

## Developing Customer Relationships through Customer Engagement in Retail Service Brands

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*Customer engagement is an emerging concept of engagement marketing, which plays an important role in developing customer relationship strength. There are very limited research available that focus on building customer relationships through involving customers in retail services. So this study fills this existing gap through formulating a conceptual model which examines the role of customer engagement to develop the customer relationship with retail service brands. The data was collected using quantitative method which includes a survey questionnaire to measure customer's opinions. The responses have been collected from 320 customers using different retail service brands. The results of the proposed conceptual model shows that customer engagement plays a significant role in developing customer brand relationships which consequently develops the customer loyalty.*

**Key Words:** *Customer relationship, Customer engagement, Brand relationship, Customer loyalty.*

### INTRODUCTION

Managing customers has been developed over many years. Initially marketing focused on getting customer transactions and sustaining them for their business. The factors were used to measure the impact of customer transactions on firm profitability. Then objectives of the organization evolved over time and changed into development of long term customer relationships. The firms began to develop positive customer relationships to gain customer satisfaction so that customer loyalty can be achieved. Profitable loyalty and customer satisfaction need to be developed to a greater level so that desired differentiation and sustainable competitive advantage can be gained. Now the organizations focus on how to engage customer in all the business activities so as to get their inputs for the growth of the business and this raised the term "engagement" in the marketing field.

Engagement in the marketing field is the involvement of customer toward the firm which is known as customer engagement (Kumar et.al 2010; Brodie et al.2011; Vivek et al. 2012). In present scenario, firms are continuously attempting to engage their customers in different ways. Firms are changing their focus from selling to emotionally connecting with their customers to get more sales and eventually confirming a long time profitable customer loyalty. The customer engagement results the personalized interactions, delighting the customers and providing customer unique satisfaction. The researchers also study different other customer centric actions like customer involvement, customer satisfaction, customer trust, customer loyalty and customer brand value to find out the effectiveness of the firm's marketing activities. There are studies which focus on this fact that customer engagement is influenced by different marketing activities and customer engagement itself influence the firm performance in the long run.

Customer engagement enlarges the role of consumers by associating customers in the value addition process to make them co-

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creators of value which increases the level of satisfaction for retailers and customers (Sashi, 2012). The delighted customers share their brand satisfaction using social networks, and they become brand promoters, developing a strong foundation for a persistent relationships with the retail brand (Wirtz et. al. 2013). Customer engagement in social media increase the self-brand connection and brand practice intent. Customer engagement enhances customer trust and evaluation of a service brand that in turn increases customer loyalty.

Companies increasingly use co-creation by engaging customers in new product and service development process to increase the online interactions. The importance of development of quality relationship with the customers has always been so important in retailing that it has changed the retail sector landscape. The technology has drastically changed the landscape of retail service and especially the social media has given the consumers more control, power and information over market process that increases more challenges to retailers. With the emergence of online retail channel, development and maintenance of customer relationship has become problematic. The retailers and e-tailers are trying to reduce the switching behavior of consumers so that survival of business can be enhanced in the intense competition.

## LITERATURE REVIEW

The concept of customer engagement has emerged out from the theory of interactive service experiences and marketing relationships. The S-D logic framework promotes the marketing relationships which are attributed by the customer interaction (Vargo & Lusch, 2008). The relationship of firm and customers has given the emergence of customer engagement. The concept of Customer engagement can be described as the customer's behavioral manifestation for a firm or brand beyond purchase that is resulted from the various motivational factors including; recommendations, word of mouth activity, customer to customer interactions, writing reviews and blogging (Marketing Science

Institute, 2010).

Customer engagement is a measure which is beyond customer transactions and focus on customer manifestation toward a brand (Doornet. al., 2010). In retailing, customer engagement is considered as customer experience management from social psychological perspective (Puccinelli et. al., 2009). The customer engagement needs to be considered more than a pure action focusing on both behavioral and psychological dimensions (Hollebeek 2009; Vivek 2009; So, King and Sparks, 2014).

Bowden (2009) presented a conceptual framework of customer engagement which relates it as a process. The process is intended to redirect the customer satisfaction research toward an approach which includes an understanding of the role of involvement, commitment and trust in the development of customer loyalty and engagement.

Gambetti&Graffigna (2010) emphasized on the significance of the behavioral activation component of customer engagement which include social sharing, co-creation, collaboration, participative and interactive dimensions.

Hollebeek (2011) stated that there are three themes of customer engagement which include immersion (perception that time flies in brand interactions), passion (strong, positive affect), and activation (willingness to spend significant time and/or effort interacting with the brand). Beckerset. al. (2014) identified three customer engagement behavioral classifications namely customer to customer interactions, customer co-creation and active customer feedback.

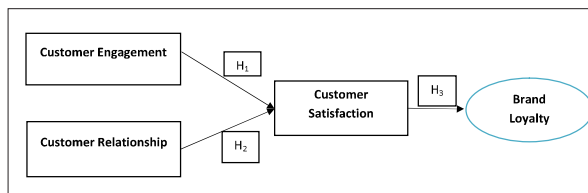
Franzak et. al. (2014) presented that emotional arousal mediates the relationship between design benefits and customer engagement. The brand engagement is intensified with the emotional arousal as the design benefit changes from functional to hedonic to symbolic. Kumar and Pansari (2015) provided conceptual framework for customer engagement and also they offered an empirical test of the effect of engagement on performance.

## Research Methodology

The study has been conducted using empirical research framework for testing the proposed hypotheses. The study mainly focuses customer relationship, customer engagement, customer satisfaction and brand loyalty. The research was done in the context of retail service brands. The data for the research was collected using structured questionnaire. The sample was taken using convenience sampling from Jaipur city. The constructs for the study were developed using the measurement scales taken from the previous studies. The developed constructs were measured using five point Likert Scale i.e. strongly disagree (1) to strongly agree (5).

## Proposed Research Model

The authors proposed a model describing relationships between customer relationship, customer engagement, customer satisfaction and brand loyalty. The researchers have examined the relationship between all earlier mentioned constructs and research hypotheses are framed.



**Fig. 1. Hypothesized Proposed Model**

- H<sub>1</sub>: Customer engagement is positively related to customer satisfaction.  
 H<sub>2</sub>: Customer relationship is positively related to customer satisfaction.  
 H<sub>3</sub>: Customer satisfaction is significantly related to brand loyalty.

## Sampling

The sample was taken using probability sampling from the population of consumers of Jaipur city. The responses have been collected from 320 customers of retail service brands.

## Data Collection

The primary data was collected using structured questionnaire. The data has been collected using the source of online mail and also through personal interactions. 320 responses were finally selected for the study.

## DATA ANALYSIS & INTERPRETATION

The following Table no. 1 shows the demographic description of the respondents. As shown in the table among the 320 respondents 75% were males and 25% females. There were 25% respondents from the age group of 18-30 years, 45% from the age group of 31-40 years, followed by 15% of the age group 41-50 years and 15% of more than above 50 years. 10% of respondents had high school education, 60% respondents were graduate and 30% respondents were post graduates.

**TABLE 1**  
**Distribution of Respondents on the Basis of Various Demographic Variables**

Variables		Frequency	Percentage (%)
Gender	Male	240	75
	Female	80	25
Age	18-30 Years	80	25
	31-40 Years	144	45
	41-50 Years	48	15
	Above 50 years	48	15
Education	High School	32	10
	Graduate	192	60
	Post graduate	96	30

## Reliability Analysis

Reliability analysis was done using Cronbach's alpha to find out the internal consistency among the items used in the questionnaire. According to Table no. 2 the measured values of Cronbach's alpha of items used customer engagement, customer relationship, customer satisfaction and

brand loyalty were found 0.75, 0.77, 0.80 and 0.79 which indicate a good and acceptable reliability.

**TABLE 2**  
**Reliability Analysis**

Variable	Mean	Cronbach alpha
1. Customer engagement	3.795	0.75
2. Customer relationship	3.898	0.77
3. Customer satisfaction	3.576	0.80
4. Brand loyalty	3.715	0.79

### Factor Analysis

To find out the effect of variables in the research, all the research variables are operated using factor analysis. The principal component analysis with a varimax rotation was used to find the best fit of the data.

### Correlation Analysis

The researchers computed the correlation between the variables used in the hypotheses. There is a positive and significant correlation between Customer Engagement and Customer Satisfaction shown in the Table no. 4. The p-value was found .002 and Pearson Correlation value was .735. The Table no. 5 shows a positive and significant correlation between Customer relationship and Customer satisfaction giving the p-value .003 and Pearson Correlation value .765. The table no. 6 shows a strong positive and significant correlation between Customer satisfaction and Brand loyalty. The p-value was found .000 and Pearson correlation value was .955.

**TABLE 3**  
**Factor Analysis**

Items	Customer Engagement	Customer relationship	Customer Satisfaction	Brand Loyalty
When someone criticizes this brand, it feels like a personal insult.	.712			
This brand's successes are my successes.	.659			
When someone praises this brand, it feels like a personal compliment	.750			
When I talk about this brand, I usually say we rather than they.	.609			
I like to learn more about this brand		.723		
Anything related to this brand grabs my attention		.680		
I concentrate a lot on this brand.		.683		
I like learning more about this brand		.724		
When I am interacting with the brand, I forget everything else around me.		.709		
Time flies when I am interacting with the brand		.507		
I am someone who likes actively participating in brand community discussions		.702		
Very Dissatisfied 1 2 3 4 5 6 7 Very Satisfied			.670	
Very Displeased 1 2 3 4 5 6 7 Very Pleased			.733	
Frustrated 1 2 3 4 5 6 7 Contented			.796	
Terrible 1 2 3 4 5 6 7 Delighted			.870	
If available, I will purchase/ shop with this brand the next time I buy products of this type/ I shop.				.687
I intend to keep purchasing/ shopping with this brand				.751
I am committed to this brand.				.757
I would be willing to pay a higher price for this brand over other brands				.742
This is an honest brand				.685

**TABLE 4**  
**Correlation Value between Customer Engagement and Customer Satisfaction**

		<i>Customer Engagement</i>	<i>Customer Satisfaction</i>
<b>Customer Engagement</b>	Pearson Correlation	1	.735**
	Sig. (2-tailed)		.002
	N	320	320
<b>Customer Satisfaction</b>	Pearson Correlation	.735**	1
	Sig. (2-tailed)	.002	
	N	320	320

\*\*Correlation is significant at the 0.05 level (2-tailed)

**TABLE 5**  
**Correlation Value between Customer Relationship and Customer Satisfaction**

		<i>Customer Relationship</i>	<i>Customer Satisfaction</i>
<b>Customer Relationship</b>	Pearson Correlation	1	.765**
	Sig. (2-tailed)		.003
	N	320	320
<b>Customer Satisfaction</b>	Pearson Correlation	.765**	1
	Sig. (2-tailed)	.003	
	N	320	320

\*\*Correlation is significant at the 0.05 level (2-tailed)

**TABLE 6**  
**Correlation Value between Customer Satisfaction and Brand Loyalty**

		<i>Customer Satisfaction</i>	<i>Brand Loyalty</i>
<b>Customer Satisfaction</b>	Pearson Correlation	1	.955**
	Sig. (2-tailed)		.000
	N	320	320
<b>Brand Loyalty</b>	Pearson Correlation	.955**	1
	Sig. (2-tailed)	.000	
	N	320	320

\*\*Correlation is significant at the 0.05 level (2-tailed)

### Measurement Model Assessment

To assess the measurement model by using statistical tool, structural equation modeling (SEM) AMOS 21.0 was used (Arbuckle, 2006). Assessing the measurement model is a three step process: 1) assess convergent validity, 2) assess

internal consistency, and 3) assess discriminant validity.

### 1. Convergent Validity

The first step in evaluating the accuracy of the measurement model focuses on assessing the



convergent validity of the constructs by examining the AVEs (Average variance explained) of each construct. AVEs should exceed the generally accepted .50 threshold to demonstrate that the majority of the variance is accounted for by the construct and no other construct (Fornell et al., 1981). Results of this analysis are presented in Table no. 7. As it can be seen, all AVEs (Average variance explained) exceed the .50 threshold indicating that convergent validity has been satisfied.

**TABLE 7**  
**AVEs (Average variance explained) and Composite Reliabilities**

Construct	No. of Items	AVEs	CR
Customer Engagement	4	.73	.81
Customer Relationship	7	.78	.87
Customer Satisfaction	4	.72	.86
Brand Loyalty	5	.79	.89

## 2. Internal Consistency of Measurement

The second step involves assessing the individual items for each construct to determine reliability. (Fornell and Larcker, 1981) suggested the use of the composite reliability statistic as a measure of internal consistency for each construct. Composite reliability (CR) is similar to cronbach's coefficient and utilizes a .70 threshold for demonstrating acceptable construct reliability. Table no.7 contains the CRs for each theoretical construct. As it can be seen, all CRs exceed the .70 threshold, indicating the measurement model demonstrates acceptable reliability for each construct.

## 3. Discriminant Validity

The final step in assessing the measurement model focuses on establishing adequate discriminant validity (i.e., any single construct differs from all other constructs included in the model). Essentially, discriminant validity

ensures that each construct is distinct from all others and the items used in the survey instrument load on the appropriate construct only (Messick, 1987). Discriminant validity can be assessed by examining the square root of the AVE for each construct to the correlations of all other constructs in the model. If the square root of the AVEs are larger than correlations, discriminant validity is satisfied (Chin, 1998). Table no. 7 contains the correlations of constructs and the square root of the AVEs bolded on the diagonal.

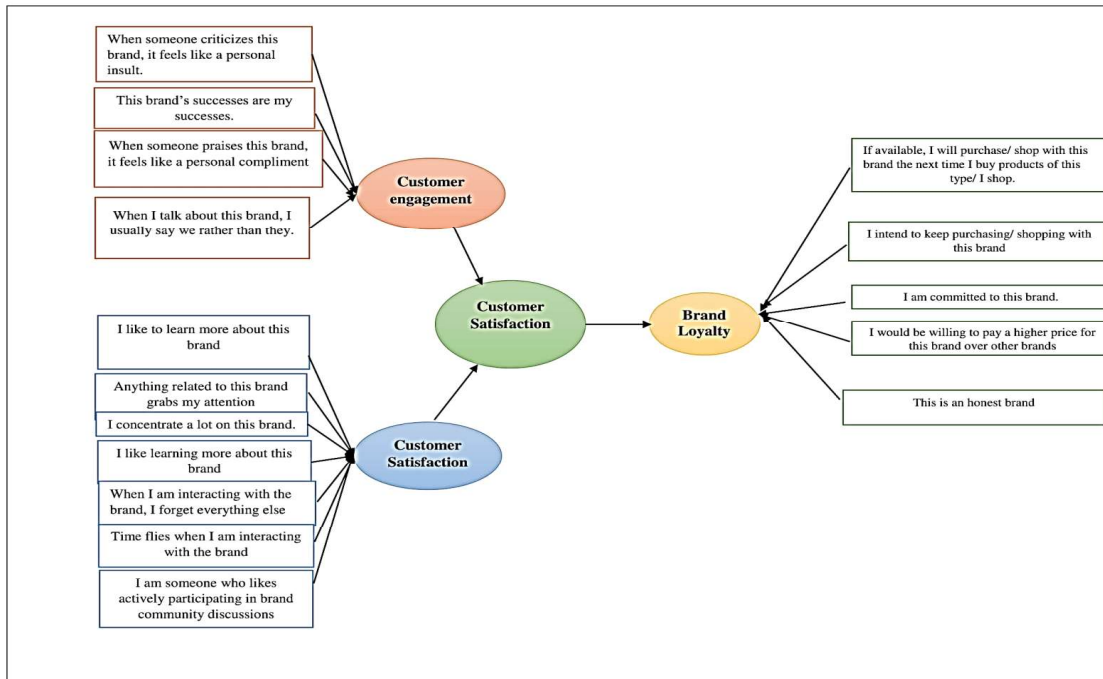
As it is observable from Table no. 8 all of diagonal correlations are less than the square root of the AVEs for each construct, suggesting discriminant validity has been satisfied. Based on the analysis of the measurement model, convergent validity, internal consistency, and discriminant validity is acceptable to proceed with further analysis.

**TABLE 8**  
**Correlations of Construct and AVEs**

	1	2	3	4
Customer Engagement	<b>.79</b>			
Customer Relationship	.19	<b>.76</b>		
Customer satisfaction	.16	.14	<b>.86</b>	
Brand Loyalty	.19	.23	.21	<b>.88</b>

## 1. Overall Measurement Model Fit of Structural Model and Hypothesis Testing

To access the structural model and evaluate the hypothesized relationship of the research model, SPSS AMOS Software version 21.0 (Arbuckle, 2006) was used because of its ability to assess complex path models, assess overall model fit and conducts confirmatory factor analysis. The assessment of the structural model consisted of two steps. First, researcher assessed the overall fit of the model. Second, researcher assessed the significance of the hypothesized relationships. To examine the hypothesized relationships, bivariate analysis i.e. Correlation *p*-value (Two tailed) of .05 are evaluated to determine the



**Fig. 2 Customer engagement model**

significance and to guard against type I errors. In this section, an overall measurement model test has been conducted to test the adequacy of the measurement model. Researcher examined the normal chi square CMIN, GFI, CFI, RMSEA indices to determine the model reasonably fits the data. It examined the structures for all latent variables together (dependent and independent). Through covering all latent variables (the DVs and IVs) with each other, the overall measurement model (initial and final) was then tested.

**TABLE 9**  
**Summary of Overall (Initial and Final Model fit) measurement model**

Fit Indices	Overall Measurement Model	
	Initial	Final
CMIN/DF	3.819	1.548
GFI	.689	.921
TLI	.479	.945
CFI	.505	.953
RMSEA	.090	.042
IFI	.510	.953

The overall fit indices for the structural model indicate the hypothesized model, which adequately fits the final model has acceptable values.

## CONCLUSION AND DISCUSSION

Customer engagement has become a necessity for the retailers to develop and sustain the long term relationships with the customers in this cut throat competitive market. This study was conducted to gain the knowledge of how customer engagement affects customer brand relationship. The findings of the study suggest that personal connection of the customer enhances his/her perceived level of importance towards the retail brand. The customer gives more time and effort to engage and interact with the brand when they find brand relevant to their needs which also creates psychological connection between brand and the customer. The results also make it clear that as the customer engagement with the brand increases, they perceive more that brands fulfill the anticipations, goals and

desires that in turn increases the customer brand loyalty. So it can be said that enhanced level of customer engagement is more likely to increase the positive customer attitude for the brand through the creation of an emotional bonds. The positive customer brand relationship is the first and foremost requirement of establishing retail brand loyalty.

### Limitation and Future Direction

The research was done using a conceptual framework which has been validated by the empirical findings using statistical tools. The sample size was comparatively small that can be strengthened by increasing the sample size but because of the time limitation it has been tested on a small geographical area. The study does not involve investigation of cause and effect relationships so that results of the study are applicable only in an association and not a causal relationship. For the future studies, it could be examined how customer engagement leads to positive financial performance for the retail brands. The study can also be done to find out the situations in which customer engagement is more likely to happen from a customer perspective. The research can also be conducted to investigate the reasons of customer disengagement.

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