

Customer versus Member Engagement: Does Mutuality Matter?

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Short Abstract:

Customer or Consumer Engagement (CE) is recognised as important to the co-creation of value within the customer experience process, particularly for service firms. Co-operative and mutual enterprises (CMEs), are service firms that differentiate from investor owned firms (IOFs), due to their mutual ownership and democratic governance. This study drew on a large sample of 856 respondents divided evenly between customers of IOFs and members of CMEs. CE was measured in relation to active, attention, co-development, enthusiasm and interaction, with loyalty (intent) and word of mouth (WOM) as dependent variables. CME members were found to be more engaged than the IOF customers, with enthusiasm and attention as the best predictors of both WOM and intent. However, both groups were equal in relation to their intent and WOM outcomes. Findings suggest that both CMEs and IOFs should focus on CE, particularly the IOFs as their customers seem less engaged.

Keywords: customer engagement, co-operatives, mutual enterprises

Introduction and Research Aim

Co-operative and Mutual Enterprises (CMEs) are a distinct form of business, that is member owned and governed, with a focus on delivering benefits to members rather than investment returns to shareholders (Birchall, 2011; Ridley-Duff, 2015). CMEs, in particular co-operatives, are characterised by democratic ownership and governance (e.g. one-member-one-vote), as compared to one-share-one-vote in investor owned firms (IOFs). The members of a CME are also its suppliers or customers, who are also its owners and shareholders (where share capital is issued). It has been suggested that the CME is able to more effectively engage its members due to this mutual ownership, and that this enhances loyalty and commitment (Fulton & Adamowicz, 1993; James & Sykuta, 2005; Talonen et al., 2016). This is also felt to have positive impacts on members' willingness to provide positive WOM to others (Simmons, 2015).

An important feature of CMEs is the development of active membership, whereby members trade actively with the enterprise, thereby ensuring its financial viability (Verhees et al., 2015). However, relatively little evidence exists of how CMEs and IOFs differ in terms of customer engagement (CE) and member engagement (ME), and a paucity of reliable measures of or data on ME (Simmons, 2015; Strube, 2015).

By comparison, the field of CE has expanded strongly within the marketing literature, where the focus has been on examining it as a psychological process that drives loyalty and WOM activity (Bowden, 2009a/b; Van Dorn et al., 2010). Brodie et al. (2011) provide a definition of CE that views it as a multidimensional concept, and a psychological state occurring through interactive customer experiences, within a dynamic, iterative process, that plays a central role in service relationships, taking place within a specific set of situational conditions.

Additional research has focused on expanding the scope, domain and boundaries of CE within services environments to include customer participation and innovation (Dong & Sivakumar, 2017). Attention has also been given to customer engagement, involvement, and brand use intent (Harrigan et al., 2018); individual consumer engagement styles (Hollebeek, 2018); the role of service convenience, fairness and quality (Roy, et al., 2018a), and CE in individualistic and collectivistic markets (Roy et. al., 2018b). However, no prior research has examined these issues in CMEs. Consequently, the aim of this study was to:

To examine the relationship between CE, loyalty and WOM, with a view to understanding the relative importance of CE as an influencing factor, and to also compare these relationships between customers of IOFs and members of CMEs.

We addressed two research questions in line with this aim, namely:

RQ1: What is the relative importance of customer engagement on loyalty (intent) and word of mouth (WOM)?

RQ2: What differences exist between CMEs and IOFs in relation to CE and its relative influence on loyalty and WOM?

Methodology

An online consumer panel was used to collect a total of 945 respondents, of which a final sample of 856 were used in this analysis. All respondents were asked to indicate whether they were an active member of a CME (which was defined for them along with examples), or if they were not, if they could identify at least one service organisation that they felt they had an active engagement with. A final sample of 435 active CME members and 421 active IOF customers

was recruited. The sample demonstrated a good representation of the population within Australia, with 49.4% males and 50.6% females, age ranges from 18 to over 55 years, and all income, family types and geographic areas represented.

CE was measured using four constructs: Engagement Attention (4 items); Engagement Co-Development (3 items); Engagement Enthusiasm (4 items); and Engagement Interaction (3 items) (Hollebeek et al., 2014; Jaakkola & Alexander, 2014; Harrigan et al., 2018; Roy et al., 2018a/b). Loyalty Intent was measured using a three-item scale (Söderlund, 2002), and WOM a 6-item scale (Harrison-Walker, 2001; Teo & Soutar, 2012). All items were measured using 5-point Likert-type scales. All items were found to have high scale reliability with Cronbach's alpha scores over .80. The data was examined using SPSS and then a path model examined with partial least squares software Warp PLS (Kock, 2010; 2017).

Results and/or Discussion and Contributions

All constructs had good measurement properties (composite reliabilities > 0.80; AVE scores > 0.60, supporting their convergent validity and all AVE scores greater than the maximum shared variance between any two constructs, supporting their discriminant validity) (Fornell & Larcker, 1981; Knock, 2017). As anticipated, all four CE constructs had a significant and positive influence on Loyalty and WOM, with Engagement Attention and Engagement Enthusiasm being the most influential predictors. CME members were also found to be significantly more engaged across all four CE factors than were their counterparts, who had a customer relationship with an IOF. Despite this, there was no significant difference found between the two groups in relation to the influence the CE dimensions had on Loyalty or WOM.

Although the study did not find any significant differences between CME members and IOF customers in terms of the influence CE had on loyalty and WOM, it did find CME members had significantly CE (all dimensions). It is worth noting engagement enthusiasm was the most influential factor in predicting loyalty and WOM. This is a measure of customers' or members' passion, enthusiasm, liking and dedication to an organisation, with dedication and passion being the most important elements. Of second importance was engagement attention, which measures how much attention customers or members give to information about their provider, whether they want to learn more about it and whether they spend time on things relating to it.

Implications for Theory and Practice

From a theoretical perspective, the study offers further evidence of the importance of CE as an indicator of loyalty intent and positive WOM. The results also highlight the relative importance of enthusiasm engagement and attention engagement in this respect. From a practice perspective, this finding not only provides support for the view that CMEs offer a service environment that is more conducive to engaging members as compared to IOF customer relationships, but identifies CE as a useful set of measures of member engagement within these organisations.

In summary, the findings provide CME managers and directors with useful insights into the relative benefits their hybrid business model offers on comparison to IOFs when seeking to engage members, retain loyalty and promote positive WOM. It also provides a valuable measure for assessing member engagement that can be used to track all four elements of the CE construct and monitor changes. For the managers and directors of IOFs, the study not only provides support to the existing body of knowledge relating to the importance of CE as a predictor of loyalty and WOM, it suggests that more work is still to be done by these firms to strengthen their relationship with their customers who are seemingly less engaged.

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