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Conceptualising levels of customer relational outcomes within social media

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Abstract

The rise of social media has created a plethora of opportunities for organisations, including the potential to reach large audiences at a relatively minimal cost. In particular, social media holds great rewards for organisations seeking to establish relationships with their customers. This paper contributes to the relationship marketing (RM) literature by developing a hierarchical model incorporating the constructs of customer engagement, word of mouth (extending to viral marketing), and co-creation of value as they apply in a social media context. The organisation of these constructs has received little consideration previously. We argue that ordering these constructs is important to ascertain an organisation's stage of customer relationship development. This paper brings RM thinking into the social media context.

Keywords: Relationship marketing, social media, customer engagement, word of mouth, co-creation of value, customer engagement behaviour.
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Introduction

Organisations and customers have rapidly adopted evolving social media channels (Boyd and Ellison, 2007; Collander and Dahlen, 2011; Hennig-Thurau et al., 2010). Marketers have identified social media as a new avenue for developing relationships with customers (Lee, 2010). We take the stance in this paper that social media facilitates relationship marketing (RM). A conceptual hierarchical model of customer engagement that shows how organisations might use social media within a RM framework is presented. The proposed model aims to contribute to the RM literature in three key ways. Firstly, it builds towards addressing a gap in respect to the limited existing literature exploring customer engagement (Mollen and Wilson, 2010). Secondly, the organisation of the key constructs of customer engagement, word of mouth (WoM) (including viral marketing) and co-creation of value (CCoV) has received limited examination previously. The hierarchical ranking of these constructs is indicative of the level of organisational effort and investment of resources required, such as time and money, moving from tactical levels (lower ranked constructs: presence and engagement) to more strategic levels (higher ranked constructs: WoM and CCoV) of RM. Finally, the paper extends current research by examining RM within the social media context.

Relationship Marketing

Kotler and Armstrong (2010, p. 5) define marketing as “the process by which companies create value for customers and build strong customer relationships in order to capture value from customers in return.” This definition suggests that RM is central to modern marketing. This paper adopts the broad definition of RM advanced by Shani and Chalasani (1992, p. 34), who described RM as “an integrated effort to identify, maintain, and build up a network with individual customers and to continuously strengthen the network for mutual benefit of both sides, through interactive, individualised and value added contacts over a long period of time.” Social media facilitates RM by creating new avenues for organisations to reach customers and to develop deeper, long-term relationships with them (McGee and Begg, 2008; Palmer, 2009; Stone, 2009); it signals the increasing rise of electronic relationship marketing (eRM) (McGee and Begg, 2008; Verhoef, Reinartz, and Krafft, 2010).

Current RM Frameworks

Recently, several models have emerged from the RM literature with a customer engagement focus (see, for example, Bowden, 2009b; Hennig-Thurau et al., 2010; van Doorn et al., 2010; Verhoef, Reinartz, and Krafft, 2010). Verhoef, Reinartz, and Krafft (2010, p. 248) defined customer engagement as an “overarching construct capturing non-transactional customer behaviour”, such as WoM. Moreover, Bijmolt et al. (2010) suggested that customer engagement refers to behavioural manifestations towards a brand beyond purchase behaviour, while Bowden (2009b, p. 65) conceptualised customer engagement as the “psychological process that models the underlying mechanisms by which customer loyalty forms for new customers... as well as the mechanisms by which loyalty is maintained for repeat purchase customers.” However, these models generally lack a level of specificity in relation to how customer engagement-related behaviours might be ordered or arranged. Van Doorn et al.
(2010) identified that previous endeavours in this regard have been "piecemeal". This paper specifically attempts to structure these elements. In doing so, the paper explores CCoV, WoM (extending to viral marketing) and engagement, which we argue are three distinct outcomes of organisational relationships with customers and reflect the "new" overarching concept of customer engagement (Van Doorn et al., 2010). Ranking these constructs in a hierarchy demonstrates their varying degrees of organisational strategic integration. Verhoef, Reinartz, and Krafft (2010) conceptualised a model of customer engagement that drew upon these constructs; they argued that customer characteristics and firm strategies are theoretically linked to customer engagement and, therefore, to firm value. However, they bundled these engagement outcomes together under a "customer engagement" banner, failing to explore their nuances. Similarly, Van Doorn et al. (2010) examined customer engagement behaviour (CEB), yet offered limited discussion on these three constructs specifically, and did not examine their order. An examination of existing RM models suggests that there is a gap in the literature relating to the arrangement of these engagement outcomes, which this paper aims to address. Additionally, RM models within a social media context appear limited, as per the focus of this paper. The importance of social media to RM and engagement is identified by Verhoef, Reinartz, and Krafft (2010). They suggested that social media is influential in the customer engagement process.

Social Media

Social media is a term used to describe a collection of Web 2.0 based software that helps users to create and exchange content (Kaplan and Haenlein, 2010, 2011a; McGee and Begg, 2008). Common examples of social media are the social networking site (SNS), Facebook, and the micro-blogging site / SNS, Twitter (Boyd and Ellison, 2007; Colliander and Dahlen, 2011; Kaplan and Haenlein, 2011a). Barnes (2010) suggested that these two forms of social media are amongst those becoming increasingly prominent in the marketing landscape. Existing commentary indicates that organisations are rushing to join the social media revolution. Moorman (2010) suggested that the social media spend by organisations will grow from six per cent to 18 per cent within the next five years. Social media offers a range of benefits to organisations, such as reduced costs of communication and increased access to customers. It amplifies the voice of organisations, thereby increasing their capacity to reach wider markets (Barnes, 2010; Hennig-Thurau et al., 2010; Kaplan and Haenlein, 2010, 2011a; Thackeray et al., 2008). Thackeray et al. (2008, p. 340) suggested that social media allows customers to become the "very heart" of the marketing process, which is aligned with RM thinking (Boulding et al., 2005). Social media allows for two-way communication, which is a condition that Bhattacharya and Bolton (2000) identify as being key to RM.

Conceptual Framework

The proposed conceptual model (Figure 1) comprises four hierarchical levels of customer engagement that organisations can progress through, set within a social media context. These levels (in ascending order) are presence, engagement and WoM, with the pinnacle of the hierarchy being CCoV. CCoV is argued to represent the top of the hierarchy, because at this stage, both customers and organisations obtain the greatest benefits, including reduced costs, increased loyalty and community (Bijmolt et al., 2010; Sawhney, Verona, and Prandelli, 2005). For organisations to reach each of the levels of relational outcomes presented in Figure 1, they are required to wield different levels of strategic integration in respect to customer
engagement. Therefore, it is appropriate to present these outcomes within a hierarchy. Organisations will need to develop a more strategic relationship with their customers in order to achieve CCoV than is required to achieve the engagement or WoM levels, for example. This paper draws support from Verhoef, Reinartz, and Krafft (2010) in proposing that the constructs of WoM and CCoV are particularly relevant to the social media environment, largely due to the ease and speed of communication diffusion within social media. This model is applicable to all forms of social media (e.g., Facebook and Twitter), which by their very nature enable two-way communication.

Figure 1: Social Media Relational Outcomes Hierarchy

**Presence**

Presence represents the most basic, tactical use of social media, and hence it appears at the base of the hierarchy. At this level, organisations have created a social media presence simply to be seen to have adopted the technology, which is in keeping with the "bandwagon effect" (McNamara, Haleblain and Dykes, 2008). This level is internally focussed, with little or no attention paid to customers' needs. As such, customers may not feel that organisations are actively seeking to establish relationships with them, but rather that they are using social media solely as an advertising medium. We propose that this level of the hierarchy may create customer awareness, but a low level of customer engagement.

**Engagement**

Beyond potentially creating customer awareness through establishing a social media presence, organisations begin to engage customers as per the concept of ambient awareness (Kaplan and Haenlein, 2011a). Kaplan and Haenlein (2011a) suggested that regular updates to social media sites could create ambient awareness, which is defined as a sense of closeness or community created through periphery, or “small talk” style information (Arbanowski et al., 2004; Johnson, 2009; Komito, 2011). This suggests that if brands frequently contribute little pieces of information through their social media profiles, they will accumulate to create a bigger picture in the minds of customers, resulting in a sense of closeness or intimacy (Kaplan and Haenlein, 2011a). Over time, brands could move from a basic level of presence to the next level of engagement. At this level, there is an attempt to be more customer-focussed.

Mollen and Wilson (2010, p. 923) proposed that engagement is a “cognitive and affective commitment to an active relationship”, which illustrates that engagement offers a foundation
for deeper connections with customers. Regular updates to social media sites have the ability to create a sense of engagement, which is supported by several studies, including that by Baumer, Sueyoshi and Tomlinson (2011). They identified that consumers’ reading of political blogs contributed to their sense of interaction and community, and thus engagement (Mollen and Wilson, 2010). Mollen and Wilson (2010, p. 924) reasoned that engagement provides a link between customers’ cognitive and affective commitment and “commercially desirable” outcomes. Similarly, Van Doorn et al. (2010) suggested that once engaged, customers often display different behaviour, which they term CEB. CEB can be defined as “customers behavioural manifestations that have a brand or firm focus, beyond purchase, resulting from motivational drivers”, and can include complaint behaviour and WoM (Van Doorn et al., 2010, p. 254). The rise of engagement in an electronic environment through social media has provided greater opportunities for the spread of behaviour stemming from engaged customers, such as WoM (Bowden, 2009a, 2009b; Hennig-Thurau et al., 2010). Therefore, this paper argues that WoM, which might require limited additional effort, could be considered the next level of the hierarchy.

WoM (and Viral Marketing)

Bowden (2009a, 2009b) identified that customers who are “deeply entrenched” or high in affective commitment and who are, therefore, engaged, are likely to spread WoM; thus suggesting that engagement precedes WoM, as depicted in Figure 1. WoM has been researched extensively over several decades, and is defined as the spread of company and/or product related information through informal sources, generally from customer to customer (Williams and Buttle, 2011). WoM is perhaps the Jekyll and Hyde of RM as it can be positive or negative (Kaplan and Haenlein, 2011a; Stevenson, 2003).

The rise of the electronic environment has had a profound influence on WoM, resulting in the development of a new line of WoM research, namely electronic WoM (e-WoM) (Kaplan and Haenlein, 2011b). e-WoM, through social media, for example, has distinct advantages for both companies and customers over traditional WoM, assuming it is positive, namely that it is able to diffuse faster and wider and it can be measured more readily (Kaplan and Haenlein, 2011b). The rise of e-WoM can be theoretically linked to an increase in the ability of organisations to create messages that go viral (Kaplan and Haenlein, 2011b; Thackeray et al., 2008).

Viral marketing is defined as the spread of a marketing message, which has grown at an exponential rate, facilitated by the e-environment (Kaplan and Haenlein, 2011b; Rayport, 1996). Kaplan and Haenlein (2011b) suggested that social media has increased the chance of a message going viral. Rayport (1996) first described viral marketing as “self-propagating” and “self-perpetuating”. This reiterates the need for consumers to be engaged by the message and/or by the brand to actively want to pass the message on, thereby driving the perpetual motion of viral marketing, evoking a sense of WoM on steroids. Dobele, Toleman and Beverland (2005) reviewed various viral marketing campaigns and identified that engaging the customer was the key to success. Kaplan and Haenlein (2011b) drew comparisons between viral marketing and the spread of actual viruses, highlighting that both require the right conditions. However, they also argued that even if effort is exerted to control all conceivable conditions, a good dose of luck is often needed for success (Kaplan and Haenlein, 2011b). Therefore, because of its somewhat uncontrollable nature, viral marketing has been included in the model as a factor outside of the core hierarchy (see Figure 1).
Co-creation of Value

CCoV is the pinnacle of the model; it is a far-reaching and complex construct, offering big rewards to organisations if achieved (Baumer, Sueyoshi and Tomlinson, 2011; di Gangi, Wasko, and Hooker, 2010; Füller, 2010b; Füller et al., 2009; Hoyer et al., 2010; Lusch and Vargo, 2006; Marandi, Little, and Hughes, 2010). Existing literature identifies CCoV as consumer participation in the creation of the offering (Blasco, Hernandez and Jimenez, 2011; Lusch and Vargo, 2006; Van Doorn et al., 2010). It is suggested that CCoV requires a foundation based on engagement (Bijmolt et al., 2010; Sawhney, Verona, and Prandelli, 2005). Furthermore, it can be argued that CCoV requires a greater sense of commitment and engagement than any other level of the hierarchy because it is often a long-term process, rather than a (potentially) one-off communication, such as WoM (Bijmolt et al., 2010; Sawhney, Verona, and Prandelli, 2005). There are various examples of CCoV within a social media context. For example, computer giant Dell uses social media to gain feedback on existing products, while Ducati utilises virtual communities and online forums to develop products (di Gangi, Wasko, and Hooker, 2010; Sawhney, Verona, and Prandelli, 2005). These examples suggest that a higher level of customer engagement (cognitive and affective commitment) is required for CCoV than for WoM, or the other lower tactical levels of the hierarchy. Drawing upon the example of Ducati, CCoV encourages continued participation of individuals in Ducati development forums, whereas WoM might evoke activation infrequently, occasionally passing on information or providing a positive endorsement. It is because of this and due to its far-reaching mutual benefits that we argue that CCoV should represent the top level of the hierarchy (Bijmolt et al., 2010; Füller, 2010b; Marandi, Little, and Hughes, 2010).

The top levels of the model are customer-driven, where social media moves from being a tactical partner to a strategic integrator. These customer driven stages (WoM and CCoV) provide a theoretical fit with the user-creator aspects of social media (Kaplan and Haenlein, 2010). Füller (2010b) suggested that CCoV, directed towards efforts in new product development, might even have a flow on effect, enhancing customers’ overall perceptions of a brand, and inciting positive WoM. Similarly, it could be argued that WoM might promote a stronger sense of cognitive or affective commitment (Williams and Buttle, 2011). As such, the higher levels of the hierarchy might work in a feedback loop reinforcing its lower levels (Bijmolt et al., 2010; Marandi, Little, and Hughes, 2010).

Contributions and Directions for Future Research

This paper contributes to the RM literature in two key ways. Firstly, we propose a model that integrates a stream of theories that are rarely explored together. We suggest that a hierarchical approach to the ordering of these RM constructs is appropriate. The staged arrangement of these constructs provides the opportunity to stimulate debate and further research into how these concepts are associated. Secondly, we position these important RM constructs within the social media context, thus highlighting new avenues for eRM research. This paper also has potential implications for marketing practitioners. Firstly, the proposed model can help organisations to identify the level of engagement that they have reached and structure their path through social media. Secondly, it is hoped that this hierarchy will provide a rudimentary measure for managers to evaluate their RM efforts in respect to customer engagement in the social media context.
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