moorman, Zaltman, and Deshpande 1992, p. 316). Both these constructs focus on the intrinsic characteristics that both partners would display to ensure a smooth relationship.

Firms in the mid-1990s and early 2000s worked toward earning customers' trust and displaying their commitment to the firm. The relationship with the customer had first been limited to customer purchases. However, the relationship has progressed with evolving technology, customer needs, and the capabilities of the firm. Now, consumers have easier access to the firm and a larger platform to voice opinions because of social media. Firms also have started segmenting and focusing on the needs of consumers by carefully evaluating their transaction data and improved CRM methods.

Firms now are focusing on the quality of the relationship that they establish with the customer and also the maximum output beyond purchases, which the customer can provide to the firm. Customers are also contributing to the firm when they feel connected to the firm (Kumar 2013). This is one of the components of the interdependence theory (Thibaut and Kelly 1959), which focusses on the interaction between partners as the essence of close relationships. The theory notes that during interaction, partners create products for each other or they communicate with each other (Thibaut and Kelly 1959). This is becoming evident in the marketplace, where consumers are providing feedback to the company for the development of new products or improving existing products.

The quality of the relationship between the firm and the customer depends on the level of satisfaction derived from the relationship and the level of emotional connectedness of the customer toward this relationship. When a firm achieves trust, commitment, and a satisfied and emotional relationship with the customer, we can say that the firm and the customer are engaged with each other. In an engaged partnership (e.g., marital relationship) where the partners take active interest in the well-being of the other, partners interact more often with each other and also speak highly of their partner to indicate the level of emotional connectedness.

It is important to understand the theory of engaging customers, as engaging customers has direct and indirect benefits (Kumar and Pansari 2016, Kumar 2013). We propose that the two tenets of the engagement theory would be satisfaction and emotion, since engagement occurs only after a relationship is formed based on trust and commitment. In other words, the tenets of relationship marketing are subsumed in engagement theory, as we believe that the process of engaging a customer is logically the next step after the relationship formation. Further, the theory of engagement need not be restricted to the relationship between the firm and the customer, as it could be applied to all the stakeholders of the firm. The objective of every engaged partner is to establish a long-term association.

We now develop the conceptual framework for CE, using these tenets.

1.4 Conceptual framework

Our proposed conceptual framework, as shown in Figure 2, is organized in the following manner. First, we discuss the concept of CE and identify the components of CE (direct and indirect contributions). We then discuss the antecedents (satisfaction and emotion) of CE and the variables moderating the relationship between satisfaction and CE, and between emotion and CE. Finally, we discuss the consequences of customer engagement.

Insert Figure 2

Our framework is applicable to goods and services, which are frequently purchased in a non-contractual setting. Our framework begins with the marketing activities initiated by the firm. These marketing activities could be advertising, promotional offers, social media campaigns, etc. These activities lead to creating awareness among customers about the products and services of the company. This awareness helps customers understand the offerings of the firm and if the firm can fulfill any of their needs. The customer then makes a purchase from the firm, which creates an experience. As stated by Carù and Cova (2003), customer experience is not sold by companies; rather, companies provide artifacts and contexts that are conducive to experiences, which are used by consumers to co-create their own unique experiences. A positive/ negative experience would affect the level of satisfaction the customer has toward the firm and the emotions that he/she has for the company. The expectation is that satisfaction should lead to repeat purchase. Similarly, a customer who exhibits positive emotions would assist with indirect contribution, such as being an advocate for the firm's product and services. The relationship between satisfaction and direct purchases has been established at the aggregate level in the literature (Anderson 1994).

It is possible that not all customers will exhibit similar associations. Therefore, if individual-level data is available, accounting for customer heterogeneity is important. In our framework we study the individual-level relationships between satisfaction and direct contribution, and between emotions and indirect contribution. Table 3 provides the definitions and the suggested ways to measure the constructs in our framework.

-------- Insert Table 3 --------

Next, we discuss in detail the CE construct, which is the direct and the indirect contribution of the customers. Our definition of customer engagement focusses on the various ways through which the customer contributes (directly and indirectly) to the firm.

The direct contribution is in the form of customer purchases and the indirect contribution is in the form of customer referrals, customer influence, and customer knowledge.

1.4.1 Direct contribution

Customer purchases Customer purchases of products /services contribute directly to firm value (Gupta, Lehmann, and Stuart 2004). Customer purchases help firms allocate resources efficiently. Firms have gained revenue increases of about $20 million by reallocating their resources based on customer purchases while maintaining the level of marketing as is (Kumar 2008). The focus of the firm here is to maximize the profitability from each customer over a longer term. The metric relevant to this measure is known as Customer Lifetime Value (CLV).

1.4.2 Indirect contribution

Customer referrals Incentivized referrals are a form of engaging with the customers for both B2C and B2B firms (in the case of B2B, it is denoted as “reference”). Referrals help in attracting customers who would otherwise not be attracted through traditional marketing channels (Kumar et al., 2010; Kumar 2013), thus contributing indirectly to firm performance. Further, referred customers are more profitable than non-referred customers (Schmitt, Skiera and Bulte 2011). Even in the B2B context, references have been impactful where selected clients are more beneficial to convert prospects to profitable customers (Kumar et al. 2013).

Customer influence Social media platforms are being used extensively by customers to exchange brand and product related information in both B2B (Chakravarty et al. 2014) and B2C firms (Kumar 2013). These platforms have a more direct impact on brand communities and enjoy higher customer engagement compared to traditional marketing

(Trusov et al. 2009). Users can affect others' activities within their social network; this effect is termed as "influence" (Trusov et al. 2009). These social media influences create a ripple effect and extend beyond the close social network of the customer, which in turn creates a chain reaction across a wide group of customers (Hogan, Lemon, and Libai 2003) and indirectly impacts the firm's profits (Kumar 2013; Lee and Grewal 2004). Not every customer can influence others. Therefore, identifying the drivers of influential behavior in a social network (Kumar et al. 2013) is important for firms to maximize the benefits of their social media strategy.

Customer knowledge Customer knowledge/feedback is derived when a current customer is actively involved in improving a company's products/services by providing feedback or suggestions. Customers add value to the company by helping firms understand customer preferences and by participating in the knowledge development process (Joshi and Sharma 2004). Firms could use this knowledge to improve their products and services and/or create new products (Kumar and Bhagwat 2010) and impact firm performance indirectly.

1.4.3 Effect of customer satisfaction on direct contribution

Customer satisfaction is an essential indicator of a company's past, current, and future performance and has therefore been the focus among marketing practitioners and scholars (Oliver 1999). The key concept of customer satisfaction is based on expectancy–disconfirmation theory (Lewin 1938). The expectancy–disconfirmation model asserts that if the perceived performance exceeds consumer expectations (a positive disconfirmation), the consumer is then satisfied. On the other hand, if perceived performance falls short of a customer's expectations, (a negative disconfirmation) then he/she will be dissatisfied (Churchill & Surprenant 1982).

Both practitioners and academics have accepted the premise that customer satisfaction results in customer behavior patterns that positively affect business results (Vavra 1997). It has been regarded as a fundamental determinant of long-term consumer behavior (Oliver 1980; Yi 1990). Research has found that customer satisfaction has a measurable impact on purchase intentions (Bolton and Drew 1991), on customer retention (Mittal and Kamakura 2001), and on financial performance (Anderson, Fornell and Lehmann 1994; Keiningham et al. 1999). All the studies that have established the relationship between satisfaction and firm performance have done the same at the aggregate level. This relationship should be positive even at the individual level. This is because if a customer is satisfied, this would reflect in his/her behavior toward the firm (Kumar et al. 2014). One manifestation of a positive behavior would be customer repurchase. Hence, we propose that:

P1: There is a positive relationship between customer satisfaction and that customer's direct contribution.

The relationship between satisfaction and performance would be enhanced in various contexts depending on the nature of industry (service vs product), kind of firm (B2B vs. B2C), level of product involvement (high vs. low), brand value of the firm (high vs. low), and level of convenience. Therefore, we study the moderating impact of all these variables on the relationship between satisfaction and direct contribution (purchases) and emotions and indirect contribution (referrals, influence, and feedback).

1.4.4 Impact of moderators on the relationship between satisfaction and direct contribution

Service vs. product Customer satisfaction affects firm performance in all industries. Products have higher perceived quality, expectations, and customer satisfaction, but lower repurchase likelihood, relative to services (Anderson 1994). However, we propose the opposite and note that the effect between satisfaction and purchases would be enhanced in the service industry. In this study, we consider products and service in the same continuum, as two different industries. While availing a service, if the customer's expectations are not met, the customer can complain to a service personnel and the issue can be dealt with immediately. The process of service recovery is faster. However, when a customer's expectations are not met for a product, the chance of recovery is low, as most products are standardized. The customer's complaint or feedback can be used to improve the existing product, but the customer can access the new product only in the next production cycle. Further, sometimes the product cannot be altered/fixed according to the customer's needs. This may lead to disconfirmation of expectation of the consumer, if it concerns the features of the product. This would also impact the repeat buying behavior of the consumer. Therefore we propose that:

P2: The impact of satisfaction on direct contribution will be enhanced in the service (vs. products) industry.

B2B vs. B2C firms In a B2B setting, firms focus more on the functional aspect of the product/service being sold as compared to a B2C setting. In a B2B setting, decisions are generally made by a team, and the decision-making team may not be the same team that is using the products/services. The decision maker and user are, more often than not, two distinct individuals/teams. Therefore, it is necessary that both the user and the buyer are satisfied with the product or service, which is offered. If all the units in a B2B firm are satisfied, the consequence of a satisfied client can go a long way. In other words, the decisions in a B2B sector are made based on the combined satisfaction of many groups as well as the quality of the product, which may not hold true in a B2C setting. Therefore, we propose:

P3: The impact of satisfaction on direct contribution of the consumer will be enhanced for a

B2B firm (vs. B2C firm)

Level of involvement Low involvement products tend to be products bought more often, as a routinized response behavior or as a habit (Kumar, Ghosh and Tellis 1992). Research shows that a higher frequency of usage and accumulated experience influences customer satisfaction (Anderson 1994). This indicates that customers have relatively accurate priors and understand the products that match their preferences. Consequently, their level of disconfirmation would be lower (Anderson and Sullivan 1993). However, when consumers buy products with high level of involvement, their expectations increase and repurchase intentions are lower and more sensitive to satisfaction (Anderson 1994). Further, in high involvement products, since the customer invests time and resources in understanding all the details about the product, he/she is more likely to notice "things gone right or wrong" (Anderson 1994). Additionally, low involvement products are repeatedly purchased, like CPG goods (e.g., salt, sugar, shampoo), and high involvement products (e.g., durables, cars, homes, education) are infrequently purchased. Therefore we propose that:

P4: The impact of satisfaction on direct contribution of the customer will be enhanced for products with low involvement.

Level of brand value Consumers use brands for creating individual identity, a sense of achievement and individuality for consumers (O'cass and Frost 2002). Brands create value for the consumer by creating positive feelings, aiding self-expression, and providing an overall feeling of having personal "good taste" in brand choice (Langer 1997). These expressions are more evident for brands with high value or for status brands. The value of the brand can be defined in terms of brand equity. Brand equity is the value that accrues to a product with its brand name compared to the value that would accrue if the same product did not have the brand name (Keller 2003). The higher the brand equity, the more value the brand possesses and the more positive beliefs consumers have about the brand (Pitta and Katsanis 1995).

Many consumers buy high value brands as a status symbol or because of social pressure. The expectation of quality for products of a high value brand is high; hence, the chances of disconfirmation are also high. Further, satisfaction is relatively more sensitive to perceived quality with ease of evaluating quality (Anderson 1994). Therefore, when consumers buy products with lower brand equity, their level of expectations from the brand is low, and hence the chances of disconfirmation are also low. Therefore, their level of satisfaction will be high, which will induce repurchase behavior. Hence, we propose that:

P5: The impact of satisfaction on direct contribution of the customer will be enhanced for a firm with low brand value.

Convenience is defined as the time and effort that consumers invest in purchasing a product, rather than being a characteristic or attribute of a product (Brown 1990). When consumers think of convenience, they focus on resources such as time, opportunity, and energy that they use to buy goods and services. Convenience in manufactured goods includes product size, preservability, packaging, and design, which can reduce consumers' time and effort in purchasing, storage, and use (Anderson and Shugan 1991). In the service industry, convenience is associated with reduced time or effort in shopping and could be presented in the form of extended operating hours or credit availability. Location is both a service and product convenience.

Convenience reduces the nonmonetary price of a product (Etgar 1978). There is a demand for convenience in the current market scenario, which could be attributed to socioeconomic changes, technological progress, more competitive business environments, and opportunity costs that have risen with rise in consumer incomes (Seiders, Berry, and Gresham 2000). Many firms are devoting more resources to providing convenience as part of a strategic shift to more effective customer management. Offering online shopping with in-store pick-up and/or returns through expedited shipping, saving customer details in online databases, and providing personalized buying suggestions are some of the actions firms take to ensure increased customer convenience. The level of satisfaction to direct contribution will be enhanced if the level of convenience for both ease of use and the availability of the product is high, as this will ensure that the consumer may repurchase the product. For example, if you are trying to buy a product that is never available in your local grocery store and if you have to drive 20 miles just to buy it, you would soon find a replacement for the same.

Similarly, you would also find a replacement for products that are difficult to use because of the type of packaging. Therefore, we propose that:

P6: The impact of satisfaction on direct contributions of the customer is enhanced by the level of convenience that the firm provides to its customers.

1.4.5 Effect of emotion on indirect contribution

Emotions have been classified as positive or negative (Watson, Clark, and Tellegen 1988). Positive emotion is an “energized and alert state of mind," and negative emotion is a state of "distress or aversive moods" (Watson, Clark, and Tellegen 1988). Some positive emotions are enthusiasm, laughter, empathy, action, and curiosity; negative emotions include grief, fear, hatred, shame, blame, regret, resentment, anger, and hostility. Understanding the emotions of consumers is important as emotions affect decision making, and the positive or negative outcome of a decision can profoundly affect the decision maker’s feelings (Schwarz 2000).

Emotions, a key affect component, are known to be associated with intense states of arousal that lead to focused attention on specific targets and may therefore impact ongoing behavior. Allen et al. (1992) have demonstrated that emotions act as a better predictor of behavior than do cognitive evaluations. While behavior can include purchases, it is more often word-of-mouth and feedback that is influenced by emotions since the customer feels part of the firm. Purchase behavior is predominantly influenced by satisfaction and only to a small extent by emotions given the utility derived from consumption has to be maximized. Thus, the dotted line in Figure 2 shows a weak relationship between emotions and customer purchases, Both the Theory of Reasoned Action (Engel, Blackwell, and Miniard 1995) and the "hierarchy of effects" models of consumer behavior (Lavidge and Steiner 1961) note that consumer emotions are a precursor to action. If brand managers win the hearts and minds of customers, then it is easier to retain and acquire customers. As mentioned earlier, customer contributions are not restricted only to customer repurchases as they also comprise referrals, social media interactions, and feedback to the company (Kumar 2013). Individuals who have positive emotions evaluate products more positively than individuals who have neutral or negative emotions (Isen and Means 1982); hence, their actions towards the brand would also be positive. Customers who are emotionally attached to the brand will treat the brand as their own and discuss the brand in online and offline conversations (Fedorikhin, Park, Thomson, 2008), may provide feedback about the brand (Nyer 1997 and Ladhari, 2007), and may even refer the brand to their friends and relatives (Baumeister et al., 2007). Therefore, we propose that:

P7: The higher the level of positive emotions of the customer towards the brand, the higher will be the indirect contribution of the customer.

1.4.6 Impact of moderators on the relationship between emotions and indirect contribution

Service vs. product: The effect of emotions on customer contributions may be evident in all customer transactions across industries. However, the magnitude of this relationship is higher in some scenarios. In the service sector where customers contribute to service quality through their roles as co-producers of the firm's service and knowledge consultants to the organization, we expect emotions to impact the indirect contribution of the customer. Bettencourt and Brown (1997) note that in the service industry the contact employees can induce positive emotional responses by spontaneous exceptional service during the service encounter.

Firms in the service industry are also aware of the same and hence focus not only on offering the best deals but also on building relationships with the customer. Wells Fargo is an example, given its focus on relationship banking. Further, in the service industry there is heterogeneity in every transaction based on the customer's emotions, as the service provider interacts with the customer based on his/her needs, attitudes, and emotions. Additionally, customers more often discuss their service experiences than their product usage experiences (Perry and Hamm 1969). A positive service interaction will make the consumer refer the brand to his friends and relatives and also provide feedback to the company. Therefore, we propose that:

P8: The impact of emotions on indirect contributions of the customer will be enhanced in the service industry.

B2B vs. B2C firms Brands use emotional advertisements to connect with customers in the B2C environment (Morrison and Crane 2007). Consumers primarily use emotions (personal feelings and experiences) rather than information (brand attributes, features, and facts) to evaluate brands (Murray 2013). In a B2B firm, the user and the decision maker may be two different individuals. The user may not have all the details (price, delivery, etc.) about the product to recommend or refer the product, and the decision maker may not be able to comment on the functionality of the product. Moreover, in a B2B environment, even if the user is emotionally connected with the brand, the level of commitment toward the firm would be limited, as the user does not deal with the brand.

Further, in a B2B setting, it is difficult to exhibit and communicate emotions. However, this is not the case in the B2C sector. In the B2C sector, emotions play an important role, as consumer actions are based on emotions. If a consumer is emotionally attached to the product, then there is a likelihood that he/she will recommend the product to his/her friends and family, provide feedback as he/she would want the product to be the best, and participate in the discussions about the product on social media. Hence, we propose that:

P9: The impact of emotions on indirect contribution of the customer will be enhanced for a B2C firm (vs. B2B firm).

Level of involvement: High involvement products/services require more information because of the importance of the products/services and the thought process related to it (Zaichkowsky 1987). Involvement leads to higher motivation, heightened arousal, and increased cognitive elaborations (Mano and Oliver 1993). This indicates that high levels of involvement strengthen the experience of emotions, in general. However, lower involvement products require minimal thought, and there is a tendency among customers to form a buying habit (Shah, Kumar and Kim 2014) with these products (Vaughn 1980). Studies in the psychology literature note that repeated actions have reduced emotional intensity (Wood, Quinn, and Kashy 2002). The Theory of Mind and Emotion (Mandler1975) discusses that emotions arise when there is an interruption of one's organized behavior sequence, which generates emotions. Since infrequently performed behaviors (e.g., high involvement products) and behaviors in unstable contexts are plausibly more likely than habitual behaviors (e.g., low involvement products) to encounter difficulties and interference, no habitual behaviors are more likely to be associated with emotions. Further, when consumers buy high involvement products they like sharing their experience and inform their network about their purchase. They would also like to provide feedback to the company, as they extensively research the product. Since they have gathered extensive knowledge about the product, (Suh and Yi 2006) they may refer the product to their friends and relatives. Therefore, we propose that:

P10: The impact of emotions on indirect contributions of customers will be enhanced for a higher involvement product/service.

Level of brand value: Great brands establish a lasting emotional connection with the target audience. They reach beyond the purely rational and economic level to arouse feelings of closeness, affection, and trust (Berry 2000). Since emotions influence customer decisions, brands have to transcend specific product features and benefits and penetrate people's emotions (Webber 1997). Brands that make the customer "happy", "joyful" or "affectionate" cause a stronger attitudinal commitment and purchase loyalty (Matzler et al. 2006).

Further, many high brand value products are bought by consumers as they have a status and prestige attached to them and customers like displaying these products (Ordabayeva and Chandon, 2011).Therefore, the higher the brand equity/value of the firm, the higher will be the indirect contribution (referrals, feedback to the company, and discussion on social media) of the consumers. Further, consumers have higher expectations of brands that have higher brand equity (Pitta and Katsanis 1995). Therefore, the level of attachment with these brands is also higher. If such brands disappoint, the magnitude of the negative effect would be higher as compared to brands with lower brand equity. Therefore, we propose that:

P11: The impact of emotions on indirect contribution of the consumer will be enhanced for a firm with higher brand value.

Convenience influences customer evaluation and purchase behavior (Seiders et al. 2005). Ensuring customer loyalty is not sufficient; however, it is necessary for maintaining positive customer relationships (Keaveney 1995). Since convenience conserves time and effort, it provides consumers more opportunities to fulfill their intent. The intent of a customer with the firm goes beyond purchases as discussed in the customer engagement concept (Kumar 2013). Only if it is convenient for the customers to interact with the firm across all possible touch points would they be willing to provide any references and/or feedback and to promote the firm on various social media platforms. Therefore, we propose that:

P12: The impact of emotions on indirect contributions of the customer is enhanced by the higher level of convenience that the firm provides to its customers.

1.4.7 Consequences of customer engagement

The contributions (both direct and indirect) of customers can have tangible (direct) and intangible (indirect) benefits to the firm. The tangible benefits can be seen in the form of firm performance (higher profits, revenue, or market share). Customer repurchases directly impact firm performance (Kumar 2013). However, customer discussions about the brand on social media create a ripple effect to a wide group of potential customers (Hogan, Lemon, and Libai 2003), thereby inducing them to experience the company's product/services. This would indirectly impact firm performance, as has been demonstrated in the literature by Kumar (2013). The feedback that consumers provide may help firms either improve their product/service and/or generate new ideas for new product development (Kumar and Bhagwat 2010). Both of these activities would help firms improve their performance, as they would have a better product/service or a more developed new product. The relationship between customer engagement and tangible firm performance has been established by Kumar and Pansari (2016). Further, the link between Customer Lifetime Value (CLV) and firm valuation has also been well established in the literature (Kumar and Shah 2009). Therefore, we are not offering a proposition on the relationship between CLV (purchases) and firm performance.

Some of the intangible benefits of customer engagement are in the form of permission marketing, privacy sharing, and the ability to make marketing messages more relevant. When companies seek their customers' permission to send them marketing messages, it is known as permission marketing (Godin 1999). Permission marketing creates a channel for two-way interaction and customer engagement, which is considered crucial for firm value creation. Permission marketing can be in the form of customers signing up to receive the firm's marketing contents (opt in); opt out is when the firm sends the customer marketing contents and the customer has the ability to decline this interaction. If the customer is emotionally connected to the company, the customer may enthusiastically interact with firms by joining their e-mail programs voluntarily, proactively downloading their mobile applications, and following their social media accounts. Such a customer is also more likely to opt in to the firm's marketing content and his/her chances of opting out will be lower. This will also result in increased actions by the customer (Kumar, Zhang, and Luo 2014).

Another intangible benefit that the firm gets from highly engaged customers is the heightened trust that they have in the firms, and hence a willingness to provide the firm with more information about themselves. This could be in the form of allowing access to their social media pages, or by giving firms permission to use their information. This information can then be used by firms to better understand its customers and engage with them accordingly.

It is a challenge to determine what the customer wants. Many firms tend to offer all customers every product/service that they have, irrespective of the customers' actual specific wants, needs, and preferences. However, this may annoy some customers, and the firm could lose potential customers and the ROI from the marketing investment to these customers (Kumar, Venkatesan, and Reinartz 2006). Therefore, it is important for firms to understand the specific needs of each of their customer segments. By examining privacy preferences and the number of marketing communications that the customer has opted in/out, the firm can gauge whether the consumer prefers little or regular marketing communication. Such individual-level assessments would help a firm personalize its marketing program and send selective but highly targeted and relevant communication to customers who prefer them. This would help the firm in maximizing its ROI. But the firm would have easy access to such individual-level information only if the customer is engaged with the firm (emotionally and behaviorally). Therefore, we propose:

P13: The higher the customer's engagement (direct and indirect contribution), the higher will be his/her probability to (a) opt in to the firm's marketing program, (b) provide the firm access to his/her personal information, and (c) enable the firm to provide relevant marketing communication.

1.5 Managerial implications

Given that satisfaction positively influences direct contribution, and emotions influence the indirect contributions of customers, companies have to find ways to manage both satisfaction and emotion in a positive way to maximize both the direct and indirect contribution. This section focuses on the managerial implications derived from our conceptualization of the components of customer engagement and its antecedents and consequences.

Customer engagement matrix

We suggest a set of strategies in the form of a 2X2 matrix as shown in Figure 3 for managing both satisfaction and emotion. The intensity of emotions can be low or high, and the level of satisfaction can also be low or high. We name each of the four cells as follows: True Love (high emotion–high satisfaction), Attraction (low emotion–high satisfaction), Passion (high emotion–low satisfaction) and Indifference (low emotion–low satisfaction). Next, we discuss the specific strategies to effectively manage each of these four cells.

--- Insert Figure 3 here ---

Indifference: When customers exhibit a lower state of emotions and satisfaction, which suggests an overall neutral disposition toward a firm, we categorize these customers as indifferent. In this stage, the consumer has low positive emotions and low levels of satisfaction. The customer interacts with the firm only if the firm can fulfill a current need and if there are not many options available to the customer. Therefore, we call them “fill in need” customers. This indifference could be the result of various factors. First, the need for the product/service could be low. Second, the size of the wallet could be low, resulting in the customer not being able to afford the product/service. Third, the product/service could be used due to convenience, and therefore no emotion and/or satisfaction is realized. Once the firm understands why the customer is indifferent, it can create strategies to find a way to be relevant to indifferent customers and convert them. However, the long-term strategy is to convert these customers to transact more, form a strong relationship, and become more engaged.

Passion: For certain product categories, customers have high positive emotions toward the firm, but low levels of satisfaction, for example, with a sports franchise. Attending only one game in a season for a sports team is enough to exhibit the emotion, but it may not result in a satisfied outcome. However, the yearning to go to more games may keep the fan’s satisfaction checked. We call such customers “altruistic focused,” since they are not satisfied but still have high positive emotions toward the firm. The low levels of satisfaction could also be due to the disconfirmation in expectations of the customer. If the level of satisfaction is low due to poor service, low quality of product, or unmet expectations of the customer, then a good strategy is to use the emotional connection of the customer to attract other fans to the sports game. The objective here is to maintain the high emotional attachment and hope to improve the level of satisfaction by providing better experience. Among the customers in the passion segment, the customers who are most likely to be responsive to a better customer experience can be profiled and recruited via a marketing campaign to create a raving fan base.

Attraction: In some product categories, customers buy products/services from the firm and are satisfied with the firm, but have low positive emotions toward the firm. These customers are "value focused." Examples of such behavior include a customer choosing an airline solely owing to the presence of a hub, or transacting with a bank's ATM due to the convenience of its location. A firm could be content with realizing higher revenues from this group of satisfied customers, as they would contribute directly to the firm's profit through purchases. However, for a long-term relationship and accruing the benefits of the customer's indirect contribution, the firm should try to create a deeper and more emotional connection with such customers by duly identifying/recognizing the high fliers, surprising them with gifts/coupons, and/or inviting them for special events such as sports games or movie openings from time to time. The objective of the firm's strategy is to provide maximum value to the customer, such that he/she displays a high positive emotion toward the brand. This would help the firm to move the customer from the attraction segment to the true love segment.

True love: In these cases, customers have already been won over by the firm. They are highly satisfied and have high positive emotions with the firm. This is the ideal stage in which a firm would want all of its customers to be. The goal of the firm in this stage should be to keep increasing the emotional connection and sustain the high level of satisfaction of these customers. Hence the customers are "engagement focused." The strategy in this stage focusses on ensuring maximum levels of engagement. Firms typically try to increase the size of this segment over time as it enables profit maximization through both direct and indirect contribution. These customers are also tough for competitors to poach unless there is a large and obvious value difference that the customers experience/perceive. Only an innovation that is purely disruptive in nature can be a significant force in luring such customers. For example, the presence of Uber has successfully dethroned local cab companies given the large value difference. For Uber customers, periodic communication and interactions to let them know how much they are valued and also rewarding them with surprise gifts or invitations will go a long way in retaining them.

Influencing direct contribution

Once the firm manages the level of satisfaction and emotions of its customers, it can have a positive impact on the direct and indirect contributions of its customers. The question that still remains is in what ways a firm can extract more value from a satisfied and an emotionally connected customer.

Buying: Direct contribution is measured in the form of purchases. Past studies have identified over a dozen ways of influencing buying behavior due to being satisfied. These strategies are termed as the "Wheel of Fortune strategies" by Kumar (2008). Each of these strategies has been implemented in various firms generating an ROI of over 8 to 10 times. Examples of these strategies include optimizing the marketing resource allocation, pitching the right product to the right customer at the right time, and inducing multichannel shopping.

Influencing indirect contribution

An emotionally connected customer can be a significant force in generating indirect contributions for the firm by being an advocate or a co-creator.

Referring: Referrals can be influenced by targeting the medium CLV customers and providing them with incentives that are both transaction based and milestone based in a B2C setting (Kumar et al. 2010). In a B2B context, Kumar et al. (2013) illustrate the need for creating client references that have a longer tenure of buying, higher revenues, and a larger number of employees. They suggest that a reference will be most effective when it is presented as a video, has product, role, and industry congruence. Firms implementing the suggested strategies have shown profit gains of 30% to 50%. In a B2C context, customers who have longer tenure and medium profits are more effective in bringing profitable prospects.

Social media influencing: In order to identify the influencers in social media, many metrics have been proposed. One of the metrics is the Klout score, which ranges from 1 to 100 and provides a general score of how many other people an individual can influence on social media. It is not based on a particular product category or service but is based on the complete social media usage of the individual. Kumar et al. (2013) further build upon the Klout score metric to offer a dollar metric by identifying influencers in social media for each category using eight drivers such as activeness, generosity, reciprocity, and like-mindedness. They term this dollar metric as Customer Influence Value (CIV). One of the biggest benefits of identifying influencers using CIV is that for firms implementing a social media marketing campaign, not only is awareness created but there also is a conversion to sales. For instance, when Kumar et al. (2013) implemented this CIV-based influence marketing strategy for an ice cream retailer, Hokey Pokey, it increased the brand awareness by 49%, sales growth by 40%, and the

ROI by 83%. Thus, the use of the eight critical drivers to influence the message spread and conversion to sales is a fruitful strategy.

Feedback: Customers should be encouraged to provide feedback by almost all service providers and in many situations by product manufacturers also. For example, in the introduction of Hover boards during the 2015 holiday season there was a furor over the explosion of some Hover boards as well as users falling over due to not being able to balance. The transportation of this toy has also been banned by many airlines. Therefore, it is expected that the Hover board manufacturer will recall the product and release it after addressing the issues that have been raised by customers who have had first-hand experiences with the product.

Many companies have idea forums for customer feedback. For instance, Delta has created *Ideas in Flight*, Dell has created *Idea Storm*, BMW has created *Innovation Lab*, and Best Buy has created the *Blue Label Strategy* to collect new product/service ideas from the customer base in the form of feedback. Taking this a step further, companies are now incentivizing such feedback in tangible ways. Microsoft, for instance, shares revenues with the provider of the ideas, and IBM provides customers royalty when using/implementing software created by them.

1.6 Conclusion

Overall, firms have to learn the art and the science of managing customers to engage them in a profitable and sustainable manner if they have a satisfied and emotionally connected set of customers. The objective of this study is to offer a conceptual framework for customer engagement. To do so, we not only review the relevant academic work but also review practice in the business world.

A key contribution of this study is a new perspective on the theory of engagement. We argue that customers become engaged with the firm when a relationship based on trust and commitment is satisfying and has emotional bonding. We discuss the process of CE by focusing on both the direct and the indirect contributions of CE. We also discuss, in detail, the antecedents (satisfaction and emotion) and consequences (tangible and intangible) of CE. We propose that the relationship between satisfaction and direct contribution will be enhanced in a service industry, in a B2B firm, for products with lower level of involvement, and for products with low brand value and firms that provide a higher level of convenience. Similarly, we propose that the relationship between emotions and indirect contribution of the customer will be enhanced in a service industry, B2C firm, for products with a higher level of involvement, and for products with high brand value and firms that provide a higher level of convenience.

Future research can provide additional meaningful insights by testing this framework over a period of time and across industries. Since satisfaction and emotions can be frequently updated with small changes in the firms' actions, it would be interesting to use data across multiple time periods to understand the time-varying effects of satisfaction and emotions on customer behavior, and customer behavior on firm performance. Further, it would also be useful to see how this framework applies to different countries and continents since the culture of the country may play a prominent role in how the customers display emotion. The influence of emotions on actions can vary across customers and that can be taken into account by capturing heterogeneity in an empirical analysis.

It would also be interesting to understand the impact of the customer engagement framework in different scenarios like in the education context where the students are the customers, or in the non-profit context (donor engagement) where the donors would be the customers. This, would in turn, help universities and charitable organizations in optimizing their performance, which would be beneficial to the society as a whole.

References

Ailawadi, K. L., Lehmann, D. R., & Neslin, S. A. (2003). Revenue premium as an outcome measure of brand equity. *Journal of Marketing*, *67*(4), 1-17.

Allen, C. T., Machleit, K. A., & Kleine, S. S. (1992). A comparison of attitudes and emotions as predictors of behavior at diverse levels of behavioral experience. *Journal of Consumer Research*, 18(4), 493-504.

Anderson, E. W. (1994). Cross-category variation in customer satisfaction and retention. *Marketing Letters*, *5*(1), 19-30.

--------------- & Sullivan, M. W. (1993). The antecedents and consequences of customer satisfaction for firms. *Marketing science*, *12*(2), 125-143.

------------- & Shugan, S. M. (1991). Repositioning for changing preferences: The case of beef versus poultry. *Journal of Consumer Research*, 18(2), 219-232.

------------Fornell, C., & Lehmann, D. R. (1994). Customer satisfaction, market share, and profitability: Findings from Sweden. *The Journal of Marketing*, 58(3), 53-66.

Bagozzi, R. P., Gopinath, M., & Nyer, P. U. (1999). The role of emotions in marketing. *Journal of the Academy of Marketing Science*, *27*(2), 184-206.

Baumeister, R. F., Vohs, K. D., DeWall, C. N., & Zhang, L. (2007). How emotion shapes behavior: Feedback, anticipation, and reflection, rather than direct causation. *Personality and Social Psychology Review*, *11*(2), 167-203.

Berry, L. L. (1995). Relationship marketing of services—growing interest, emerging perspectives. *Journal of the Academy of Marketing Science*, *23*(4), 236-245.

_________. (2000). Cultivating service brand equity. *Journal of the Academy of Marketing Science*, *28*(1), 128-137.

________ and Parasuraman, A. (1991). Marketing service. Competing through Quality, New York.

Bettencourt, L. A., & Brown, S. W. (1997). Contact employees: Relationships among workplace fairness, job satisfaction and prosocial service behaviors. Journal of Retailing, 73(1), 39-61.

Bolton, R. N., & Drew, J. H. (1991). A multistage model of customers' assessments of service quality and value. *Journal of Consumer Research*, 17(4), 375-384.

Boulding, W., Kalra, A., Staeling, R., & Zeithaml, V. A. (1993). A dynamic process model of service quality: from expectation to behavioral intentions. *Journal of Marketing Research*, *30*(1), 7–27.

Bowden, J. L. H. (2009). The process of customer engagement: a conceptual er seframework. *Journal of Marketing Theory and Practice*, *17*(1), 63-74.

Brodie, R. J., Hollebeek, L. D., Juric, B., & Ilic, A. (2011). Customer engagement: conceptual domain, fundamental propositions, and implications for research. *Journal of Service Research*, *14*(3) 252-271.

Brown, L. G. (1990). Convenience in services marketing. *Journal of Services Marketing, 4(1)*, 53-59.

Bruner II, G.C., Gordon, C., James, K.E., & Hensel, P.J., (2001). *Marketing Scales Handbook Volume III.* American Marketing Association.

Business Insider (2013). "How Dove's real beauty sketch became the most viral video ad of all time." Retrieved January 10, 2016 from http://www.businessinsider.com/how-doves-real-beauty-sketches-became-the-most-viral-ad-video-of-all-time-2013-5

Carù, A., & Cova, B. (2007). Consuming experiences. Consuming experience, 34-47.

Chakravarty, A., Kumar, A., & Grewal, R., (2014). Customer Orientation Structure for Internet-Based Business-to-Business Platform Firms. *Journal of Marketing 78*(5), 1-23.

Churchill Jr, G. A., & Surprenant, C. (1982). An investigation into the determinants of customer satisfaction. *Journal of Marketing Research*, 491-504.

Delgado-Ballester, E., & Luis Munuera-Alemán, J. (2001). Brand trust in the context of consumer loyalty. *European Journal of Marketing*, *35*(11/12), 1238-1258.

Engel, J. F., Blackwell, R. D., & Miniard, P. W. (1995). *Consumer Behavior, 8th.* New York: Dryder.

Etgar, M. (1978). The household as a production unit. *Research in Marketing*, *1*, 79-98.

Fedorikhin, A., Park, C. W., & Thomson, M. (2008). Beyond fit and attitude: The effect of emotional attachment on consumer responses to brand extensions. *Journal of Consumer Psychology*, 18(4), 281-291.

Fornell, C. (1992). A national customer satisfaction barometer: The Swedish experience. *The Journal of Marketing*, *56* (1), 6-21.

Gallup (2014). "The financial and emotional benefits of fully engaged bank customers." Retrieved March 15 2016 from http://www.gallup.com/opinion/gallup/173255/financial-emotional-benefits-fully-engaged-bank-customers.aspx

Godin, S. (1999). Permission marketing: Turning strangers into friends and friends into customers. Simon and Schuster.
Gupta, S., Lehmann, D. R., & Stuart, J. A. (2004). Valuing customers. *Journal of Marketing Research*, *41*(1), 7-18.

Hogan, J.E., Lemon, K.N., & Libai B. (2003). What Is the True Value of a Lost Customer? *Journal of Service Research, 5*(3), 196-208.

Hollebeek, L. (2011). Exploring customer brand engagement: definition and themes. *Journal of Strategic Marketing*, *19*(7), 555-573.

Homburg, C., & Giering, A. (2001). Personal characteristics as moderators of the relationship between customer satisfaction and loyalty—An Empirical analysis. *Psychology & Marketing*, *18*(1), 43-66.

Isen, A. M., Means, B., Patrick, R., & Nowicki, G. (1982). Some factors influencing decision making strategy and risk-taking. In *Affect and cognition: The 17th annual Carnegie Mellon symposium on cognition* (pp. 241-261). Psychology Press.

Joshi, A.W., & Sharma, S., (2004) Customer Knowledge Development: Antecedents and Impact on New Product Performance. *Journal of Marketing* 68(4), 47-59.

Keaveney, S. M. (1995). Customer switching behavior in service industries: An exploratory study. *The Journal of Marketing*, 71-82.

Keller, K.L. (2001). Building Customer-Based Brand Equity: A Blueprint for Creating Strong Brands. *Marketing Science Institute Working Paper Series.* 3-38.

Keller, K.L. (2003). Building, measuring, and managing brand equity, *International Edition, Pearson Edition.* Prentice Hall.

Keiningham, T. L., Goddard, M. K., Vavra, T. G., & Iaci, A. J. (1999). Customer delight and the bottom line. *Marketing Management*, *8*(3), 57.

Kitayama, S., Markus, H. R., & Kurokawa, M. (2000). Culture, emotion, and well-being: Good feelings in Japan and the United States. Cognition & Emotion, 14(1), 93-124.

Klaus, P. & Maklan, S. (2011). Towards a Better Measure of Customer Experience. *International Journal of Market Research*, *55*(2), 227-246.

Kolowich . L (2015). 12 of the best marketing and advertising campaigns of all time. Blog. hubspot.com

Kumar, V. (2008). *Managing Customers for Profit.* Wharton School Publishing.

-----------. (2013).” Profitable Customer Engagement: Concept, Metrics and Strategies.” SAGE Publications, India.
-----------, Aksoy, L., Donkers, B., Venkatesan, R., Wiesel, T., & Tillmanns, S. (2010). Undervalued or overvalued customers: capturing total customer engagement value. *Journal of Service Research*, *13*(3), 297-310.

----------- & Bhagwat, Y. (2010). Listen to the customer. *Marketing Research*, *22*(2), 14-19.

-------------- Ghosh, A., & Tellis, G. J. (1992). A decomposition of repeat buying. Marketing Letters, 3(4), 407-417.

-------, Luo, A., &, Rao V., (2015). Linking Customer Brand Value to Customer Lifetime Value. *Working Paper*

---------, Pansari, A., (forthcoming). Competitive Advantage through Engagement. *Journal of Marketing Research In-Press.*

---------, Venkatesan, R., & Reinartz, W. (2006). Knowing what to sell, when, and to whom. *Harvard Business Review, 84*(3), 131-137.

--------, Zhang, X., & Luo, A. (2014). Modeling customer opt-in and opt-out in a permission-based marketing context. *Journal of Marketing Research*, *51*(4), 403-419.

LaBarbera, P. A., & Mazursky, D. (1983). A longitudinal assessment of consumer satisfaction/dissatisfaction: the dynamic aspect of the cognitive process. *Journal of Marketing Research*, 20 (4), 393-404.

Lavidge, R.J., & Steiner, G.A., (1961). A model for predictive measurements of advertising effectiveness. *Journal of Marketing. 25*(October) 59-62.

Lynch, J., & De Chernatony, L. (2004). The power of emotion: Brand communication in business-to-business markets. *The Journal of Brand Management*, *11*(5), 403-419.

Murray Noel Peter (2013). How emotions influence what we buy- The emotional core of consumer decision making. Psychology Today. Retrieved April 10, 2016 from https://www.psychologytoday.com/blog/inside-the-consumer-mind/201302/how-emotions-influence-what-we-buy

Mandler, G. (1975). *Mind and Emotion*. Krieger Publishing Company.

Matzler, K., Bidmon, S., & Grabner-Kräuter, S. (2006). Individual determinants of brand affect: the role of the personality traits of extraversion and openness to experience. *Journal of Product & Brand Management, 15(7)*, 427-434.

Mano, H., & Oliver, R. L. (1993). Assessing the dimensionality and structure of the consumption experience: evaluation, feeling, and satisfaction. *Journal of Consumer Research*, *20*(3) 451-466.

Mittal, V., & Kamakura, W. A. (2001). Satisfaction, repurchase intent, and repurchase behavior: Investigating the moderating effect of customer characteristics. *Journal of Marketing Research*, *38*(1), 131-142.

Moorman, C., Zaltman, G., & Deshpande, R. (1992). Relationships between providers and users of market research: the dynamics of trust within and between organizations. *Journal of Marketing Research*, 29(3), 314.

------------------ Deshpande, R., & Zaltman, G. (1993). Factors affecting trust in market research relationships. *Journal of Marketing, 57(1)*, 81-101.

Morgan, R. M., & Hunt, S. D. (1994). The Commitment-Trust Theory of Relationship Marketing. *Journal of Marketing*, *58*(3) 20-38.

Morrison, S., & Crane, F. G. (2007). Building the service brand by creating and managing an emotional brand experience. *Journal of Brand Management*, *14*(5), 410-421.

Langer, J. (1997). What consumers wish brand managers knew? *Journal of Advertising Research*, *37*(6), 60-66.

Lee, R.P., & Grewal, R. (2004). Strategic Responses to New Technologies and Their Impact on Firm Performance. *Journal of Marketing*, *68*(4) 157-171.

Lewin, K. (1938). The conceptual representation and the measurement of psychological forces.

O'cass, A., & Frost, H. (2002). Status brands: examining the effects of non-product-related brand associations on status and conspicuous consumption. *Journal of Product and Brand Management*, *11*(2), 67-88.

Oliver, C. (1997). Sustainable competitive advantage: Combining institutional and resource-based views. *Strategic management journal*, *18*(9), 697-713.

Oliver, R. L (1980). A cognitive model of the antecedents and consequences of satisfaction decisions. *Journal of marketing research*, 460-469.

----------------- (1999). Whence consumer loyalty? *The Journal of Marketing*, 33-44.

Ordabayeva, N., & Chandon, P. (2011). Getting ahead of the Joneses: When equality increases conspicuous consumption among bottom-tier consumers. *Journal of Consumer Research*, *38*(1), 27-41.

Pitta, D. A., & Prevel Katsanis, L. (1995). Understanding brand equity for successful brand extension. *Journal of Consumer Marketing, 12(4)*, 51-64.

Reinartz, W., & Kumar, V (2002). The mismanagement of customer loyalty. *Harvard Business review*, *80*(7), 86-95.

Reichheld, Frederick P., and W. Earl Sasser (1990). Zero defections: Quality comes to services. *Harvard Business Review* 68 (5), 105-111.

Richins, M.L. (1997). Measuring Emotions in the Consumption Experience. *Journal of Consumer Research*, *24*(2), 127-146.

Rust, R. T., & Zahorik, A. J. (1993). Customer satisfaction, customer retention, and market share. *Journal of Retailing*, *69*(2), 193-215.

---------, Lemon, K. N., & Zeithaml, V. A. (2004). Return on marketing: Using customer equity to focus marketing strategy. *Journal of Marketing*, *68*(1), 109-127.

Schwarz, N., (2000). Emotion, cognition, and decision making. *Cognition and Emotion, 14*(4), 433-440.

Schmitt, P., Skiera, B., and Van den Bulte, C., (2011). Referral Programs and Customer Value. *Journal of Marketing 75*(1), 46-59.

Sedley Richard (2010) eConsultancy & CScape.*4th Annual Online Customer Engagement Report*

Seiders, K., Berry, L. L., & Gresham, L. G. (2000). Attention, retailers! How convenient is your convenience strategy? *MIT Sloan Management Review*, *41(3)*, 79.

Seiders, K., Voss, G. B., Grewal, D., & Godfrey, A. L. (2005). Do satisfied customers buy more? Examining moderating influences in a retailing context. *Journal of Marketing*, *69*(4), 26-43.

Seiders, K., Voss, G. B., Grewal, D. & Godfrey, A. L. (2007). SERVCON: development and validation of a multidimensional service convenience scale. *Journal of Academy of Marketing Science*, *35(1)*, 144-156.

Shah, D., Kumar, V., & Kim, K. H. (2014). Managing Customer Profits: The Power of Habits. *Journal of Marketing Research, 51*(6), 726-741.

Shankar, V., Smith, A. K., & Rangaswamy, A. (2003). Customer satisfaction and loyalty in online and offline environments. *International Journal of Research in Marketing*, *20*(2), 153-175.

Spreng, R.A., Mackenzie S.B., & Olshavsky R.W. (1996). A Reexamination of the Determinants of Consumer Satisfaction. *Journal of Marketing*, *60*(3), 15-32.

Spreng, R. A., & Mackoy, R. D. (1996). An empirical examination of a model of perceived service quality and satisfaction. *Journal of retailing*, *72*(2), 201-214.

Suh, J. C., & Youjae, Y. (2006). When brand attitudes affect the customer satisfaction-loyalty relation: The moderating role of product involvement. *Journal of Consumer Psychology*, *16*(2), 145-155.

Thibaut, J. W., & Kelley, H. H. (1959). The social psychology of groups.
Trusov, M., Bucklin, R.E., & Pauwels, K. (2009). Effects of Word-of-Mouth Versus Traditional Marketing: Findings from an Internet Social Networking Site. *Journal of Marketing 73*(5) 90-102.

Van Doorn, J., Lemon, K. N., Mittal, V., Nass, S., Pick, D., Pirner, P., & Verhoef, P. C. (2010). Customer engagement behavior: Theoretical foundations and research directions. *Journal of Service Research*, *13*(3), 253-266.

Vaughn, R. (1980). How advertising works: A planning model. *Journal of advertising research*, *20*(5), 27-33.

Vavra, T. G. (1997). *Improving your measurement of customer satisfaction: A guide to creating, conducting, analyzing, and reporting customer satisfaction measurement programs*. ASQ Quality Press.

Verhoef, P. C., Reinartz, W. J., & Krafft, M. (2010). Customer engagement as a new perspective in customer management. *Journal of Service Research*, *13*(3), 247-252.

Vivek, S. D., Beatty, S. E., & Morgan, R. M. (2012). Customer engagement: Exploring customer relationships beyond purchase. *Journal of Marketing Theory and Practice*, *20*(2), 122-146.

Watson, D., Clark, L. A., & Tellegen, A. (1988). Development and validation of brief measures of positive and negative affect: the PANAS scales. *Journal of Personality and Social Psychology*, *54*(6), 1063.

Webber, A. M. (1997) What Great Brands Do—An Interview of Scott Bedbury Fast Company 10 (August-September): 96-100.

Wood, W., Quinn, J. M., & Kashy, D. A. (2002). Habits in everyday life: thought, emotion, and action. *Journal of Personality and Social Psychology*, *83*(6), 1281.

Yi, Y. (1990),” A critical review of consumer satisfaction”, Zeithaml, V.A. (Ed.), Review of Marketing, Vol. 4, *America Marketing Association*, Chicago, IL, pp. 68-123.

Zaichkowsky, J. L. (1985). Measuring the Involvement Construct. *Journal of Consumer Research*, *12*(3), 341-352.

Zaichkowsky, J. L. (1987). The emotional effect of product involvement. *Advances in Consumer Research*, *14*, 32-35.

Table 1: Constructs Related to Customer Engagement

Related Constructs	Definition	Operational definition	Relationship to customer engagement (CE)	Other comments
Customer involvement	A person's perceived relevance of the object based on inherent needs, values, and interests (Zaichowsky 1985, p 342)	Zaichowsky (1985) provides a 20-item scale. Some of the items of the scale reflect the importance, relevance, value, excitement, appeal, want, and benefits of the product. These items are measured as a 7-point semantic differential scale. The reliability of this scale exceeds 0.90. Other scales to measure involvement are Putrevu and Lord (1994); Ratchford (1987); Kim and Lord (1991).	Involvement is viewed as motivating the customer to seek information that may be used to manage and moderate any potential risk inherent in the decision-making process (Delgado-Ballester and Munuera-Aleman 2001). This would occur before the customer makes a purchase. CE includes the customer purchases and other indirect effects.	The search process would also help customers set expectations for the product/service, which would affect the relationship between the level of satisfaction, emotion, and the actions. Therefore, the level of involvement would moderate the relationship between emotions, satisfaction, and CE.
Customer experience	It is holistic in nature and involves the customer's cognitive, affective, emotional, social and physical responses to the entity, product and service (adapted from Verhoef et al. 2009).	Gentile (2007) identifies 6 factors for CE – sensorial, emotional, cognitive, pragmatic, lifestyle, and relational – measured these with a four-point scale. Other scales measuring experience are Olson, Walker and Ruekert (1995); Froehle and Roth (2004); Klaus and Maklan (2011).	Customer experience is a cognitive measure that is an outcome of the firm's actions and may not include the actions of the customer toward the firm. However, CE is a measure of the customers' actions toward the firm.	Customer experience can be at various levels and for various marketing activities like experience with the promotion, price, location, merchandise, etc.
Customer satisfaction	A judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under- or over fulfillment (Oliver, 1997, p. 13).	Bruner et al. (2001) suggest a generalized set of 12-item scales measuring various aspects of the purchase and use of the product and service with a high average reliability of over 0.9. Other scales to measure satisfaction are Spreng and Mackory (1996); Eroglu and Machleit (1990); Spreg, MacKenzie and Olshavsky (1996).	If a customer is satisfied with a product or service then he may buy the product/service again. However, if the customer is engaged with the firm, he would go beyond purchases and provide referral, talk about the brand on social media, and provide feedback to the company, all of which are components of CE	Customer satisfaction has been linked to firm profits and shareholder value.
Customer loyalty	A favorable attitude toward a brand resulting in consistent purchase of the brand over time (Assael, 1992).	Mittal (1994) provides a 3-item scale measuring consumers preference to a few brands and limiting their purchases to the same. It is measured using a 5-point Likert scale and the reliability of this scale is 0.76. Other scales for measuring customer loyalty are Bettencourt (1997) and Zeithmal, Berry and Parasuraman (1996).	Loyalty measures only repeated purchase transactions of the customer and focuses only on the revenue of the firm. CE focusses on four different behaviors of customer (purchases, referrals, influence, and feedback). Further, CE goes beyond the revenue of the firm and looks at overall firm profits.	The loyalty of the customer could be toward the brand, the product or the employee of the company. Loyalty can be either attitudinal or/and behavioral.
Customer trust	Willingness to rely on an exchange partner in whom one has confidence (Moorman, Deshpande, and Zaltman (1993, p. 82).	Garbarino and Johnson (1999) develop a scale for consumer trust which measures confidence in quality and reliability, perceptions of risk and variability. They use a 5-point Likert scale to measure the items.	Trust is the breadth of the attitude toward the brand, which is embedded in CE in the form of enhanced purchases, referrals, and word-of-mouth.	Trust is one of the two components of the relationship marketing framework.
Customer commitment	An enduring desire to maintain a valued relationship (Moorman, Zaltman, and Deshpande 1992, p. 316).	Garbarino and Johnson (1999) develop a scale for commitment which captures the identification with the company, psychological attachment, concern with long-term welfare, and loyalty. They use a 5-point Likert scale to measure the items.	Commitment is the depth of the attitude toward a brand, which is embedded in the CE framework in the form of spending more resources (time and money).	Commitment is one of the two components of the relationship marketing framework.

Customer brand value	The differential effect of a customer's brand knowledge, brand attitude, brand purchase intention, and brand behavior on his or her response to the marketing of a brand (Kumar, Luo, and Rao 2015).	Kumar (2013) provide a scale that reflects brand awareness, image, trust, affect, loyalty, advocacy, purchase intention, and price premium. Each of these measures is measured on a 1-10 scale. The reliability of the scale items exceeded over 0.80 (Kumar, Luo, and Rao 2015).	Customer brand value offers a quantitative view of the customer perceptions of the brand. It interacts with the components of CE to develop a good customer–firm relationship.	Customer-based brand equity is the summation of the customer's individual brand value.

Table 2: Select Literature Review on Customer Engagement

Study	Type of firm	Attitude-based	Behavior-based	Conceptual/ empirical	Definition	Comments/remarks
Bowden (2009)	B2C	Yes	Yes	Conceptual	A psychological process that models the underlying mechanisms by which customer loyalty forms for new customers of a service brand as well as the mechanisms by which loyalty may be maintained for repeat purchase customers of a service brand.	Satisfaction, calculative commitment for new customers, involvement and trust for existing customers, affective commitment, and brand loyalty are the various measures used to explain the process of CE.
Van Doorn et al. (2010)	B2C	No	Yes	Conceptual	Customers' behavioral manifestation toward a brand or firm, beyond purchase, resulting from motivational drivers such as word-of mouth activity, recommendations, helping other customers, blogging, writing reviews.	Valence, form/modality, scope, nature of impact, and customer goals are the dimensions of the CE framework.
Brodie et al. (2011)	B2C	Yes	No	Conceptual	A psychological state that occurs by virtue of interactive, cocreative customer experiences with a focal agent/object (e.g., a brand) in focal service relationships. It occurs under a specific set of context dependent conditions generating differing CE levels; and exists as a dynamic, iterative process within service relationships that cocreate value. CE plays a central role in a nomological network governing service relationships in which other relational concepts (e.g., involvement, loyalty) are antecedents and/or consequences in iterative CE processes. It is a multidimensional concept subject to a context- and/or stakeholder-specific expression of relevant cognitive, emotional, and/or behavioral dimensions.	Illustrates the conceptual domain of CE through service dominant logic.
Vivek, Beatty, and Morgan (2012)	B2C	Yes	Yes	Conceptual	The intensity of an individual's participation and connection with the organizations offerings and activities initiated by either the customer or organization.	Value, trust, affective commitment, word-of-mouth, loyalty, and brand community involvement are consequences of customer engagement.
Hollebeek (2011)	B2C	Yes	Yes	Conceptual	The level of customers' motivational, brand-related, and context-dependent state of mind characterized by specific levels of cognitive, emotional, and behavioral activity in brand interactions.	Cognitive, emotional, and behavioral activity are the components of the customer brand engagement

Kumar et al. (2010)	B2B & B2C	Yes	Yes	Conceptual	(1) Customer purchasing behavior, whether it be repeat purchases or additional purchases through up-selling and cross-selling (corresponding to Customer Lifetime Value [CLV]). (2) Customer referral behavior as it relates to the acquisition of new customers through a firm initiated and incentivized formal referral programs (extrinsically motivated; corresponding to Customer Referral Value [CRV]).(3) Customer influencer behavior through customers' influence on other acquired customers as well as on prospects [CIV]).(4) Customer knowledge behavior via feedback provided to the firm for ideas for innovations and improvements, and contributing to knowledge development (extrinsically or intrinsically motivated; corresponding to Customer Knowledge Value [CKV]).	Customer Lifetime Value, Customer Referral Value, Customer Influence Value, and Customer Knowledge Value are the components of the CE framework.
Kumar and Pansari (2016)	B2B & B2C	No	Yes	Empirical	Same as Kumar et al. (2010)	Develops a 16-item scale to measure CE. The minimum score for the scale is 16, and the maximum 80. Based on the scores customers are divided into four categories: disengaged (score of 16–31), somewhat engaged (score of 32–47), moderately engaged (score of 48–63), and super-engaged (score of 64–80).

Table 3: Variables Used In the Conceptual Framework

Variables used in the study	**Definition**	**Suggested scale**
Emotions	Mental states of readiness that arise from cognitive appraisals of events or one's own thoughts (Bagozzi, Gopinath, and Nyer 1999).	Richins (1997) use a 4-point scale. The scale ranges from "Not at all likely" to "Very likely." The emotions included in the scale are anger, discontent, worry, sadness, fear, shame, envy, loneliness, romantic love, love, peacefulness, contentment, optimism, joy, excitement, and surprise. The reliability of these items is observed to be on an average greater than 0.80. Another scale that measures emotions is Moore, Harris and Chen (1995).
Contribution	Customer contribution in the form of customer purchases, customer referrals, customer influence, and customer knowledge (Kumar et al. 2010).	Kumar and Pansari (2015) use a 5-point Likert scale with 16 items. The reliability of the scale in their study exceeds 0.8.
Experience	Holistic in nature involving the customer's cognitive, affective, emotional, social, and physical responses to the entity, product, or service (adapted from Verhoef et al. 2009).	Klaus and Maklan (2011) suggest a 7-point Likert scale with 19 items covering the dimensions of peace of mind, moments-of-truth, outcome focus, and product experience, which has a reliability score of 0.93. Other scales measuring experience are Olson, Walker and Ruekert (1995) and Froehle and Roth (2004).

Brand Value	The differential effect of a customer's brand knowledge, brand attitude, brand purchase intention, and brand behavior on his or her response to the marketing of a brand (Kumar, Luo, and Rao 2015).	Kumar (2013) provide a scale that reflects brand awareness, image, trust, affect, loyalty, advocacy, purchase intention, and price premium. Each of the 8 measures of customer brand value is measured on a 1–10 scale. The reliability of the scale items exceeded over 0.80 (Kumar, Luo, and Rao 2015).
Involvement	A person's perceived relevance of the object based on inherent needs, values, and interests (Zaichowsky 1985).	Zaichowsky (1985) provide a 20-item scale. Some of the items of the scale reflect the importance, relevance, value, excitement, appeal, want, and benefits of the product. These items were measured as a 7-point semantic differential scale. The reliability of this scale exceeds 0.90. Other scales to measure involvement are Putrevu and Lord (1994); Ratchford (1987); Kim and Lord (1991).
Convenience	The time and effort that consumers invest in purchasing a product rather than a characteristic or attribute of a product (Brown 1990).	Seiders et al. (2007) provide a scale which covers 5 main aspects of convenience: decision, access, benefit, transaction, and post-benefit. The scale for measuring the 5 dimensions of convenience has 17 items measured on a 5-point Likert scale with an average reliability of over 0.75. Other scales to measure convenience are Colwell et al. (2008) and Jiang Yang and Jun (2012).
Satisfaction	A judgment that a product or service feature, or the product or service itself, provided (or is providing) a pleasurable level of consumption-related fulfillment, including levels of under- or over fulfillment (Oliver 1997).	Bruner et al. (2001) suggest a generalized set of 12-item scales measuring various aspects of the purchase and use of the product and service with a high average reliability of over 0.9. Other scales to measure satisfaction are Spreng and Mackory (1996); Eroglu and Machleit (1990); Spreg, MacKenzie and Olshavsky (1996).

Figure 1: The Evolution of Customer Management

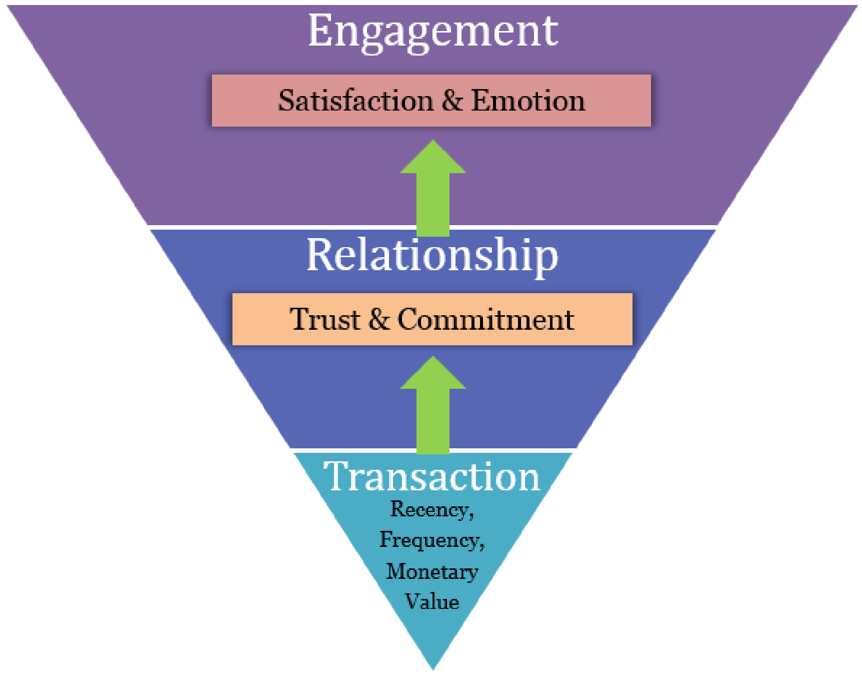

Figure 2 – Antecedents and Consequences of Customer Engagement

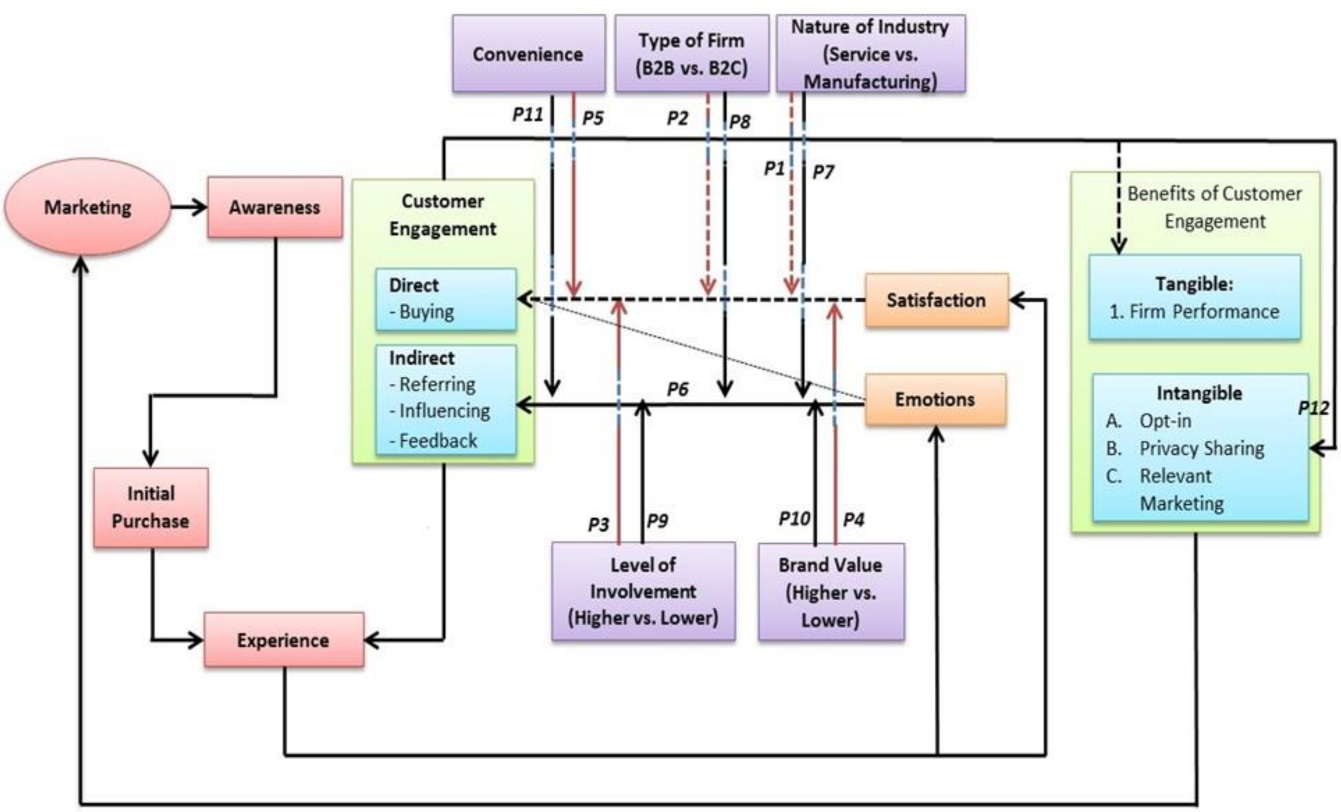

Figure 3: Customer Engagement Matrix

High Positive Emotions	**Passion** **Altruistic-focused**	**True Love** **Engagement-focused**
Low Positive Emotions	**Indifference** **Fill in need - focused**	**Attraction** **Value-focused**
	Low Satisfaction	**High Satisfaction**

ESSAY 2- Engagement: A New Source of Competitive Advantage

2.1 Introduction

In today's market scenario, where competition is intense and the world has become a unified market due to technological developments and social media, interactions among customers has increased manifold. Therefore, it is important for firms to keep their customers engaged. A recent Gallup study found that 'fully engaged' and 'engaged' customers accounted for a 23 percent and 7 percent increase in revenue respectively, while the 'not engaged' and 'actively disengaged' groups of customers resulted in a revenue drop of 1 percent and 13 percent, respectively.[2] However, this is not restricted only to the customers of the firm. Popular press indicates that the importance of engagement is trickling to the employees of the firm also. The following observations highlight the effect of engaging employees

- 84 percent of highly engaged employees believe they can positively affect the quality of their organization's products, compared with only 31 percent of the disengaged[3].
- 72 percent of highly engaged employees believe that, they can positively affect customer service, versus 27 percent of the disengaged[4].
- 68 percent of highly engaged employees believe that, they can positively influence costs in their job or unit, compared with just 19 percent of the disengaged (Crim and Sejits 2006).

These statistics indicate that firms should focus on designing strategies, which ensure that both the customers and employees are engaged. In fact, the Gallup study indicates that

[2] http://www.digitalservicecloud.com/resources/blog/customer-engagement-statistics-chart.html
[3] http://iveybusinessjournal.com/publication/what-engages-employees-the-most-or-the-ten-cs-of-employee-engagement/
[4] http://iveybusinessjournal.com/publication/what-engages-employees-the-most-or-the-ten-cs-of-employee-engagement/

the firms should focus on engaging customers through all possible channels; establish that the customer is heard, serviced and treated in the best possible manner and ensure an overall positive customer experience. To achieve this degree of efficiency, the organization has to function as a cohesive unit and have a shared vision among all its employees.

From the above observations, it appears that Engagement needs to be an important part of firm's overall strategy.

2.2 Defining Engagement

In a content analysis of 50 articles using the term Engage or Engagement, it was observed that the terms ''Engage'' and/or ''Engagement' were used in discussions about processes, co-creation, solution development and/or utilization, interactions and/or relevant, marketing-based forms of service exchange (Brodie et al 2011). Engagement has been studied across fields over the years. For example, in sociology it has been studied as ''Civic Engagement'' (Mondak et al. 2010), in psychology as ''Social Engagement'' (Achterberg et al. 2003), in organizational behavior/management literature as ''Employee Engagement'' (Catteeuw et al. 2007), and in marketing as "Customer Engagement" (Kumar 2013). Although, it has been discussed across fields, there is a need to understand the functioning of both marketing and organization behavior together as they are interrelated for a business function.

Therefore, in this study, we focus on understanding Engagement of the internal (employees) and external (customer) stakeholders of the organization. We define *Engagement* as "*The behavior and the level of connectedness 1) among customers 2) between customers and employees and 3) of customers and employees with the firm."* It is important for companies to ensure that both their customers and employees are well engaged as anecdotal evidence suggests gains in firm performance[5]. To discuss the various ways in which the customers and employees can be engaged and the possible outcome of Engagement, we develop a conceptual framework, which comprises of Customer Engagement, Employee Engagement, and the firm's performance outcomes. Additionally, we used moderators such as Employee Empowerment, type of firm (B2B vs B2C firm) and nature of industry (manufacturing vs service organization) in testing the various proposed relationships.

Further, to measure Engagement, we develop scales for Customer Engagement and refine the existing scales for Employee Engagement. Next, we provide strategies for firms to manage Engagement by managing both Customer and Employee Engagement to maximize profits. Subsequently, to understand the effectiveness of an Engagement strategy, we measure Engagement in 120 large companies in the US over a 2 -year time period and find that as the level of Engagement increases over time, the firm performance also improves. This effect is moderated by the level of employee empowerment, the type of firm (B2B vs. B2C) and the nature of the industry (manufacturing vs. service). The moderating effect of Employee Engagement on Customer Engagement is positive for B2B firms, for service firms, and when employees are empowered. Also, the effect of Employee Engagement and Customer Engagement on firm performance is enhanced for B2B and service firms. Finally, to bring Engagement in every organization, as an organization culture, we define and suggest ways to develop an Engagement orientation to reap rewards from engaging all relevant stakeholders. The process of developing and implementing the proposal Engagement framework is shown in Figure 1.

----Insert Figure 1 about here-----

[5] http://www.digitalservicecloud.com/resources/blog/customer-engagement-statistics-chart.html

The rest of the paper is divided into five parts. In the next section, we discuss the motivation of the study, which covers our review of popular press and academic literature of both marketing and management. In the second section we focus on the conceptual framework, which comprises of the components of Engagement, the moderators, and its consequences. In the third section we provide details on the process of data collection, measurements and scale validation of the components of Engagement. In the fourth section, we discuss the measurement and implementation of Engagement in 120 companies over a two-year period and its effect on firm performance. In the final section, we provide strategies to manage engagement, managerial implications, offers the limitations of the study and the scope for future research.

2.3 Motivation

In this section, we review the past literature on both marketing and management discipline and analyze to develop the Engagement framework.

2.3.1 Literature Review

In the field of marketing, customers are the key resource to a firm's growth in profitability, which is one of the primary objectives of firms. Satisfying customers just by selling the right product/service is not enough, as most products/services are homogeneous and competition is intense. Therefore, the firm has to engage customers in various ways like encourage customer referrals, customer feedback on firms products/services, and social media interactions, besides from product purchases (Kumar 2013). If the customer has an overall positive experience with the firm then, the customer would purchase more, interact more with the firm to provide feedback, references and spread the message on social media.

Similarly, in the field of management, the discussion has revolved around the internal stakeholders of the firm – the employees. Employees would be committed to the organization, only if they understand the organization's goals and their individual responsibilities towards fulfilling these goals (Zyman and Brott 2002). If the employees of the firm are committed to delivering the brand values and perform to the best of their ability then, they would be able to engage their customers in a more efficient manner. However, if they are disengaged, they would not focus on the needs of the customers.

From the literature, it is evident that engaging both the customers and the employees of the firm should be of primary importance to the firm. However, there has been no study in the literature that discusses the impact of engaging both customers and employees. Since employees can potentially interact with the customers at every touch point, they contribute towards creating the brand image and repeated interactions. Therefore, it is important to study this gap, as it would help firms design strategies, which ensure positive experience to both customers and employees and are profitable.

The importance of this gap has also been emphasized in the literature. For example, Brodie et al (2011), note that “while brands/organizations have been the primary engagement objects examined in Customer Engagement research to date, equally important are the roles of specific products/services, categories, stakeholders, and/or relevant institutions, such as government and industry governing bodies. Further, the specific dynamics underlying the two-way, interactive engagement with particular objects including organizations, products/services, employees and/or brands, and potential value correction and/or loyalty outcomes, require further theoretical and empirical scrutiny”.

Positive relationships among customers and the firm, and employees and the firm are important, as these entail a smooth functioning of the organization. The expectation is that if the employees and the customers are engaged efficiently and effectively, then, the various stakeholders of the firm would be satisfied, due to the growth in the profits of the firm. Customer level data on various types of Engagement is not easily available to all firms and researchers; hence, measuring and managing Customer Engagement could be a challenge. Similarly, observing the behavior of employees to understand their level of Engagement would also be difficult. To resolve this, we develop a comprehensive framework for Engagement and introduce survey measures to obtain the score on various levels of Customer and Employee Engagement. Figure 2 provides the conceptual framework of Engagement which has been developed from related literature and popular press.

----*Insert Figure 2 about here*-----

2.4 Conceptual Framework and Hypothesis Development

2.4.1. Customer Engagement

Customer Engagement has been extensively discussed in marketing academia. Bowden (2009) describes CE as ‘‘a psychological process’’ driving customer loyalty, while Van Doorn et al (2010, pg. 254) focus on specific CE behaviors by defining the concept primarily with reference to the specific types and/or patterns of focal Engagement activities. They define it as “a customer’s behavioral manifestations that have a brand or firm focus, beyond purchase, resulting from motivational drivers”. Kumar (2013, pg. 6) focuses on the different ways a customer can engage profitably with a firm. In all these discussions, Engagement is represented as either a state of mind or an activity beyond purchases.

The definitions of CE in the literature also highlight that CE extends beyond a customer’s purchases and is an important aspect for firms. Although, various definitions lead to a similar meaning, researchers have viewed its components differently. Van Doorn et al. (2010) propose valence, form and modality, scope, nature of impact, and customers’ purpose as the dimensions of CE. Kumar et al. (2010) emphasize that if Customer Engagement is not accounted for, then, the firm will undervalue or overvalue its customers. In their conceptualization of CE, Kumar et al (2010) include customer transactions in the metric unlike Van Doorn et al. (2010) and Verhoef, Reinartz and Krafft (2010) who state that CE involves behavior that goes beyond transactions. While the definition of CE may vary, there is agreement in the literature as well as in practice on the various ways a customer contributes to the firm. The conceptualization of CE by Kumar et al (2010) is used for the purpose of this study, as it is comprehensive. It comprises of customer purchases, customer referrals, customer influence, and customer knowledge

When *customers purchase* products/ service from the firm, they directly contribute to the firm value (Gupta, Lehmann, and Stuart 2004). Furthermore, Kumar et al. (2008) also found that resource reallocation based on the customer purchases led to an increase in revenue of about $20 million without any changes in the level of marketing investment for IBM.

Referrals are a form of engaging with the customers for both B2C and B2B firms (in the case of B2B, it is denoted as 'reference'). They help in attracting customers who would not be attracted by the traditional marketing channel (Kumar et al. 2010). Research has shown that referred customers are more profitable than non-referred customers (Schmitt, Skiera and Van de Bulte 2011) and customers with the highest purchase transactions do not always provide the highest number of referrals (Kumar, Petersen, and Leone 2010). However, they may influence other customers or provide feedback to firms and therefore contribute to the overall Customer Engagement.

Customer influence is measured by the impact the customer makes on social media. Social media users can affect others' activities within a social networking site and this effect is termed as 'influence' (Trusov et al. 2009). These influences on social media create a ripple effect, and extend beyond the close social network of the customer, which creates a chain reaction with a wide group of customers (Hogan, Lemon, and Libai 2003) and effect the firm's profits (Lee and Grewal 2004). In the recent past, social media platforms have been used extensively by customers to exchange brand and product related information in both

B2B (Chakravarty et al.2014) and B2C firms (Kumar 2013). It has a more direct impact on brand communities, and enjoys higher Customer Engagement compared with traditional marketing methodologies (Trusov et al. 2009).

Customer Knowledge/ is achieved when a current customer is actively involved in improving a company's products/services by providing feedback/suggestions. Customers can also add value to the company by helping firms understand customer preferences, and by participating in the knowledge development process (Joshi and Sharma 2004). Firms could use this knowledge to improve its products and service or/and create new products (Kumar and Bhagwat 2010). Next, we discuss the concept of Employee Engagement.

2.4.2 Employee Engagement

Employee Engagement has been defined as "A multidimensional construct which comprises of all the different facets of the attitudes and behaviors of employees towards the organization" (Kumar and Pansari 2014). The dimensions of EE proposed by Kumar and Pansari (2014) comprise of employee satisfaction, employee identification, employee commitment, and employee loyalty and employee performance.

Employee satisfaction is an emotional reaction to the overall job circumstances and different job factors like the supervisor, pay, and co-workers (Brown and Petersen 1993). The internal quality of the work environment also contributes to employee satisfaction, which is measured by the feelings that employees have toward their job, colleagues and company (Heskett et al.1994). It effects employee turnover and absenteeism (Fisher Locke and Henne 1992), quality of work (Silvestro and Cross 2000) and how employees identify themselves with the organization.

Employee identification has been defined as "A psychological state wherein an individual perceives himself or herself to be part of a larger whole" (Rousseau 1998). Employees who identify themselves with the organization are intertwined with the success and failure of the brand (Punjaisri et al. 2009), and hence are more committed to the organization.

Employee commitment is defined as “the extent of psychological attachment of employees to the brand, which influences their willingness to exert extra effort towards reaching the brand goal” (Punjaisri et al. 2009). Employees with the highest levels of commitment perform 20 percent better, and are 87 percent less likely to leave the organization (Lockwood 2007), indicating that committed employees would be loyal to the organization.

Employee loyalty can motivate an employee to work for the organization more than their expected role, and employees who are loyal to their organizations, meet customers’ needs and deliver high levels of customer service (Schrag 2009). Further, studies have offered that positive work attitudes on the part of the employees will translate into greater loyalty and satisfaction among the customers (Allen and Grisaffe 2001).

Employee performance has a huge impact on the customers of the firm. Employees work towards customer satisfaction because it is more profitable to retain existing customers than to attract new customers (Reinartz et al. 2005). Employees are service differentiators who are expected to consistently deliver positive service attitude, as this makes employees a source of competitive advantage for firms (Harris and Chernatony 2001).

2.5 Effect of Employee Engagement on Consumer Engagement

Companies can leverage Customer Engagement if they have a great workforce, which interacts with the customer. Interactions between customers and employees contributes to creating perceptions about the firm (Sirianni et al.2013), which affects repeat customer purchases. These perceptions lead to attitudinal and behavioral outcomes, which can affect the firm either positively or negatively, by affecting the purchases, referrals, influence and knowledge the customers provide to the firm. A positive interaction of the customers with the employees of the firm may motivate how customers talk about the brand and recommend it to their friends and relatives. This indicates that the CE is affected by the behavior of the employees towards the customer. Therefore, we hypothesize that within the Engagement framework;

H1– *Employee Engagement positively affects Customer Engagement*

2.6 Moderators

Employee Empowerment

In the changing times, firms focus on employee empowerment to enhance their performance (Spreitzer and Doneson 2005). Empowerment permits employees to make decisions on their own regarding service problem recovery and to surprise and delight customers by exceeding their expectations rather than waiting for approval from a supervisor (Bowen & Lawler 1995). This enhances the relationship between the employees and the customers, as an empowered employee would be in a better position to engage and deliver firm value to the customers.

The responses of employees who interact with customers heavily influence customer perceptions of service quality and the service (Chebat and Kolias 2000). The interactions between customers and service providers would be positive when the employees are engaged, as that would ensure their performance is at peak (Kumar and Pansari 2014). These interactions would be enhanced if the employees of the organization are empowered. Empowering employees involves moving decision-making authority down the organizational hierarchy, granting employees the ability to significantly affect organizational outcomes (Menon 2001), increased participation, and providing information and resources (Kanter 1983). Empowered employees not only feel confident and in control of their environment (House 1988), but also provide friendlier customer service (Lawler and Cohen 1992) and take pride in producing superior quality products. Therefore, we hypothesize;

H2 - *Employee empowerment enhances the effect of Employee Engagement on Customer Engagement.*

Service vs. Manufacturing

The relationship between the customer and service provider is a central feature that distinguishes production-level service activities from manufacturing (Batt 2000). In the manufacturing sector the work routines of employees are standardized and the options for customers are also standardized. This leaves very little chance for customer and employee interaction in the manufacturing sector. However, an engaged employee ensures smooth functioning of the manufacturing cycle and ensures that the defects are identified immediately, hence reducing costs for the company.

In the service sector, the customer interacts with the firm at every touch point and the employees' attitudes and behaviors can significantly affect customers' perceptions of the service (Chebat and Kollias 2000; Bitner 1990). These perceptions would be positive only if the employee is engaged and ensures that the customer has the best service experience. Customer perceptions may affect not only customer purchases, but also customers' willingness to refer the brand, discuss the brand or provide feedback to the company. Therefore, we hypothesize that

H3- *The effect of Employee Engagement on Customer Engagement will be higher in the service sector than in the manufacturing sector.*

B2B vs B2C

In a Business to Business (B2B) environment, the nature and circumstances of customers are different than in a Business to Customer (B2C) environment. In a B2B environment, the organization is the customer and it spends large amounts of money in the purchase of products and services unlike in a B2C environment. B2B relationships of firms involve complex, interpersonal, and involving interdependence between buyer and seller (Webster 1978), where the seller can be any or a number of individuals in the organization, including senior executives (Ames 1970). The focus of all the parties and their communication efforts is towards relationship building between buyers and sellers (at a micro level) and firms (at a macro level). In a B2B environment, the interaction of the customers and employees is the key factor in influencing the decision of the consumer. Therefore, in a B2B environment the employee's attitude, behavior and knowledge can be a key differentiating factor for the firm

In B2C firms, the focus is on volume sales and market share. Therefore, the communication efforts involve advertising, sales promotion, public relations, etc., to reach a large market (Coviello and Brodie 2001).Although, there are one to one relationships in the B2C market place, in majority of the interactions the employee is not the key decision factor in the decision making process of the customer. Therefore, we hypothesize that

H4- *The effect of Employee Engagement on Customer Engagement is higher in B2B than in B2C firms.*

2.7 Consequences of Engagement

2.7.1 Customer Engagement and Firm Performance

As discussed earlier, Engagement comprises of CE and EE. If both the customers and employees are engaged with the firm, then, this would positively affect the firm's performance as shown in Figure 3. For instance, if the customer is engaged with the firm, then, the customer would make purchases from the firm, which directly contributes to the revenues of the firm (Kumar 2008). He/she would also provide referrals to the firm, which would impact firm profitability. The conversations of the customer on social media about the brand may create a ripple effect to a wide group of customers (Hogan, Lemon, and Libai 2003) inducing a larger audience to transact the firm. The feedback/suggestion provided by a customer, can indirectly contribute to the profits of the firm. These improved products/services are expected to appeal to a lot more customers than before, thereby bringing more profits to the firm. From the above we can conclude, that all the components of CE contribute to a firm's profitability.

Engaged customers also contribute to the long-term reputation and recognition of the brand (Verhoef, Reinartz and Krafft 2010). Creating an environment where customers are more engaged with the company may require initial investment, but it has the potential to generate higher profits in the long run through the creation of CE (Verhoef, Reinartz and Krafft 2010). Therefore, we hypothesize;

H5- *Customer Engagement positively influences firm performance.*

-------- Insert Figure 3-----

Service vs. Manufacturing

In the service sector, customers contribute to service quality through their roles as co-producers of the firm's service and consultants to the organization, whereas, while buying a product the customer may have no or little interaction with the firm. Thus, customers would have higher association in a service interaction than while buying a product. Customers' cooperation during the service encounter contributes to their own and others' satisfaction of service quality perceptions (Martin and Pranter, 1989). E-commerce has ensured that most products are available online and therefore the interaction with the firm is minimal. However, the interaction with the service firms continue to remain important for availing services. This interaction creates impressions which the consumers may talk about online or offline.

Further, in the service sector, since the customer interacts with the service provider and the ability to fix a problem/issue is immediate. For example, a consumer requested a non-smoking room in a hotel, but was provided a smoking room. This problem could be fixed immediately by interacting with the service provider. Hence, the opportunity to provide higher revenue or profits is feasible. However, when a consumer buys a product, which could be defective, the consumer has to write to the manufacturer and wait for a long period of time before getting a response. The examples highlight the fact that the customer would be more involved with a service firm and therefore may talk more about it and provide instant feedback. Therefore, we hypothesize that

H6- *The effect of Customer Engagement on firm performance is higher in service firms than in manufacturing firms*.

B2B vs. B2C

The logic or rationale behind performance gains varies widely across different organizations and industry (Batt, 2000). In the B2B environment, the size of the transaction among the firms is considerably large as compared to the B2C firms. As stated earlier, in B2B, the organization is a customer and spends large amounts of money in purchase of products and services unlike B2C. In B2C firms, the focus is on volume sales and market share. Further, in B2B sector the relationships are driven by the salesforce and there is a point person for every customer, who has in-depth knowledge of customers' requirements and the potential challenges. This ensures that the customers' needs are met and problems are addressed faster. Although, the pool of people to impact in a B2B scenario is smaller, the transaction value is much larger as compared to B2C. Therefore, the revenue that the firm gets per customer is higher in B2B. Therefore, we hypothesize that

H7- The impact of Customer Engagement on firm performance would be higher in B2B firms than in B2C firms.

2.7.2 Employee Engagement and Performance

Employees are sustainable service differentiators who are expected to consistently deliver positive attitude, which makes employees a resource for competitive advantage of firms (Harris and Chernatony 2001). Engaged employees have a lower level of attrition, thereby reducing turnover costs for the employer. Further, engaged employees treat the organization as their own and therefore, they don't require extensive training and orientation on a repeated basis, thereby reducing training expenses for the firm. The engaged employees would also be pro-active, work efficiently and effectively, thereby reducing costs for the firm by time and personnel savings. These cost reductions would contribute to increase in firm's performance measure. Therefore, we hypothesize that;

H8- Employee Engagement positively affects firm performance.

Service vs. Manufacturing

In the service firms, employees are the service differentiators and a source of competitive advantage (Harris and Chernatony 2001).It is their interaction with the firm, which creates the brand perceptions for the customers. Although they are important in ensuring the smooth flow in the manufacturing sector, it is the machines and the technology, which are the competitive advantage of the firm. Having a great product is necessary but may not be a sufficient condition. Engaged employees focus more on ensuring that their customers have a positive interaction (e.g. in service firms) with the firm by addressing customer concerns in the best possible manner. Therefore, we hypothesize that;

H9- The effect of Employee Engagement on firm performance is higher in service firms than in manufacturing firms.

B2B vs. B2C

As stated earlier, the salesforce is responsible for the interactions between the service provider and the customer in a B2B firm. The number of customers is limited in a B2B industry and the focus is on ensuring a smooth relationship with every customer, as every customer has a higher transaction value. Further, in a B2B environment, each employee is responsible for taking care of a set of customers. The employees are expected to have a complete knowledge of the customers' business and ensure that all their business needs (addressed by the employee's firm) are met. In the B2C firm, the employee cannot be the reason for the relationship between the firm and the customer; it is the product or service offered by the firm. The pool of customers is large and the employee –customer interaction is lowers as compared to B2B. Therefore, we hypothesize that;

H10- The effect of Employee Engagement on firm performance is higher in B2B firms than in B2C firms.

2.7.3. Customer Engagement vs. Employee Engagement

As discussed, both Customer and Employee Engagement affect firm performance. However, the impact of Customer Engagement would be greater than the impact of Employee Engagement on firm performance, because Customer Engagement is a revenue generating measure and Employee Engagement is a cost saving measure. For example, Customer Engagement contributes directly to a firm's profits through purchases and customer referrals while Employee Engagement reduces employee turnover and absenteeism (Fisher Locke and Henne 1992), quality of work (Silvestro and Cross 2000) and thus helps in reducing costs. The reduction in cost is typically lower than the profits generated through purchases, referrals, influence, and feedback. Therefore, we hypothesize that*:*

H11- *The impact of Customer Engagement on firm performance is greater than that of Employee Engagement*[6].

Next we discuss the process of scale development for measuring Customer Engagement and for refining Employee Engagement. We provide details on data collection, scale validation and reliability.

2.8. Research Methodology

Measures

In this section, our purpose is to develop a comprehensive measure of Engagement. We focus on the domain of the construct, item generation, and item purification. For the purpose of having a comprehensive index for Engagement, we develop survey measures for Customer Engagement (Study 1) and refine existing scales for Employee Engagement (Study 2).

Although, there are existing measures for different components of Customer Engagement, they are all metrics, which require customer level and customer interaction data (Fader and Hardie 2010). As there are no readily available survey measures for CE, we develop a new survey - based measure for CE. However, for the Employee Engagement measure, we review the survey measures from Kumar and Pansari (2014), and we refine them for our context of the study.

2.8.1 STUDY 1- Customer Engagement

[6] Since this is a comparative relationship between customer and employee engagement. The same is not shown in Figure 3.

In our Study 1, we developed new measures for each of the four dimensions of the Customer Engagement construct. Following the framework proposed by Churchill (1979), we generated an item pool for each dimension. We used the literature in Customer Engagement (e.g. Van Doorn et al. 2010) as guidance to develop the item pool and for refining the items. A questionnaire containing 24 items resulted. We administered this 24-item questionnaire through a personal survey with a test pool of 135 customers of a mobile service provider in April 2013 in a large US city, for comprehension, logic, and relevance. We examined the reliability coefficient, Cronbach Alpha and used exploratory factor analyses to purify our scales. We discarded eight items because of the low item-to-total correlations and the factor loadings, using a cutoff value of 0 .7 for both. This resulted in choosing a 16 item scale for measuring CE (See Table 1).

-----*Insert Table 1 about here*-----

The modified 16-item scale was presented to a panel of six academic experts at a large international conference and we obtained their feedback. Over a dozen managers (from a CMO Round Table discussion) also reviewed the scales for its nomological validity. The scale is measured on a five-point Likert scale, which ranges from ‘Strongly Disagree’ to ‘Strongly Agree’.

Given the overall consensus from the experts and the executives, the final scale was administrated with 300 customers of a mobile service provider in a large U.S. city in June 2013, through a personal survey. These questionnaires were provided by the companies at their retail outlet. We conducted an exploratory factor analysis of their responses and the Cronbach Alpha’s were generally in the range of 0.80 - 0.90 for the 4 dimensions of CE as shown in Table 1. We tested the discriminant validity of the items of all the constructs and found the correlations to be less than 0.3 for all the items and the Average Variance Extracted (AVE) was between 0.66 to 0.77.Thus these low to moderate values of correlation provide the needed support for the test of discriminant validity (Carless 2004). The refined scales generally have good-to-high reliability coefficients that exceed the levels recommended by Nunnally (1978). The overall Cronbach Alpha for the Customer Engagement measure was 0.786.

Additional questions were asked to gather information on the customer demographics, their service provider and the number of years they have been transacting with the company. We conceptualized CE as a second-order construct consisting of four dimensions: customer purchases, customer reference, customer influence, and customer knowledge/ feedback. The items in the customer purchases scale reflect the attitudes and behaviors of the customer towards a customer's current and future purchases of the brand and the customer reference items reflect the reason why customers refer the brand to their friends. The four customer influence items measure whether customers discuss this brand on various platforms and customer knowledge items record the extent to which a firm facilitates its customers to share feedback on its products and services with the firm and among customers, and to participate actively in designing products and services.

In order to estimate the measurement model for the proposed CE construct, we collected additional data from multiple populations. We discuss the sample characteristics and the data collection next.

Sample Characteristics and Data Collection for Study 1

The respondents in Study 1 were customers of different organizations who have been transacting with the firm on an average of about five years. We did not constrain the sample to specific industries in the interest of generalizability of our findings. The study was conducted on Amazon Mechanical Turk where 475 responses were collected for different telecom firms, in person survey with 118 customers (who work full time) at a public function, and 169 Executive MBA students at a major urban university. All the respondents were rewarded for their participation in the study with financial incentives for Mechanical Turk respondents, drawing for a prize for regular households, and bonus marks for student participation.

2.8.2 Study 2- Employee Engagement

The survey items to measure of EE were adapted and refined from Kumar and Pansari (2014). In their study, the authors had developed an extensive set of items with the help of literature review and managerial interviews. It is a five point scale ranging from Strongly Disagree (1) to Strongly Agree (5). The items were tested in both the developed and emerging markets by Kumar and Pansari (2014). Hence it was suitable for us to use this set of items for our study. However, in our study, we had to reword a few of the items for clarity and relevance, to avoid any ambiguity (as discussed later). Two additional questions were added to elicit information on the company and the managerial position of the employees.

Sample Characteristics and Data Collection for Study 2

To ensure that the scale can be used with our sample, we pretested the Employee Engagement survey items of Kumar and Pansari (2014) with 180 employees of different managerial levels on Amazon Mechanical Turk. We reworded the items to make them more personalized as an outcome of our survey and the feedback provided by the respondents. For example, “the organization is like a family to me”, was changed to “my organization is like a family to me”. Further, we also changed “Provides an orientation program which inspires me to appropriately deliver the brand promise” to “Provide an induction program which inspires me to appropriately deliver the brand promise”, as the word orientation was not clear to the respondents.

On the basis of the feedback, from our pre-test, we modified the final set of items and administrated the finalized survey with 750 employees through a link sent to the HR managers of 30 Fortune 1000 companies. The Cronbach Alpha for all the EE measures was between 0.8 and 0.9 as shown in Table 2. The overall scale reliability was 0.951.

------ *Insert Table 2 about here* ----

2.9 Employee Empowerment

The scale of Employee Empowerment was adapted from Menon (2001). It is a five point Likert scale, which ranges from Strongly Disagree to Strongly Agree. The items measure the extent to which employees influence the decisions made in their department, and the important responsibilities they have in their department. These questions were administered along with the Employee Engagement survey, for the ease of the respondents. Employee empowerment was measured only for those employees where it was found to be relevant for their tasks. Since it was part of the Employee Engagement questionnaire, the sample for the pre-test and the analysis is the same as for Employee Engagement. The overall reliability of the scale was 0.701.

2.10 Analysis and Results

We examined all scale items and reverse-coded data when applicable to reflect the proposed directions. We used SAS software version 9.4 and Amos version 22 to conduct the analyses.

Measurement Models

Study 1 - Customer Engagement

Customer Engagement is a second-order construct, and its four dimensions (Customer purchases, referrals, influence and knowledge) are first-order factors measured through their respective indicators. We conducted a Confirmatory Factor Analysis (CFA) of this hierarchical model. The second-order CFA model fit was deemed to be acceptable on the basis of a battery of fit

Indexes χ^2=539.913, D.F. = 118; and GFI = 0.92; TLI- 0.914. The path coefficients between the indicators and their respective first-order factors were significant at α = .05 level. In addition, all the path coefficients between the second-order construct and its four dimensions were significant at α = .05 level.

We also examined the second-order factor structure by conducting a one-factor CFA on the average scores of the respective four first-order constructs (e.g., Jayachandran et al. 2005). The model fit was $\chi 2$ = 1.238., D.F. = 2; GFI = .99. All the path coefficients were significant at α = .05 level. Thus, consistent with common practice (e.g., Jayachandran et al. 2005), we used the aggregated scale consisting of the average scores of the four dimensions of Customer Engagement as indicators of Customer Engagement for further analyses.

Study 2 - Employee Engagement

Employee Engagement is also a second order construct, and its five components (satisfaction, identification, commitment, loyalty and performance) are first order factors measured by their respective indicators. We conducted a CFA of this hierarchical model. The second-order CFA model fit was deemed to be acceptable on the basis of a battery of fit indexes χ^2=962.186, d.f. = 166, and GFI = 0.912 and TLI- 0.932. These fit indexes reported are in consistent with Hu and Bentler's (1999) recommendation. The path coefficients between the items and their respective first-order factors were significant at α = .05 level. In addition, all the path coefficients between the second-order construct and its four dimensions were significant at α = .05 level.

As in Study 1, we examined the second-order factor structure by conducting a one-factor CFA on the average scores of the respective five first-order constructs (e.g., Jayachandran et al. 2005) in Study 2 also. The model fit was $\chi 2$ = 59.534, D.F. = 5; GFI = 0.978. All the path coefficients were significant at α = .05 level. Thus, consistent with common practice (e.g., Jayachandran et al. 2005), we used the aggregated scale consisting of the average scores of the five dimensions of Employee Engagement as indicators of Employee Engagement for further analyses.

Next, we discuss the implementation of the Engagement framework to test our hypotheses.

2.11 Implementing the Engagement Framework

We chose large companies that had more than 5,000 employees and have operations in the US, since our study is restricted to the US market. We obtained a list of randomly selected 2,000 large public firms listed in the U.S. stock exchange and the organization contacts from a trading firm. We reached out to the contacts via emails and a follow-up call in these 2000 firms to get a contact in the human resources department and in the marketing department and also to be introduced by the main contact as academics conducting a research study. After the initial calls to the 2000 companies, we identified around 432 companies who had the required resources to implement our suggested strategies to test our hypothesis. From these 432 companies, only 120 companies were willing to measure their level of Engagement and agree to implement the suggested strategies for improving the same. The 120 firms were grouped as 62 B2B and 58 B2C firms based on the nature of the firm, and 52 manufacturing firms and 68 service firms based on the type of firm. We measured the levels of Engagement (Customer and Employee) at two different times (August 2013 and August 2014) for all the 120 companies in our sample. We do this to relate the difference in the components of the Engagement scores to differences in performance measures and test our hypothesis. In the first year, we measure the existing level of engagement in the company.

We contacted the HR mangers in the sample for the EE surveys. The analysis for the survey was automated and the companies got the final scores for every employee. The employees that participated in the survey were selected from all the major departments to create a representative sample. The average response rate for measuring Engagement of employees, the average response rate across all companies in our sample was 67 percent indicating that representativeness is not an issue. For the customer survey, a link for the survey was sent by the company to its customers and the average response rate across all companies was 32 percent. While this response rate is lower compared to the EE survey, we were pleased with this higher than normal response rate for customer surveys. The average number of employees and the average number of customers across the four settings (B2B vs. B2C; Manufacturing vs. Service) exceeded 1000. Further the comparison of descriptive statistics between the non-respondents and the respondents among employees and the customer, provided confidence in our sample based inferences. No significant deviations were observed between the non-respondents and the respondents.

Most of the firms in the B2B category were multinational companies belonging to industries such as lightweight metals, technology, engineering, manufacturing parts and chemicals for various industries. The B2B service companies included technology consulting services, computer hardware and software, maintenance services, data /call centers, marketing research and analytics firms, advertising agencies and media services, etc. In the B2C product scenario, the firms included mail order retail companies, consumer products, electronics, furniture, and toys. The B2C service firms included mass media companies providing Cable TV, internet, and/or telephone services, retail outlets, airlines, and rental businesses.

Table 3 provides the descriptive statistics on the average number of employees and customers surveyed along with the information on work experience and transaction duration. Since the Engagement framework is a multidimensional framework, we do not create a single score for Engagement. We use the aggregate score of CE and EE to represent Engagement in a firm. The Customer Engagement score ranges from 16-80 and the Employee Engagement score ranges from 20-100. These scores are based on the number of questions in the questionnaire and the scale range of the items. The Customer Engagement survey has 16 questions with a range of 1-5 (five point Likert scale), and hence the score ranges from 16 (16*1) to 80 (16*5). Similarly, the Employee Engagement score ranges from 20-100, as there are 20 questions in the survey measured on a five- point Likert scale. Although, Engagement is a continuous measure, based on the preferences of the companies participating in the study, the scores are presented as quartile classification based on the feedback provided by managers for ease of interpretation.

------ Insert Table 3 about here----

The score of 16-31 on Customer Engagement and 20-39 on Employee Engagement indicates lowest levels of Engagement (we call this as *disengaged*) implying that the firm needs to focus on enhancing every single measure of CE & EE. A score of 32-47 in CE scale and 40-59 in EE scale (we term this as *somewhat engaged)*, indicates that the customer and employees are relatively less engaged with the firm. This implies that some of the factors of CE and EE require immediate attention. A score of 48-63 on CE and 60-79 on EE (we term this as *moderately engaged)* indicates a moderate level of CE and EE. This implies that while the overall Engagement of the firm is sufficient for smooth functioning of the organization, there is scope for improvement in all aspects. A score of 64-80 on CE and 80-100 on EE *(we term this as super-engaged)* is the highest score and one which every firm should strive to achieve. This implies that the firm has followed all the best practices and its performance on EE and CE is at its peak. The four categories based on their levels of engagement (the average scores are provided in Table 3) are The Fortune Makers, The Miners, The Mentors or The Doomers as shown in the Engagement Matrix (Figure 4).

------- Insert Figure 4-----

Next, based on the four categories of the levels of engagement, we suggest specific strategies for the company to be implemented for improving the performance in the next year.

Fortune Makers

A firm should ideally strive to be a Fortune Maker. This type of firm always has the best interest of its customers and employees. The employees of these firms perform to the best of their ability to deliver the organizational values to customers in the best possible manner. The profits of such firms are expected to be higher than the profits of the other firms in the industry that do not engage both the customers and the employees. As stated earlier, a firm benefits from being engaged with both its customer and employees, because employees contribute to firm profits through reduced cost and increased efficiencies and customers contribute through purchases and other behavioral engagement action. Further, if employees are engaged, it contributes directly to firm performance as well as indirectly through influencing customer engagement. Hence, Fortune Makers have the opportunity to realize the highest level of performance. Such firms should focus on retaining their existing employees and customers, to reap the long term benefits of Engagement.

Miners

These firms utilize all their resources to maximize CE, by increasing their customer purchases, capitalizing on their referrals, optimizing their customer influence and implementing their customer feedback and suggestions. The customers of these firms are completely engaged with the firm. Although, this firm can be a profit-making unit, its profit potential may not be reached, as these firms would have to incur expenses on regularly training their employees to keep them motivated to perform their roles and responsibilities. This type of firm should aim at moving towards the Fortune Maker space by focusing on their employees along with their customers. Most firms in today's market place are Miners.

The managers should identify the focal areas of employee development that require their immediate attention. This can be done by analyzing and using the EE scale. Firms can allocate their resources more effectively by focusing their resources effectively on the component that their employees are lacking.

Mentors

Typically, such firms focus on their employees, but not on their customers. If the firm keeps investing in the employees without focusing on customers, the firm would make losses. Therefore, firms that focus on engaging their employees should also aim at engaging its customers and it should strive to be a Fortune Maker firm. However, not many firms in today's market place fall into the category of Mentors.

For firms that do fall into this category, managers should identify the focal areas of CE that require their immediate attention. This can be done by analyzing and using the CE data. This would help the firm know if it's lacking in customer purchases, referrals, online influence or feedback. This information can help firm design strategies and allocate their resources more effectively by focusing their resources effectively on the component where they lack in Customer Engagement.

Doomers

The strategies of the Doomers are not geared towards profit improvement as both Employee Engagement and Customer Engagement are low. Given the typical resource constraints of firms, these firms should strive to maximize customer satisfaction first, as this would help firms to make profits, and then they should invest in their employees. In other words, these firms should first attempt to be "The Miners". The firm could use the strategies provided for CE to move along the grid, and then use strategies for EE to become "The Fortune Makers".

After the suggested strategies were implemented for one year, we conducted another study to measure and compare the levels of Engagement. The same procedure of data collection in the first year was used for the second year study too. The average scores on CE and EE over the two time periods along with the incremental performance in revenues and net income over this two year period are provided in Table 3. The data shows that as the scores improve on the levels of Engagement firm performance also improves.

We do a formal analysis to test the all of the proposed hypotheses. Hypotheses H1 through H4 is tested using the models specified in Equations 1 thru 4 and the remaining hypotheses are tested with models specified in Equations 5 thru 8. We use a hierarchical linear regression model specification where the top level model relates mainly to the Employee Engagement, the Employee Empowerment, and the interaction of Employee Engagement and Employee Empowerment to Customer Engagement. In the second level, the response coefficients for Employee Engagement and the interaction effect are specified as a function of whether it is a B2B vs. B2C firm and if it is a manufacturing vs. service firm. The data for firm performance (revenue and net income) were collected from the annual reports of the companies, thereby using objective measures of performance.

An expansion of the economy (higher GDP) would be equivalent with a higher average income (Blanchard 2006) and thus a higher average consumer budget (Frank and Enkawa 2008), which would lead to higher consumer purchases and better firm performance. Therefore, we control for the growth in the economy by using the GDP measure for the two time periods. In order to account for unobserved fixed effects, we specify a difference model. Thus, the difference model captures the effect of changes in the input measures to the changes in the output measures. The model specifications are:

$$\Delta CE_i = \propto_0 + \propto_{1i} \Delta EE_i + \propto_2 \Delta EEmp_i + \propto_{3i} \Delta EE_i * \Delta EEmp_i + \propto_4 \Delta GDP + \epsilon_{0i} \quad (1)$$

$\propto_{1i} = \beta_0 + \beta_1 B2B_i + \beta_2 Service_i + \epsilon_1$	(2a)
$\propto_{3i} = \gamma_o + \gamma_1 B2B_i + \gamma_2 Service_i + \epsilon_2$	(2b)
$\Delta CE_i = \propto_0 + (\beta_0 + \beta_1 B2B_i + \beta_2 Service_i)\Delta EE_i + \propto_2 \Delta EEmp_i + (\gamma_o + \gamma_1 B2B_i + \gamma_2 Service_i)\Delta EE_i * \Delta EEmp_i + \propto_4 \Delta GDP + \in_i$	(3)
$\Delta CE_i = \propto_0 + \beta_0 \Delta EE_i + \beta_1 B2B_i * \Delta EE_i + \beta_2 Service_i * \Delta EE_i + \propto_2 \Delta EEmp_i + \gamma_o \Delta EE_i * \Delta Eemp_i + \gamma_1 B2B_i * \Delta EE_i * \Delta EEmp_i + \gamma_2 Service_i * \Delta EE_i * \Delta EEmp_i + \propto_4 \Delta GDP + \in_i$	(4)

Similar to the CE model, we specify a hierarchical linear model and then estimate a difference model for measuring the effect of Engagement on Performance. The model specifications are:

$\Delta Performance_i = \delta_1 + \delta_{2i} \Delta CE_i + \delta_{3i} \Delta EE_i + \delta_4 \Delta GDP + \mu_{0i}$	(5)
$\delta_{2i} = \tau_0 + \tau_1 B2B_i + \tau_2 Service_i + \vartheta_2$	(6a)
$\delta_{3i} = \rho_0 + \rho_1 B2B_i + \rho_2 Service_i + \vartheta_3$	(6b)
$\Delta Performance_i = \delta_1 + (\tau_0 + \tau_1 B2B_i + \tau_2 Service_i)\Delta CE_i + (\rho_0 + \rho_1 B2B_i + \rho_2 Servi$ $EE_i + \delta_4 \Delta GDP + \mu_i$	(7)
$\Delta Performance_i = \delta_1 + \tau_0 \Delta CE_i + \tau_1 B2B_i * \Delta CE_i + \tau_2 Service_i * \Delta CE_i + \rho_0 * \Delta EE_i + \rho_1 B2B_i * \Delta EE_i + \rho_2 Service_i * \Delta EE_i + \delta_4 \Delta GDP + \mu_i$	(8)

Where,

- $Performance_{t-1}$- Performance of the firm in the previous year, reflects two measures net income and revenue.
- ΔEE_i- Change in employee engagement over time period t-1 and t for firm i
- ΔCE_i- Change in customer engagement over time period t-1 and t for firm i
- $\Delta EEmp_i$- Change in employee empowerment over time period t-1 and t for firm i
- ΔGDP- Change in GDP over time period t-1 and t
- $B2B_i$ - 1 if the firm is a B2B firm and 0 if the firm is a B2C firm
- $Service_i$ - 1 if the firm is a service firm and 0 if not
- $\in_i$ & μ_i - Error terms in the respective models

The models were estimated in SAS version 9.4. The residuals were checked for heteroscedasticity and corrected using (Proc GLM) the appropriate weights to obtain the relevant parameter estimates. As expected, the coefficients for all the proposed relationships are positive and significant. Table 4 provides the coefficient values along with their standard errors and the level of significance.

----*Insert Table 4 about here*------

In the CE model, where we analyze the effect of Employee Engagement and Employee Empowerment on Customer Engagement, after controlling for the economic growth, the business sector, and the manufacturing/service, the effect of EE on CE is significant ($\beta_0 = 0.510, p < .001$); and the effect of the interaction between EE and EEmp on CE is also significant ($\gamma_o = 0.401, p < .001$). Further, they vary depending on whether it is B2B or B2C and whether it is a manufacturing or service firm. Similarly, the effects are higher for a B2B (vs. B2C) firm for the interaction effect of EE with B2B firms (β_1 =0.162, p <.005) and service firms (β_2 =0.194, p <.001) also. These results support hypothesis H1, H2, H3 and H4.

In the performance model, we analyze the effect of CE and EE on firm performance, after controlling for the economic growth, business sector, and manufacturing/service organization. The effects of CE and EE are significant in both the models (revenue and net income) of performance (adj R^2 =0.61 and 0.60, respectively). In this model, the effect of CE on revenue and net income (τ_0=0.631 and 0.622) respectively with p <.001, is higher than the effect of EE (ρ_0=0.377 and 0.352) respectively with p<.001. This would be expected as customer purchases and actual referrals are two of the major contributors toward the firms' revenue and net income. Further, the interaction variables of CE and EE with B2B, and service are also significant as can be seen in Table 4. Further, CE and EE positively affect firm performance and the magnitude of the effect of CE is higher than the magnitude of the effect of EE. These results support hypothesis H5 to H11. Based on the suggestion of the review team, we also tested the interaction of EE and CE with performance measures, and found the effects to be positive but not significant in this study.

2.12 DISCUSSION

In this study, we offer a framework for Engagement of customers and employees for the firms to evaluate. Our study has provided a framework measuring both Customer and Employee Engagement. Our study also provides a strong theoretical rationale and empirical evidence for the positive impact of Engagement scores on firm performance. While we argue for the effect of Engagement on firm performance, the process should be continuous to include the feedback loop of firm performance affecting the branding activities and the employee training interventions to make the implementation of Engagement sustainable. Our study highlights the fact that the levels of Engagement of a firm can be improved by identifying their current levels and implementing the relevant strategies. The scales of customer and employee engagement helps firms to allocate its resources only to those components which need immediate attention, based on their scores.

The Engagement framework is effective even in a recessionary economy. Firms can ensure sustained profits if both their customers and employees are engaged. In a recessionary period, firms face budgetary challenges that significantly affect their marketing plans, which affect their levels of brand awareness and adoption. During this period, firms can mitigate the risks posed by the dents in their marketing budgets if they have a highly engaged employee base, which promotes the firm’s brand and its products / services to its customers. This would ensure delivery of a superior customer experience; thereby increasing customer purchases, influence and referrals – all without any additional marketing investments.

Further, to make the implementation of the Engagement Framework sustainable, we need to understand the firm's perspective of engaging both the customers and the employees. The Engagement framework would help firms understand what the customers and employees think of the firm. This would help the firm to design its orientation in the long run. Orientation of a firm reflects the organizational culture and determines the firm-level interactions with customers and competitors (Noble, Sinha and Kumar 2002). We conducted interviews in 2013 with middle level and top level managers, who had the decision making power in their organization. To understand if there is an expectation of a new orientation in the field of marketing could be the next possible step. These managers were from both the business -to-business (B2B) and business -to- customer (B2C) firms across the globe. We were able to get the list of possible contacts through the Executive Development programs conducted by various universities across the globe. We attempted to contact the managers at least 3 times before pursuing the next contact. In all, we interviewed 26 managers in North America, 8 in South America, 14 in Europe, 10 in Asia and 6 in South Africa. In total, we interviewed 34 B2B managers and 30 B2C managers. We conducted open ended unstructured interviews, where each interview lasted for 30-40 minutes. Almost 50 percent of the interviews were conducted over the phone and for the rest of the interviews the authors travelled to many countries and conducted the interviews in person. The managerial interviews focused on understanding the following;

A) whether the firms are following a specific strategic orientation
B) If so, what is the orientation they are following
C) The duration of following this orientation
D) What are the expected benefits
E) What are the realized benefits, and
F) If they are considering a different orientation to get ahead in building a sustainable competitive advantage.

Since we had interviewed managers across different industries, the nature of the industry played an important role in the responses we received. In industries where firms collected customer level data, the focus was on customer level strategies. In our sample, about 40 percent of firms focused on market orientation; 40 percent firms were focusing on customer orientation or interaction orientation; and the remaining 20 percent focused on innovation orientation, as the industries they belonged to focused on mass markets. However, in the last five years with the advent of virtual markets and social media, about 80 percent firms wanted to incorporate social media and virtual markets in their existing strategies. It is surprising to note that 50 percent of the firms had not changed their strategic orientation over the last 10 years and only 30 percent of the firms were moving with the trend of the market and had been following their existing orientation for five years. However, more than 75 percent of the firms were looking for a new orientation, which would not only help them with sustained profitability but also have a competitive advantage.

When we asked managers about the changes they wanted in their organizations, about 60 percent of the managers noted that they would like their employees to be better trained, and motivated. They also wanted to ensure higher retention, as trained employees ensure that customers receive the best service experience, and hiring and training new employees is time consuming. They also advocated empowering the employees with authority to make critical decisions to ensure a consistent, efficient and smooth product quality/service environment throughout the company. One manager from a leading Multi-National Company (MNC) commented that, “Just like customers, retaining productive employees is more beneficial than hiring new employees”. Over 70 percent of the managers also observed that employees of the firm are the key resources for the smooth functioning of the firm and for achieving its goal of maximizing profitability. They also observed that engaging customers and employees have been the point of discussion in recent press reports and their potential benefits to firms have been highlighted extensively. Hence, they would also like to formulate strategies, which would help them adapt the culture of engaging both customers and employees.

These discussions with the managers also highlighted the need for the next strategic orientation that would focus not only on the customers but also on the employees. From the above discussion, it is evident that the market place is ready to embrace the next orientation, which could embed the Engagement framework. There have been many orientations in the field of marketing, which have evolved as per the needs of the market, ranging from selling orientation to interaction orientation. The last popular orientation, market orientation (Kohli and Jaworski 1990) focused on a need for customer focus by the complete organization and on how knowledge is gained and disseminated throughout the organization to deliver a superior customer value. It has been more than two decades since market orientation was conceptualized. Markets and organizational goals have changed a lot since then and the effects of market orientation on performance have faded over time (Kumar et al. 2011).

Although the previous orientations in marketing like market orientation (Kohli and Jaworski 1990) and interaction orientation (Ramani and Kumar 2008) have focused on the customers of the firm and the internal process of the organization, they do not focus on the different sustainable strategies of engaging both customers and employees. Therefore, we think that the strategy of Engagement could be an interesting orientation for future research as it would reflect the customer and employees level of connectedness with the firm and themselves. We believe this new orientation could be termed as "Engagement Orientation" and we define it as "The process of embedding Engagement in the organization as a policy decision and ensuring that all strategies of the organization focus on engaging the customers and the employees along with value maximization for all stakeholders."

2.13 Scope for Future Research

Using longer time periods of data, future research should focus on the time-varying effect of Engagement on Firm Performance as this can provide additional insights to the effect of Engagement framework on performance post implementation of the recommended strategies. Further, it would be useful to see how the items to measure the propose construct in our study apply to different countries and continents since the culture of the country may play a prominent role in the way customers and employees engage with the firm. Depending on the nature of the industry and the type of the firm, the relative impact of the components of CE and EE on performance could vary. Therefore, future research can focus on understanding the relative impact of the individual components of CE and EE on firm performance. This would require a larger sample of companies across industries and type of firms. The results from this study would help firms re-allocate their resources efficiently among the components of CE and EE[7].

It would be interesting to understand the impact of the Engagement framework in non-profit organizations (employee and donor engagement), as it could help in increasing volunteer participation and also ensure that the employees stay enthused and committed to the organization's cause of raising funds. Further, understanding the consequences of the Engagement orientation on the different facets of the firm operations like innovation and new product development would also add to the knowledge base of marketing academics and practitioners.

---

[7] We thank the participants at the 2015 Research camp at Dartmouth College for these suggestions.

References

Achterberg, Wilco, Annemarie Pot, Ada Kerkstra, Marcel Ooms, Martien Muller, and Miel Ribbe (2003), ‘‘The Effect of Depression on Social Engagement in Newly Admitted Dutch Nursing Home Residents,’’ The Gerontologist, 43 (2), 213-218.

Allen, J. Natalie and Douglas B Grisaffe (2001), "Employee Commitment to the Organization and Customer Reactions: Mapping the Linkages," *Human Resource Management Review,* 11 (3), 209-36.

Ames, B. C., (1970), Trappings vs. Substance in Industrial Marketing, *Harvard Business Review,* 48(July-August), 93-102.

Batt, Rosemary (2002), "Managing Customer Services: Human Resource Practices, Quit Rates, And Sales Growth," *Academy of management Journal* 45(3), 587-597.

Becker, Howard S. (1960), "Notes on the Concept of Commitment," *American Journal of Sociology*, 66 (1), 32-42

Berger, E. Ida., Peggy H. Cunningham and Minette E. Drumwright (2006), "Identity, Identification, and Relationship through Social Alliances," *Journal of the Academy of Marketing Science*, 34(2), 128-37.

Berry, L.Leonard and A. Parasuraman (1991). *Marketing services: Competing through quality*, The Free Press, New York.

——— (1993), "Playing Fair in Retailing," Arthur Anderson Retailing Issues Newsletter 5 (2).

Bitner, Mary Jo (1990), "Evaluating Service Encounters: The Effects Of Physical Surroundings and Employee Responses," *Journal of Marketing* 54 (2), 69-82.

Blanchard, O. (2006) Macroeconomics (4th ed.) *Upper Saddle River, NJ: Prentice-Hall*.

Bowen, E. David and Edward E. Lawler (1995), "Empowering Service Employees*,"* *Sloan Management Review, 36*(4), 73-84.

Bowden, Jana Lay-Hwa (2009), "The Process of Customer Engagement: A Conceptual Framework," *Journal of Marketing Theory and Practice* 17 (1), 63-74.

Bonchek Mark and France Cara (2014), "Marketing Can No Longer Rely on the Funnel," *Harvard Business Review, May 07, 2014*

Brown, Steven P. and Robert A. Peterson (1993), "Antecedents and Consequences of Salesperson Job Satisfaction: Meta-Analysis and Assessment of Causal Effects," *Journal of Marketing Research*, 30 (1), 63-77.

Brown, Tom. J. and Peter A. Dacin (1997), "The Company and the Product: Corporate Associations and Consumer Product Responses," *Journal of Marketing*, 61(1), 68–84.

Brodie, R.J., L.Hollebeek , B. Juric and A. Ilic (2011), “Customer Engagement: Conceptual Domain, Fundamental Propositions and Implications for Research,” *Journal of Service Research* 14(3):1–20.

Catteeuw, Frank, Eileen Flynn and James Vonderhorst (2007), ‘‘Employee Engagement: Boosting Productivity in Turbulent Times,’’ *Organization Development Journal*, 25 (2), 151-157.

Carless, S. (2004), Discriminant Validity, in Michael S. Lewis-Beck, A. Bryman and Tim Futing Liao (eds.), “The SAGE Encyclopedia of Social Social Science Research Methods*”. Thousand Oaks, CA: Sage Publications*

Chakravarty, Anindita, Alok Kumar, and Rajdeep Grewal (2014),"Customer Orientation Structure for Internet-Based Business-to-Business Platform Firms," *Journal of Marketing* 78(5) 1-23.

Chebat, Jean-Charles, and Paul Kollias (2000), "The Impact of Empowerment on Customer Contact Employees’ Roles in Service Organizations," *Journal of Service research* 3(1), 66-81.

Churchill, Gilbert A. (1979), “A Paradigm for Developing Better Measures of Marketing Constructs,” *Journal of Marketing Research* 16 (1), 64-73

Caldwell, David F., Jennifer A. Chatman, and Charles A. O'Reilly (1990), "Building Organizational Commitment: A Multifirm Study," *Journal of Occupational Psychology*, 63 (3), 245-61.

Coviello, Nicole E., and Roderick J. Brodie (2001) "Contemporary Marketing Practices of Consumer and Business-To-Business Firms: How Different Are They?" *Journal of Business & Industrial Marketing* 16 (5), 382-400.

Crim, Dan and Gerard H. Seijts (2006), “What Engages Employees the Most Or, The Ten C’s Of Employee Engagement,” *Ivey Business Journal*, 70(4), 1-5.

Day, George S. (1994), "The Capabilities of Market-Driven Organizations," *Journal of Marketing*, 58 (October), 37-5.

Davies, Gary (2008), “Employer Branding and Its Influence on Managers,” *European Journal Of Marketing*, 42(5/6), 667-81.

Dortok, Arin (2006), "A Managerial Look at the Interaction between Internal Communication and Corporate Reputation," *Corporate Reputation Review* 8 (4), 322-338.

Eccles, Robert G., Kathleen Miller Perkins and George Serafeim (2012), “How to Become a Sustainable Company,” *MIT Sloan Management Review*, 53(4), 43-50.

Epstein, Marc J. (2008), "Making Sustainability Work." *Best Practices in Managing and Measuring Corporate Social*.

——— and Marie-Josée Roy (2001), "Sustainability in Action: Identifying and Measuring The Key Performance Drivers." *Long range planning* 34 (5) 585-604.

Fader, Peter S and Bruce G.S. Hardie (2010), "Customer-Base Valuation in A Contractual Setting: The Perils Of Ignoring Heterogeneity." *Marketing Science* 29 (1) 85-93.

Fahey, M. (2000), "Brand Across the Web," *Cable World*, 25(10), 18.

Farrell, D and C. Rusbult (1981), "Exchange Variables as Predictors of Job Satisfaction, Job Commitment, and Turnover: The Impact of Rewards, Costs, Alternatives, and Investments," *Organizational Behavior and Human Performance*, 28 (1), 78-95.
Fisher, Cynthia D., Edwin A. Locke and D. L. Henne (1992), "The New Look In Job Satisfaction Research and Theory," In: *Job Satisfaction: How People Feel About Their Jobs*. New York: C. J. Cranny, P. Cain Smith, & E. F. Stone (Eds.), Lexington.

Frank, Björn and Takao Enkawa (2008), "How Economic Growth Affects Customer Satisfaction." *Asia Pacific Management Review* 13(2), 531-544.

Greene, Walter E., Gary D. Walls, and Larry J. Schrest (1994), "Internal Marketing: The Key to External Marketing Success," *Journal of Services marketing* 8 (4) 5-13.

Grewal, Rajdeep, and Patriya Tansuhaj (2001). "Building Organizational Capabilities for Managing Economic Crisis: The Role of Market Orientation and Strategic Flexibility," *Journal of Marketing* 65 (2) 67-80.

———, Murali Chandrashekaran, Jean L. Johnson, and Girish Mallapragada (2013),"Environments, Unobserved Heterogeneity, and The Effect Of Market Orientation on Outcomes For High-Tech Firms," *Journal of the Academy of Marketing Science* 41 (2) 206-233.

Govindarajan, Vijay and Srikant Srinivas (2012), "Shareholder Capitalism to Responsible Capitalism," *The Times of India*.

Gupta, Sunil, Donald R. Lehmann, and Jennifer Ames Stuart (2004), "Valuing Customers," *Journal of Marketing Research*, 41(1), 7-18.

Hall, Richard (1992), "The Strategic Analysis of Intangible Resources," *Strategic Management Journal*, 13(2), 135-44.

Hansson, Bo (2006), “Company-Based Determinants of Training and the Impact of Training on Company Performance: Results from an International HRM Survey,” *Personnel Review*, 36 (2) 311 – 31.

Harris, Fiona and Leslie De Chernatony (2001), “Corporate Branding and Corporate Brand Performance,” *European Journal of Marketing*, 35 (3/4), 441-51.

Heskett, L. James, Thomas O. Jones, Gary W. Loveman, W. Earl Sasser Jr. and Leonard A. Schlesinger (1994), “Putting the Service Profit Chain To Work,” *Harvard Business Review*, 2, 105-11.

Higgins, E. Tory and Abigail A. Scholer (2009), ‘‘Engaging the Consumer: The Science and Art of the Value Creation Process”, *Journal of Consumer Psychology*, 19 (2), 100-114.

Hogan, John E., Katherine N. Lemon, and Barak Libai. (2003), “What Is the True Value of A Lost Customer?” *Journal of Service Research*, 5(3), 196-208.

House, Robert J. (1988), “Power and Personality in Complex Organizations,” *Research In Organizational Behavior*, 10, 305 -357.

Hult, Tomas G. and David J. Ketchen (2001), "Does Market Orientation Matter? A Test of the Relationship between Positional Advantage and Performance," *Strategic Management Journal*, 22 (September), 899-906.

Hu, Li-tze, and Peter M. Bentler (1999), "Cutoff Criteria for Fit Indexes in Covariance Structure Analysis: Conventional Criteria versus New Alternatives," *Structural Equation Modeling: A Multidisciplinary Journa*l 6 (1), 1-55.

Jayachandran, Satish, Subhash Sharma, Peter Kaufman, and Pushkala Raman (2005), "The Role of Relational Information Processes and Technology Use in Customer Relationship Management," *Journal of Marketing*, 69 (4), 177-92.

Joshi, Ashwin W., and Sanjay Sharma (2004), "Customer Knowledge Development: Antecedents and Impact on New Product Performance," *Journal of Marketing* 68 (4), 47-59.

Kanter, Rosabeth Moss (1983), “The Change Masters,” Simon & Schuster New York.

Katsikeas, Constantine S., Dionysis Skarmeas, and Daniel C. Bello (2009), "Developing Successful Trust-Based International Exchange Relationships *“Journal of International Business Studies* 40 (1), 132-155.

----------, Saeed Samiee, and Marios Theodosiou (2006), "Strategy Fit and Performance Consequences of International Marketing Standardization. *“Strategic Management Journal* 27(9) 867-890.

Keller, Kevin Lane (2001), "Building Customer-Based Brand Equity," *Marketing Management* 10 (2), 14-21.

Kohli, Ajay K. and Bernard. J. Jaworski (1990), “Market Orientation: The Construct, Research Propositions, and Managerial Implications,” *Journal of Marketing*, 54(2), 1-18.

———, ———and Ajith Kumar (1993), "MARKOR: A Measure of Market Orientation," *Journal of Marketing Research,* 30(4), 467-477.

Kotler, Philip (2000), “Marketing Management: The Millennium Edition,” *Upper Saddle River, NJ: Prentice-Hall.*

——— (2011), "Reinventing Marketing to Manage the Environmental Imperative,” *Journal of Marketing*, 75(4) 132-135.

Kumar, V (2008), "Managing Customers for Profit." *Upper Saddle River, NJ.*

——— (2013), “Profitable Customer Engagement: Concepts, Metrics & Strategies,” Sage Publications, India

———, Rajkumar Venkatesan, Tim Bohling, and Denise Beckmann (2008), “The Power of CLV: Managing Customer Lifetime Value at IBM," *Marketing Science* 27 (4) 585-599.

——— and Yashoda Bhagwat (2010), “Listen To the Customer,” *Marketing Research, 22*(2), 14-19.

———, L. Aksoy, B. Donkers, R. Venkatesan, T. Wiesel and S. Tillmanns (2010), “Undervalued or Overvalued Customers: Capturing Total Customer Engagement Value,” *Journal of Service Research*, 13(3), 297-310.

——— and Anita Pansari (2014), “The Construct, Measurement and Impact of Employee Engagement: A Marketing Perspective,” *Customer Needs and Solutions*, 1-16,1(1)

———, J. Andrew Petersen, and Robert P. Leone (2010), “Driving Profitability By Encouraging Customer Referrals: Who, When, And How,” *Journal of Marketing*, 74(5), 1-17.

———,——— and ——— (2013), “Defining, Measuring, and Managing Business Reference Value,” *Journal of Marketing*, 77(1), 68-86.

———, Jones, E., Venkatesan, R., & Leone, R. P. (2011). “Is Market Orientation A Source Of Sustainable Competitive Advantage Or Simply The Cost Of Competing?” *Journal of Marketing*, *75*(1), 16-30.

———, Vikram Bhaskaran, Rohan Mirchandani, and Milap Shah (2013), “Creating A Measurable Social Media Marketing Strategy: Increasing the Value and ROI of Intangibles & Tangibles for Hokey Pokey,” *Marketing Science*, 32(2), 194-212.

Lawler, Edward E., and Susan G. Cohen (1992), “Designing Pay Systems For Teams,” *ACA Journal*, 1(1), 6-19.

Lee, Ruby P., and Rajdeep Grewal (2004), "Strategic Responses to New Technologies and Their Impact on Firm Performance" *Journal of Marketing* 68 (4) 157-171.

Lockwood, Nancy R. (2007), “Leveraging Employee Engagement for Competitive Advantage,” *Society for Human Resource Management Research Quarterly*, 1, 1-12.

Luo, Xueming and Chitra Bhanu Bhattacharya (2006), “Corporate Social Responsibility, Customer Satisfaction, and Market Value,” *Journal of Marketing*, 70(4), 1–18.

——— and Naveen Donthu (2006), “Marketing's Credibility: A Longitudinal Investigation of Marketing Communication Productivity and Shareholder Value,” *Journal of Marketing*, 70(4), 70-91.

Martin, Charles L., and Charles A. Pranter (1989), "Compatibility Management: Customer-To-Customer Relationships in Service Environments." *Journal of Services Marketing* 3 (3), 5-15.
Menon, Sanjay (2001), “Employee Empowerment: An Integrative Psychological Approach,” *Applied Psychology*, 50(1), 153-180.

Mondak, Jeffrey J., Matthew V. Hibbing, Damary Canache, Mitchell A. Seligson, and Mary R. Anderson (2010), ‘‘Personality and Civic Engagement: An Integrative Framework for the Study of Trait Effects on Political Behavior,’’ *American Political Science Review*, February, 1-26.

Morgan, Robert M., and Shelby D. Hunt (1994), "The Commitment-Trust Theory of Relationship Marketing," *Journal of Marketing* 58 (3) 20-38
Moorman, Christine, Rohit Deshpande, and Gerald Zaltman (1993), "Factors Affecting Trust in Market Research Relationships," *Journal of Marketing*, 57 (1), 81-101.
Noble, Charles H., Rajiv K. Sinha, and Ajith Kumar (2002), "Market Orientation and Alternative Strategic Orientations: A Longitudinal Assessment of Performance Implications," *Journal of Marketing*, 66(4), 25-39.

Nunnally, Jum C. (1978), *Psychometric Theory*. New York: McGraw-Hill.

Pechmann, Cornelia, and Srinivasan Ratneshwar (1991), "The Use of Comparative Advertising for Brand Positioning: Association versus Differentiation," *Journal of Consumer Research*, Vol. 18(2), 145-61.

Punjaisri, Khanyapuss, Heiner Evanschitzky and Alan Wilson (2009), "Internal Branding: An Enabler of Employees' Brand-Supporting Behaviors," *Service Management*, 20(2), 209–26.

Ramani, Girish and V. Kumar (2008), "Interaction Orientation and Firm Performance," *Journal of Marketing*, 72(1), 27–45.

Reardon, Kathleen K., and Ben Enis (1990), "Communication Forum Establishing a Companywide Customer Orientation through Persuasive Internal Marketing," *Management Communication Quarterly* 3(3) 376-387.

Reinartz, Werner, Jacquelyn S. Thomas and V. Kumar (2005), "Balancing Acquisition and Retention Resources to Maximize Customer Profitability," *Journal Of Marketing*, 69(1), 63-79.

Ritson, M. (2002), "Marketing and HR Collaborate To Harness Employer Brand Power," *Marketing*, 24(8), 24.

Rousseau, M. Denise (1998), "Why Workers Still Identify With Organizations," *Journal of Organizational Behavior*, 19 (3), 217–233.

Schrag, Brian (2009), "The Moral Significance of Employee Loyalty," *Business Ethics Quarterly*, 11(1), 41-66.

Schmitt, Philipp, Bernd Skiera, and Christophe Van den Bulte (2011), "Referral Programs and Customer Value." *Journal of Marketing*, 75 (1), 46-59.

Sen, S., C. B. Bhattacharya and D. Korschun (2006), "The Role Of Corporate Social Responsibility In Strengthening Multiple Stakeholder Relationships: A Field Experiment," *Journal of the Academy of Marketing Science*, 34(2), 158–166.

Shankar, Venkatesh, and Marie Hollinger (2007), "Online And Mobile Advertising: Current Scenario, Emerging Trends, And Future Directions," *Marketing Science Institute*, 159-206.

Schurr, Paul H. and Julie L. Ozanne (1985), "Influences on Exchange Processes: Buyers' Preconceptions of a Seller's Trustworthiness and Bargaining Toughness," *Journal of Consumer Research*, 11 (4), 939-53.

Silvestro, Rhian and Stuart Cross (2000), "Applying the Service-Profit Chain in A Retail Environment: Challenging the Satisfaction Mirror," *International Journal of Service Industry Management*, 11 (3), 244–268.

Sirianni, Nancy J., Mary Jo Bitner, Stephen W. Brown, and Naomi Mandel (2013), "Branded Service Encounters: Strategically Aligning Employee Behavior with the Brand Positioning." *Journal of Marketing* 77 (6), 108-123.

Slater, S. F., E. M. Olson and G.T. M. Hult (2006), "The Moderating Influence of Strategic Orientation on the Strategy Formation Capability–Performance Relationship," *Strategic Management Journal*, 27(12), 1221-1231.

Spreitzer, Gretchen M., and David Doneson (2005), "Musings on the Past and Future of Employee Empowerment," *Handbook of Organizational Development. Thousand Oaks: Sage*

Trusov, Michael, Randolph E. Bucklin, and Koen Pauwels (2009), "'Estimating the Dynamic Effects of Online Word-of-Mouth on Member Growth of a Social Network Site," *Journal of Marketing* 73 (5), 90-102.

Van Doorn, Jenny, Katherine N. Lemon, Vikas Mittal, Stephan Nass, Doreen Pick, Peter Pirner, and Peter C. Verhoef (2010), "Customer Engagement Behavior: Theoretical Foundations and Research Directions," *Journal of Service Research,* 13(3), 253-266.

Verhoef, Peter. C., Werner J. Reinartz and M. Krafft (2010), "Customer Engagement as A New Perspective in Customer Management," *Journal of Service Research*, 13(3), 247-252.

Webster, F. E., (1978), "Management Science in Industrial Marketing," *Journal of Marketing,* 42(January), 21-27.

Winterton, Jonathan (2004), "A Conceptual Model of Labor Turnover and Retention," *Human Resource Development International,* 7(3), 371-390.

World Commission on Environment and Development: Our Common Future (1987), Oxford, New York: Oxford University Press.

Zyman, Sergio and Armin Brott (2002), "The End Of Advertising As We Know It," Wiley.

http://Blogs.Hbr.Org/2012/01/Transform-Your-Employees-Into

http://Customerthink.Com/Creating_A_Customer_Service_Culture_Starts_By_Focusing_On_Employees_Not_Customers

Figure 1- Process of Developing and Implementing the Engagement Framework

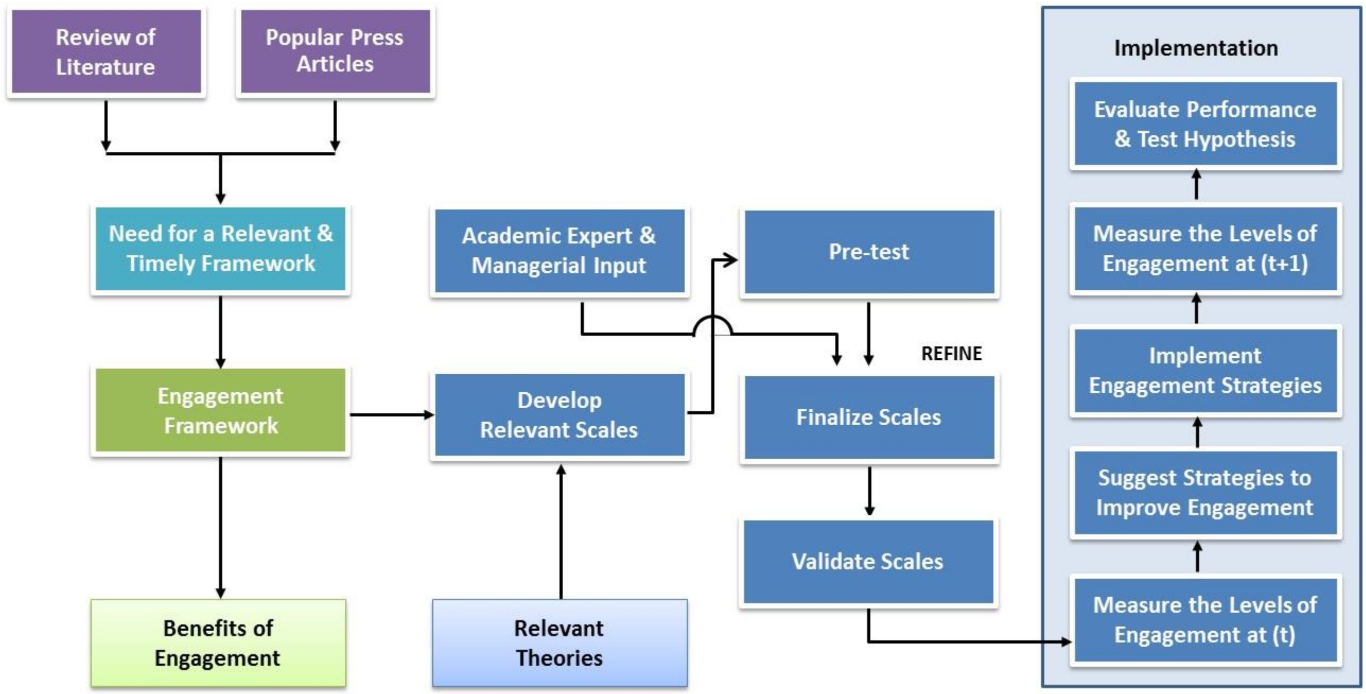

Figure 2 – Engagement Framework with Moderators

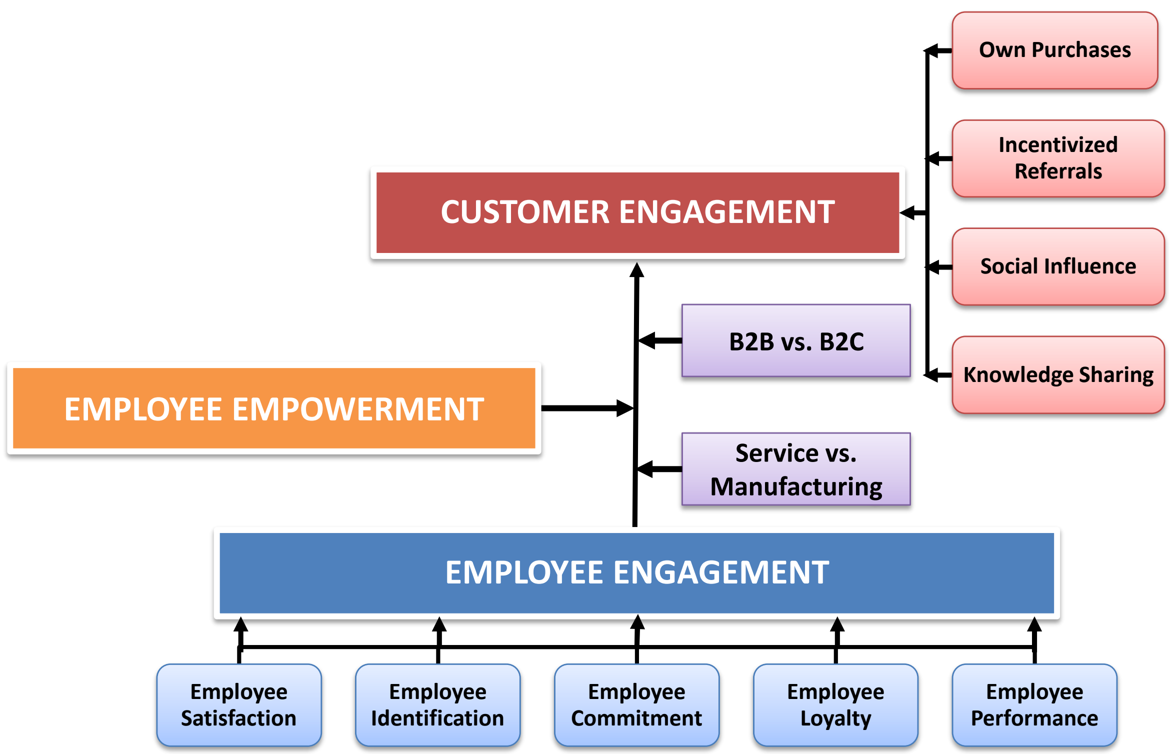

Figure 3 – Linking Engagement to Performance

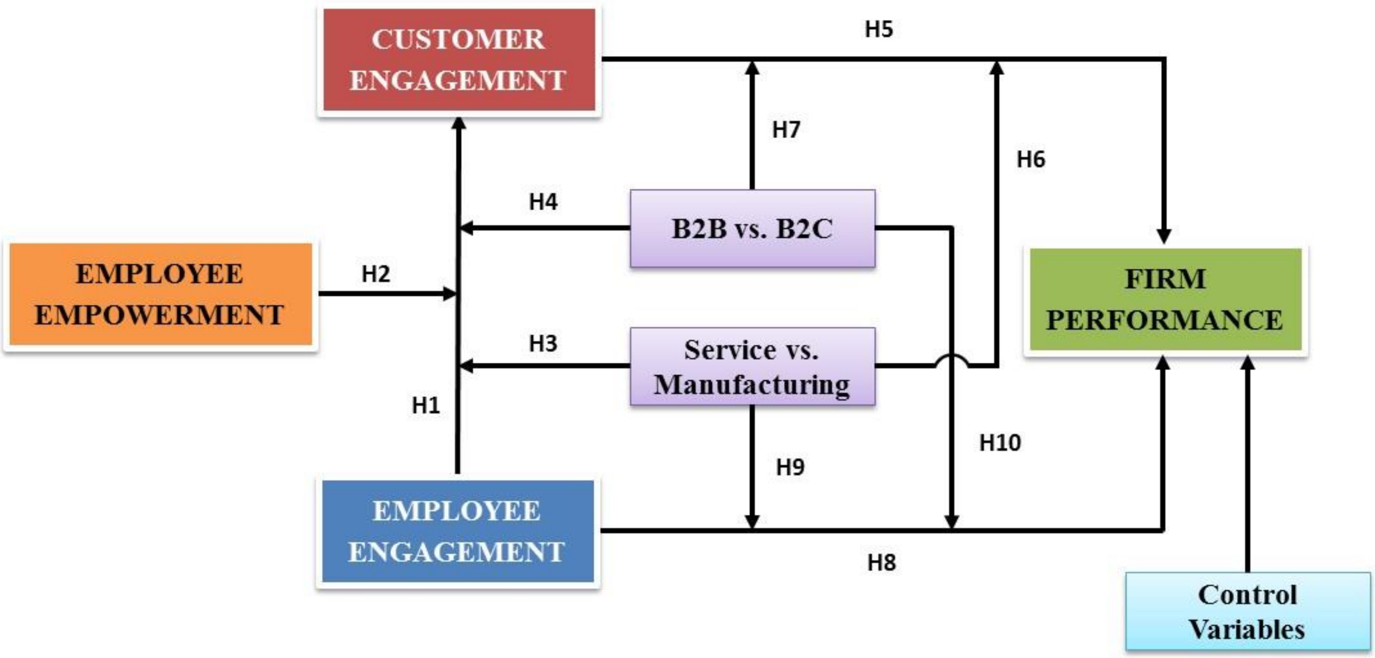

Figure 4 – Engagement Strategy Matrix

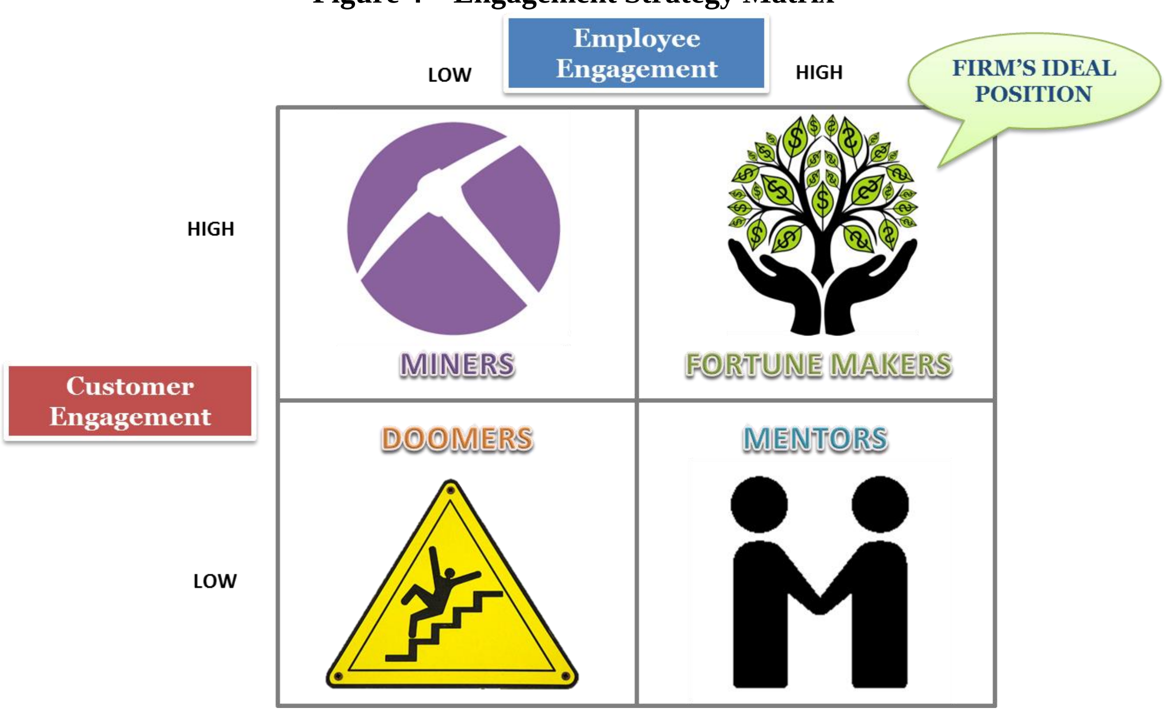

Table 1 – Results of CFA for Customer Engagement

Indicator	Direction	Construct	Estimate	Standardized Estimate	SE	p	Factor Loadings			
							Customer Purchases	Customer Reference	Customer Influence	Customer Knowledge
CLV	←	CE	2.192	0.91	0.165	.00				
CRV	←	CE	1	0.757	0.123	.00				
CIV	←	CE	1.392	0.812	0.136	.00				
CKV	←	CE	1.784	0.872	0.157	.00				
I will continue buying the products/services of this brand in the near future.	←	CLV	1	0.968			0.86			
My purchases with this brand make me content	←	CLV	0.992	0.978	0.028	.00	0.90			
I do not get my money’s worth when I purchase this brand	←	CLV	0.977	0.957	0.033	.00	0.81			
Owning the products/services of this brand makes me happy	←	CLV	1.014	0.978	0.029	.00	0.86			
I promote the brand because of the monetary referral benefits provided by the brand.	←	CRV	1	0.882				0.78		
In addition to the value derived from the product, the monetary referral incentives also encourage me to refer this brand to my friends and relatives.	←	CRV	1.023	0.944	0.049	.00		0.88		
I enjoy referring this brand to my friends and relatives because of the monetary referral incentives.	←	CRV	0.98	0.955	0.045	.00		0.91		
Given that I use this brand, I refer my friends and relatives to this brand because of the monetary referral incentives.	←	CRV	1.16	0.979	0.049	.00		0.95		
I do not actively discuss this brand on any media	←	CIV	1	0.895					0.78	

I love talking about my brand experience	←	CIV	0.882	0.911	0.048	.00			0.81	
I discuss the benefits that I get from this brand with others.	←	CIV	1.095	0.948	0.052	.00			0.88	
I am a part of this brand and mention it in my conversations.	←	CIV	1.135	0.953	0.053	.00			0.89	
I provide feedback about my experiences with the brand to the firm	←	CKV	1	0.904						0.74
I provide suggestions for improving the performance of the brand.	←	CKV	0.99	0.942	0.047	.00				0.84
I provide suggestions/feedbacks about the new product/services of the brand	←	CKV	1.143	0.975	0.048	.00				0.88
I provide feedback/suggestions for developing new products/services for this brand.	←	CKV	1.237	0.953	0.056	.00				0.80
Cronbach Alpha							0.879	0.874	0.810	0.83

TABLE 2 – RESULTS of CFA for Employee Engagement											
Indicator	**Direction**	**Construct**	**Estimate**	**Standardized Estimates**	**S.E.**	**P**	**Factor Loadings**				
Satisfaction	←	EE	0.63	0.932	0.026	.00	**Employee Satisfaction**	**Employee Identification**	**Employee Commitment**	**Employee Loyalty**	**Employee Performance**
Identification	←	EE	0.856	0.993	0.027	.00					
Commitment	←	EE	0.796	0.932	0.028	.00					
Performance	←	EE	0.533	0.723	0.03	.00					
Loyalty	←	EE	1	0.904	0.034	.00					
I receive recognition for a job well done	←	Satisfaction	1	0.685			0.743				
I feel close to the people at work	←	Satisfaction	1.137	0.745	0.05	.00	0.812				
I feel good about working at this company	←	Satisfaction	1.313	0.824	0.053	.00	0.857				
I feel secure about my job	←	Satisfaction	1.061	0.643	0.054	.00	0.737				
I believe management is concerned about me	←	Satisfaction	1.137	0.653	0.057	.00	0.717				
I am proud to tell others that I am part of the organization	←	Identification	1	0.8				0.816			
I feel a sense of ownership towards this organization	←	Identification	1.034	0.766	0.036	.00		0.816			
My sense of pride towards the organizational brand is reinforced by its brand-related message	←	Identification	0.961	0.747	0.035	.00		0.781			
I view the success of the brand as my own success	←	Identification	1.019	0.776	0.035	.00		0.815			
The organization is like a family to me	←	Identification	1.001	0.753	0.036	.00		0.788			

When I talk about this organization, I usually say “we” rather than “they”	←	Identification	0.935	0.712	0.036	.00		0.764			
When someone praises this brand, it feels like a personal compliment	←	Identification	1.001	0.807	0.033	.00		0.838			
My commitment to deliver the brand Increases along with my knowledge of the brand	←	Commitment	1	0.791					0.843		
I am very committed to delivering the brand promise to our customers	←	Commitment	0.922	0.811	0.032	.00			0.883		
This organization has a great deal of personal meaning for me	←	Commitment	0.729	0.684	0.031	.00			0.818		
I will be happy to spend the rest of my career in this organization	←	Loyalty	1	0.786		.00				0.862	
I do not have an intention to change to another organization at this moment	←	Loyalty	0.928	0.75	0.036	.00				0.858	
My intention to stay is driven by the fact that I am competent in delivering the brand promise.	←	Loyalty	0.765	0.759	0.03	.00				0.834	
My performance in the last appraisal exceeded expectations	←	Performance	1	0.697							0.875
The amount of opportunity for my performance improvement at my organization is high.	←	Performance	0.986	0.761	0.056	.00					0.875
		Cronbach Alpha					0.83	0.91	0.80	0.81	0.70

Table 3 – Implementing Engagement Descriptive Measures

Number of Employees	Years of Work Experience	Number of Customers	Numbers of Years Transacting with the Company	Type of Firm	Time Period	Customer Engagement	Employee Engagement	Employee Empowerment	Revenues	Profit
1,122	8.1	596	6.1	B2B Manufacturing	T1	36	32	6.4	+8.2%	+23.8%
					T2	48	44	9.1		
1,304	7.7	722	7.2	B2B Service	T1	50	60	7.2	-5.2%	+8.1%
					T2	43	52	7.1		
1,286	4.9	1,816	5.4	B2C Manufacturing	T1	55	60	6.6	+3.4%	+9.2%
					T2	62	67	6.9		
1,461	5.6	1,604	3.2	B2C Service	T1	35	36	5.5	+5.6%	+5.4%
					T2	41	40	5.7		

Table 4 – Standardized Parameter Estimates for linking (a) EE to CE and (b) Engagement to Performance

Variables	Increase in Customer Engagement [a]	Hypothesis		Performance Measures [b]		Hypothesis	
		Number	Supported	Increase in Revenue	Increase In Net Income	Number	Supported
$\Delta\, EE$	0.510^{***}	H1	Yes	0.377^{***}	0.352^{***}	H8	Yes
$\Delta\, CE$	N/A			0.631^{***}	0.622^{***}	H5	Yes
$\Delta\, EEmp$	0.198^{***}			NA	NA		
$\Delta\, GDP$	0.203^{**}			0.217^{**}	0.196^{**}		
$\Delta\, EE * B2B$	0.162^{**}	H4	Yes	0.108^{**}	0.136^{**}	H10	Yes
$\Delta CE * B2B$	N/A			0.241^{***}	0.262^{***}	H7	Yes

$\Delta EE * Service$	0.194**	H3	Yes	0.142**	0.149**	H9	Yes
$\Delta CE * Service$	N/A			0.281***	0.302***	H6	Yes
$\Delta EEmp * \Delta EE$	0.401***	H2	Yes	N/A	N/A		
$\Delta EEmp * \Delta EE * B2B$	0.138**			N/A	N/A		
$\Delta EEmp * \Delta EE * Service$	0.171**			N/A	N/A		
Adjusted R^2	0.52			0.61	0.60		

H11 is also supported when tested using the constrained F–test.
*Level of significance **<0.05, ***<.0.001. N/A: Not Applicable*