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THE EFFECTS OF CUSTOMER-BRAND RELATIONSHIP INVESTMENTS ON CUSTOMER ENGAGEMENT

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ABSTRACT

Achieving a strong customer-brand relationship is indeed a winning differentiating strategy for companies to survive in today's highly competitive marketplace. However, due to limited studies and narrow approach, the existing literature has not yet provided sufficient explanation on the contributing factors in the establishment of a strong customer-brand relationship. Recognizing the critical role of relationship investment and customer engagement, this research aims to investigate the influence of customer and brand investments on customer engagement. Specifically, this research extends the Resource Investment model by Morais et al. (2004) and empirically examines the effects of customer-brand relationship investments' dimensions on customer engagement, the effect of brand investment dimensions on customer investment dimensions, the mediating effect of customer investment dimensions and the moderating role of relationship duration. To test the proposed framework, this research adopted the positivist, deductive and quantitative approach. Data, which gathered from a quota sample of 600 mobile phone customers through the drop-off survey method, was analysed using Structural Equation Modelling (SEM). The results show that customer intrinsic investment (CII), customer extrinsic investments (CEI) and brand social investment (BSI) significantly induce customer engagement (CE). Besides, brand social and economic investments (BSI and BEI) significantly influence CII and CEI. In addition, CII and CEI partially mediate the relationship between BSI and CE, while CII fully mediate the effect of BEI on CE. Finally, the results demonstrate a minor moderating effect of relationship duration, which it only significant in the effect of CII on CE. Accordingly, the findings provide empirical evidence on the collective effect of customer-brand relationship investments as well as independent effects of the dimensions of customer-brand relationship investments on customer engagement. Further, the findings suggest that to enhance customer engagement toward brand and consequently establish a strong customer-brand relationship, companies should continually improve the customer perception of the relationship investment.

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ABSTRAK

Mencapai hubungan pelanggan-jenama yang kukuh merupakan strategi pembezaan utama untuk syarikat-syarikat terus kekal dalam pasaran hari ini yang sangat kompetitif. Namun, disebabkan kajian yang terhad dan pendekatan yang sempit, literatur sedia ada masih belum dapat memberikan penjelasan yang mencukupi berhubung faktor-faktor yang menyumbang dalam pembinaan hubungan pelanggan-jenama yang kukuh. Menyedari peranan kritikal pelaburan hubungan dan penglibatan pelanggan, kajian ini bertujuan untuk meneliti pengaruh pelaburan pelanggan dan jenama terhadap penglibatan pelanggan. Secara khususnya, kajian ini akan mengembangkan model Pelaburan Sumber oleh Morais et al. (2004) dan meneliti secara empirikal kesan langsung dimensi pelaburan jenama dan dimensi pelaburan pelanggan ke atas penglibatan pelanggan, kesan dimensi pelaburan jenama ke atas dimensi pelaburan pelanggan, kesan pengantara oleh dimensi pelaburan pelanggan dan peranan penyederhana oleh tempoh hubungan. Bagi menguji kerangka penyelidikan yang dicadangkan, kajian ini mengambil pendekatan positivisme, deduktif dan kuantitatif. Data yang dikumpul daripada sampel kuota 600 orang pelanggan telefon mudah alih melalui kaedah survei secara *drop-off*, dianalisis menggunakan Pemodelan Persamaan Berstruktur (SEM). Keputusan kajian menunjukkan bahawa pelaburan intrinsik pelanggan (CII), pelaburan ekstrinsik pelanggan (CEI) dan pelaburan sosial jenama (BSI) secara signifikan mendorong penglibatan pelanggan (CE). Selain itu, pelaburan sosial dan ekonomi jenama (BSI dan BEI) mempengaruhi CII dan CEI secara signifikan. Di samping itu, CII dan CEI menjadi pengantara separa dalam hubungan di antara BSI dan CE, manakala CII menjadi pengantara penuh bagi kesan BEI ke atas CE. Akhir sekali, keputusan kajian menunjukkan sedikit kesan penyerderhana oleh tempoh hubungan, di mana ia hanya signifikan bagi kesan CII ke atas CE. Sehubungan itu, dapatan kajian memberikan bukti empirikal mengenai kesan kolektif pelaburan hubungan pelanggan-jenama serta kesan bebas dimensi-dimensi pelaburan hubungan pelanggan-jenama ke atas penglibatan pelanggan. Selanjutnya, dapatan kajian mencadangkan bahawa untuk meningkatkan penglibatan pelanggan terhadap jenama dan seterusnya membangunkan hubungan pelanggan-jenama yang kukuh, syarikat perlu meningkatkan persepsi pelanggan terhadap pelaburan hubungan secara berterusan.

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LIST OF ABBREVIATION

AMOS	Analysis of Moment Structure
AVE	Average Variance Extracted
B2B	Business-to-Business
B2C	Business-to-Consumer
BEI	Brand Economic Investment
BSI	Brand Social Investment
CBBE	Customer-based Brand Equity
CBR	Customer-Brand Relationship
CE	Customer Engagement
CEI	Customer Extrinsic Investment
CFA	Confirmatory Factor Analysis
CFI	Comparative Fit Index
CII	Customer Intrinsic Investment
CR	Construct Reliability
CRRI	Customers' Reported Resource Investments
CSR	Corporate Social Responsibility
df	Degree of Freedom
EFA	Exploratory Factor Analysis
FIML	Full Information Maximum Likelihood
GOF	Goodness-of-Fit
IDC	International Data Corporation
PBI	Perceived Brand Investment
POI	Perceived Own Investment
PPI	Perceived Partner Investment
PPRI	Providers' Perceived Resource Investments
RIM	Resource Investment Model of Morais et al. (2004)
RMSEA	Root Mean Square Error of Approximation
RRIM	Relationship Investment Model of Rusbult's (1983)
SEM	Structural Equation Modelling
SET	Social Exchange Theory
SIC	Squared Inter-construct Correlation
SPSS	Statistical Package for Social Science
SRMR	Standardized Root Mean Square Residual
TLI	Tucker-Lewis Index
VIF	Variance Inflation Factor

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CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

This chapter provides a brief explanation of the research. Following the introduction, section 1.2 presents the background to the research while section 1.3 specifies the research problem. Further, section 1.4 outlines the research questions, while section 1.5 and section 1.6 describe the research objectives and the research contribution, respectively. Finally, section 1.7 provides the definition of the constructs used in this research, while section 1.8 gives the overall structure of the research.

1.2 BACKGROUND TO THE RESEARCH

The advancement of technology has triggered the production of more products in the market, which in turn lead to the introduction of various brands. With various brands under a single product category, companies are experiencing increasing difficulties to differentiate their brand from the competitors (Tripathi 2009). Without meaningful differentiation, it would be difficult for companies to sustain their market and brand share, increase sales and profitability and, more critically guarantee their competitive advantage and survival. It is even worse when customers compound the problem by being very demanding than before. With more brands available in the market, customers have more options of good brand (Carter 2008; Schraft & Micu 2010). Enabled by both traditional and new media, customers have an increased power to choose the brand that perfectly matches their needs and wants (Carter 2008; Schraft & Micu 2010). Accordingly, customers' expectation towards a brand would continue to rise, which makes it far more difficult for companies to keep up with. Moreover, high expectation would lead to the diminishing of customers' tolerance for any

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product defect, in which the failure of a brand to demonstrate relevance to customers' needs and meet their expectations prompts the customers to switch to alternative brands without difficulty (Carter 2008; Tripathi 2009). Accordingly, to win and retain the customers as well as to ensure the company and brand survival, there is an urgent need for companies to successfully tackle the customers' expectation.

Almost all brands across all product categories faced the pressures that were shaped by technology forces (Schraft & Micu 2010), but the challenge is even more marked among mobile phone brands, which considered as one of the technology brands. In particular, the competition among various mobile phone brands is expected to become increasingly tough as all brands are racing to come out with a new model with the latest technology and application to cater the need and wants of increasingly demanding customers. According to the statistics released by International Data Corporation (IDC) (2013), Nokia, the long leading mobile phone brand, has lost its domination of the worldwide mobile phone market share to Samsung just within a year. Specifically, Samsung has succeeded to lead the worldwide mobile phone market in the first quarter of 2012 with a sharp increase of 5.2 percent, while Nokia left to rank second in the list even with a decline of 6.2 percent (Table 1.1). As for the first quarter of the year 2013, Samsung has successfully acquired another 4.2 percent of the market share, while Nokia has lost another 5.8 percent.

Table 1.1: Top Five Total Mobile Phone Market Share (Units in Millions)

Vendor	1Q11 Market Share	1Q12 Market Share	1Q13 Market Share
Samsung	17.10%	23.3%	27.5%
Nokia	26.80%	20.6%	14.8%
Apple	4.60%	8.7%	8.9%
LG	6.10%	3.4%	3.7%
ZTE	3.70%	4.0%	3.2%
Others	41.70%	40.0%	41.9%
Total	**100.00%**	**100.00%**	**100.00%**

Source: International Data Corporation (IDC) (2013)

Besides, the ranking of the best global brands 2012 (Figure 1.1), which was released by Interbrand (2011, 2012), also reveals the intense competition between the two major mobile phone brands. Samsung, which only ranked at 19th in 2010 and 17th in 2011, has succeeded to beat Nokia to become the ninth best global brands in

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2012. Nokia, which has been the leading mobile phone brand in the previous years, has only able to be in a 19th position in the year of 2012.

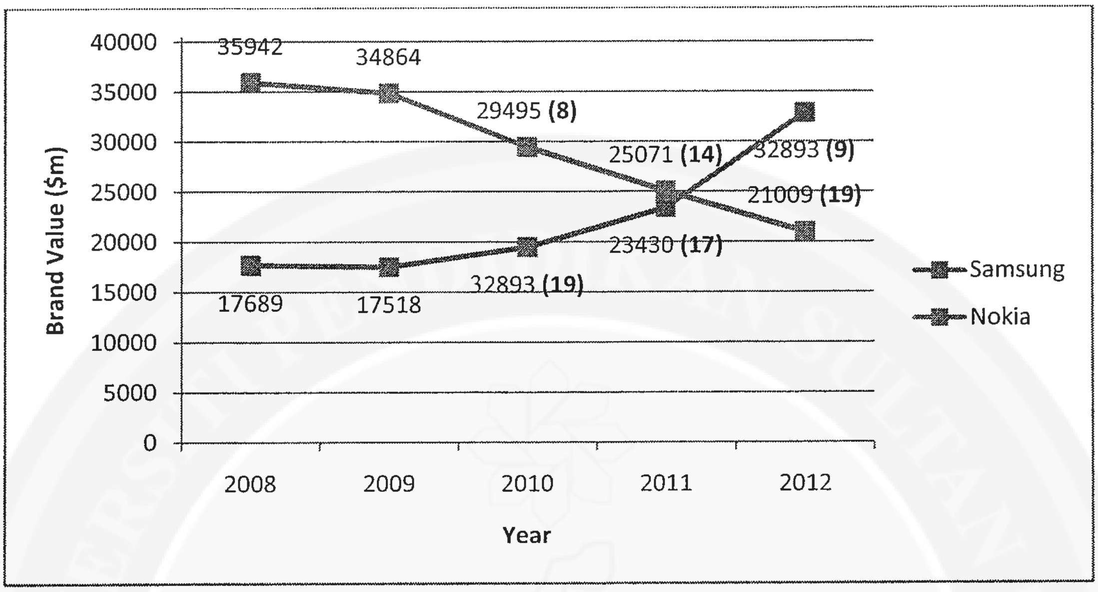

Figure 1.1: Brand Value (Rank) of Two Best Global Mobile Phone Brands
Source: Interbrand (2011, 2012)

In the Malaysian context, the statistics of the mobile phone brand share from 2008 to 2012 (Table 1.2) shows that Nokia, the leader of the Malaysian mobile phone market, has started to lose its dominance starting from the year of 2010. By contrast, Samsung has successfully improved its performance with a significant rise and consequently led Malaysian brand shares in 2012 with a percentage of 29.2. For other brands, relatively, there is a slight drop except for three new brands i.e. HTC, Apple iPhone and Blackberry, which show the increase of around two percent.

Table 1.2: Malaysia Mobile Phones Brand Shares 2008-2012

Brand	**2008**	**2009**	**2010**	**2011**	**2012**
Samsung	23.7%	23.5%	23.9%	26.5%	29.2%
Nokia	33.8%	37.5%	35.9%	27.4%	25.4%
Sony Ericsson	16.2%	17.3%	16.7%	15.9%	11.4%
HTC	0.2%	0.9%	2.5%	7.9%	10.4%
Apple iphone	-	-	4.5%	6.3%	8.5%
Blackberry	1.7%	2.7%	3.7%	5.1%	6.4%
LG	-	-	0.6%	0.7%	0.6%
Motorola	9.6%	9.4%	8.3%	7.5%	5.2%
Others	14.9%	8.6%	4.0%	2.8%	3.1%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Euromonitor International (2013)

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What is more important, a survey carried out on Malaysian undergraduate students in the East Coast of Malaysia not only demonstrate the competition between the two major mobile phone brands, but also includes other brands in competition as well (Mokhlis & Yaakop 2012). Based on the findings (Table 1.3), Nokia and Sony Ericsson turn out to be the most used mobile phone brands by young Malaysian consumers, with the percentage of more than 50 percent, leaving the Samsung far behind (Mokhlis & Yaakop 2012).

Table 1.3: Mobile Phone Brands Used by Malaysian Undergraduate Students

Mobile Phone Brands	% of Students
Nokia	70.8%
Sony Ericsson	57.5%
Samsung	5.6%
CSL	4.3%
Motorola	2.9%
Blackberry	2.1%
Apple iPhone	1.3%
Other	3.7%

Source: Mokhlis and Yaakop (2012)

Overall, all the statistics clearly show a stiff competition faced by the mobile phone brands, globally and locally, and somewhat indicate that the ability to dominate the current market share may not secure the domination of the future brand and market share. With many mobile phone brands in the market, fierce competition among brands and daily growing power of customers (Carter 2008; Han, Kim, et al. 2011; Schraft & Micu 2010), the mobile phone companies must properly address the issues as to avoid from continuously losing their sales and customers to competitors (Barnes 2011; Carter 2008) while ensuring the brands' competitiveness and survival.

With the advancement of technology, customers would expect more technology innovation from technology brands including the mobile phone brands, to the extent that such expectation is described as higher than what brands can keep up with (Passikoff 2013b). On average, customers' expectation has increased by 20 percent, but the expectation towards mobile phone brands, particularly smart phones have risen by more than 28 percent (Passikoff 2013a, 2013c). As such, it is more critical for companies that offer mobile phone brands to meet customers' expectation

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in order to sustain their competitiveness and survival in a hypercompetitive marketplace.

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Coping with current changes in the marketing environment, particularly brand commoditization and increased customers' expectation, companies are extremely required to make significant shifts in their differentiation strategy. It may no longer effective for companies to differentiate their brands in terms of price, quality or customer satisfaction but to strive on building a strong relationship with customers (Alqahtani 2011; Carter 2008; Circles 2010; Hess & Story 2005; Kotler & Armstrong 2010; Louis & Lombart 2010; Schraft & Micu 2010). That is, a strong customer-brand relationship is viewed as essential for brand differentiation, which without it, the possibility to achieve overall performance and sustainability would be seriously endangered (Eisingerich & Rubera 2010; Fisher-Buttinger & Vallaster 2008; Fournier 1998; Story & Hess 2010; Sung & Choi 2010). In particular, strong customer-brand relationship has become the basic foundation to build a strong brand (Bowden 2009a; Schraft & Micu 2010; Tripathi 2009), to achieve brand resonance as described in Customer-based Brand Equity model (Keller 2001, 2003, 2010; Keller 2012) or even *lovemark* as in the Lovemark Theory (Pawle & Cooper 2006; Roberts 2004). That is, the power of brand can only be achieved when the brand-person relationship is successfully maximized (Keller 2010; Roberts & Alpert 2010). Besides, it has been emphasized that a strong customer-brand relationship could also increase sales, profits and market shares (Tripathi 2009), enhance the competitive advantage (Circles 2010), strengthen the brand position (Hwang & Kandampully 2012), promote brand supportive behaviours (Schraft & Micu 2010) and induce the customers to sustain the relationship with a particular brand and its extensions (Sung & Campbell 2009; Sung & Choi 2010). Apparently, strong customer-brand relationship has become the key differentiating strategy for companies to ensure their competitiveness and survival in a highly competitive market (Alqahtani 2011; Hess & Story 2005; Kotler & Armstrong 2010; Louis & Lombart 2010).

As to establish a strong customer-brand relationship, it would be insufficient for marketers to focus only on promoting customer commitment and loyalty, but need to do even more by encouraging the customers to actively engage with the brand on

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an ongoing basis (Eisingerich & Rubera 2010; Pawle & Cooper 2006; Tripathi 2009; Veloutsou & Moutinho 2009). Accordingly, it is critical for companies to induce the customers "*to remain associated, interested and involved with the brand*" in order to strengthen the customer-brand bond (Tripathi 2009: 132).

Recognizing the significance of customer engagement, most companies have rushed to launch their engagement initiatives to cultivate a strong customer-brand relationship (Voyles 2007). Nevertheless, due to the complexity of customer engagement in today's marketing landscape, most of the engagement initiatives have been ineffective in engaging the customers (Forbes 2010; Passikoff & Weisler 2006). What is even worse, ineffective engagement initiative might lead the companies to face negative impacts (Forbes 2010; So et al. 2012; Voyles 2007). In particular, since engaging customers would incur huge cost, inability to sufficiently engage the customers has caused the companies to bear the huge cost that might be unsustainable in the long run (So et al. 2012). Besides, such inability may lead to the decline in sales. In particular, companies reported that they have incurred the amount of lost between 25 to 75 percent of the annual sales due to their ineffective engagement strategies (Voyles 2007). For mobile phone industry, there is no exception. The failure to effectively engage the customers has led the companies to lose their market and brand shares and, consequently put their brand competitiveness and survival at risk (Euromonitor International 2011b, 2013; Interbrand 2011, 2012; International Data Corporation (Idc) 2012; Youthsays Malaysia 2009). Thus, based on these arguments, it appears that many companies are struggling to engage the customers with brand. As to overcome such difficulties, it is critical for companies to plan for effective engagement strategies.

For that reason, having a clear idea of the right lever or factor that are most influential in impacting the customer engagement with brands has become more important than ever for companies to build a strong customer-brand relationship and consequently to cope with the intense competition (Forbes 2010; Schraft & Micu 2010). In this regard, relationship investment could play a predominant role to influence customer engagement as the recent findings of the customer-brand research reveal that relationship can better predict customer's intention to maintain a

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relationship with the brand, which outweigh the role of other factors, particularly satisfaction (Sung & Campbell 2009; Sung & Choi 2010). Since investment in a relationship is made by both customer and brand (Moon & Bonney 2007; Morais et al. 2004), by examining the relationship investment, a clear insight on the role of the customers and the brand to stimulate customer engagement can be provided. In fact, through its recognition as a multidimensional construct (De Wulf et al. 2001; Luo et al. 2009; Rusbult 1983; Rusbult et al. 1998; Sung & Campbell 2009; Sung & Choi 2010), relationship investment could offer an in depth explanation of the role of the customer and the brand.

Consequently, to develop a strong brand, increase share and achieve sustained competitive advantage and survival in the highly competitive marketplace, every company including that in the mobile phone industry must be able to build a strong customer-brand relationship (CBR) (Bowden 2009a; Eisingerich & Rubera 2010). In order to build a strong CBR, it is critically important and urgent for companies to effectively engage the customers in a relationship with the brand (Circles 2010; Han, Kim, et al. 2011; Jurisic & Azevedo 2011). Since the initiatives to engage the customers are more prone to error and might incur huge costs, companies must grasp a clear understanding of the underlying factors that may significantly enhance customer engagement in order to craft the right and effective engagement strategy (Forbes 2010; Schraft & Micu 2010). In response to the urgent need to provide insights on the factors by which companies can enhance customer engagement and ultimately build a strong customer-brand relationship, the predictive role of the customer-brand relationship investments must be raised and examined. Accordingly, an empirical research on the topic is clearly warranted.

1.3 RESEARCH PROBLEM

Recognizing the significance of a strong customer-brand relationship as a cornerstone for companies to achieve sustained competitiveness and survival, much research has been conducted to explain the factors that may contribute to the establishment of a strong customer-brand relationship. However, by adopting quite a limited approach, extant studies seem to miss some of the important points that may help to provide an accurate and comprehensive understanding of the factors that influence the customers to remain in a relationship with a particular brand.

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Despite the significant contribution of both parties in the relationship is necessary to determine the relationship sustainability (Bendapudi & Berry 1997; Moon & Bonney 2007; Palmatier et al. 2006), prior studies in the customer-brand context have been primarily focussed on the active role of customers in building a strong relationship (e.g. Desai & Raju 2007; Shuv-Ami 2010; Story & Hess 2010). Although it has been emphasized that brand plays an active role in much the same way like as a person (Aurier & De Lanauze 2012; Fournier 1998; Fournier & Alvarez 2012; Patterson et al. 2006), in many of the customer-brand relationship research, the contribution of brand is often neglected. Apart of that, studies that attempts to examine the brand and customer contribution in a single framework are found very few in number. Therefore, such limitation indicates a significant gap in the existing literature that need to be fulfilled in order to provide a more complete insight of customer-brand relationship.

Based on the empirical evidence from many of the previous studies (e.g. Bugel et al. 2011; Nysveen et al. 2005; Sung & Campbell 2009; Sung & Choi 2010), it could be well-accepted on the utility of the Rusbult (1983)'s Relationship Investment model (RRIM) to depict the establishment of a strong customer-brand relationship. Accordingly, it could also been recognized of the significant role of satisfaction, alternative attractiveness and investment size (i.e. relationship investment) as the major predictors of customer commitment and retention toward customer-brand relationship. Although recent findings point out that the effect of relationship investment might outweigh the effect of satisfaction and alternative attractiveness (Ashley et al. 2011; Noble & Phillips 2004; Sung & Choi 2010), little attention has been paid to critically examine the full potential of relationship investment. Given that, relationship investment is made by both partners in a relationship i.e. customer and brand (Buvik & Andersen 2011; Dorsch et al. 2001; Luo et al. 2009; Morais et al. 2004), it could be believed that relationship investment alone can cater the need to explain the contribution of customer and brand. With previous findings reveal on the significant effect of customer (Breivik &

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Thorbjornsen 2008; Huang et al. 2007; Le & Agnew 2003; Rusbult 1983; Sung & Campbell 2009; Sung & Choi 2010) and their partner investments (Aurier & De Lanauze 2012; Liang & Wang 2007; Odekerken-Schroder et al. 2003; Shi et al. 2011; Wang & Head 2007) on relational outcome, it appears that relationship investment could be regarded as a useful construct to depict the contribution of both customer and brand in a relationship. However, little evidence found in the customer-brand relationship literature on the impact of the brand investment and the combined effect of customer and brand investment in a single framework. Even with a new model proposed, i.e. Resource Investment model (RIM) by Morais et al. (2004) that specifically investigates the interaction of both customer and partner investments in driving customer loyalty, yet too few studies in the customer-brand domain that have adopted RIM and examined the relationships among customer investment, partner investment and relational outcome.

Further, the existing literature has recognized on the two dimensions of the customer and partner investments (De Wulf et al. 2001; Le & Agnew 2003; Luo et al. 2009; Moon & Bonney 2007; Rusbult 1983; Sung & Choi 2010). In particular, customer investment is classified into intrinsic and extrinsic investment, whereas brand investment is divided into social and economic investment. Hence, in some way, the dimensions of relationship investment could provide an in-depth explanation of the role of customer and brand in sustaining the relationship. Although evidences from previous studies are sufficient to prove on the significant impact of each dimension (Bolton et al. 2003; Goodfriend & Agnew 2008), further investigation to verify the differential effect of the investment dimensions in influencing the customers to start and stay in a relationship with brand has been very scarce. It is therefore, the effect of the relationship investment dimensions remains unclear. Accordingly, to fully explain the impact of customer and brand investments in customer intention to sustain a relationship, the role of the dimensions cannot be overlooked.

Besides, in many of the past studies (e.g. Belaid & Behi 2011; Cater & Cater 2010; Desai & Raju 2007; Louis & Lombart 2010), commitment has often been treated as the relational outcome, particularly to indicate the relationship strength. In

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examining the effect of relationship investment, customers investment is often associated with the commitment as the outcome construct to reflect the relationship strength (Eisingerich & Rubera 2010; Sung & Campbell 2009; Sung & Choi 2010), while brand investment with relationship quality (De Wulf et al. 2001; Liang et al. 2008; Yoon et al. 2008). Although it has been currently raised on the significance of customer engagement as better indicator of relationship strength (Bowden 2009b; Brodie et al. 2011; Brodie et al. 2013; Hollebeek 2009; Sashi 2012; Van Doorn et al. 2010; Verhoef et al. 2010), empirical research on the antecedent of customer engagement has also been very limited. Accordingly, far too little research that delves into examining the role of relationship investment on the customer engagement, suggesting the effect of relationship investment on customer engagement is not well understood.

What is more, limited evidence has been provided on the effect of moderator in the customer brand relationship, although the moderator could provide additional insights on the contingent effect, that is, the condition that may strengthen or weaken the influence on customer-brand relationship building. Similarly, the previous studies offer a limited explanation on moderators in the effect of relationship investment. Up to now, several constructs have been tested, but only a few constructs significantly moderate the effect of relationship investment on relational outcomes (Ha & Stoel 2008; Le & Agnew 2003). In many of the research, the difference is so small that it is somewhat argued that such difference is to occur by chance (Le & Agnew 2003). Nevertheless, given that all studies that examined the moderating effect of relationship duration in the relationship between customer and brand investments on relational outcome had come out with significant results, it remains important to investigate the possibility of relationship duration as moderator in the impact of customer and brand investments. Additional to overcoming the methodological flaw in the research, examination of the moderating effect can further provide empirical evidence on whether the moderation is to occur by chance or not.

Accordingly, given the limitations in the existing literatures, attempt to fully investigate the underlying factors that contribute to the development of a strong customer-brand relationship is clearly warranted. While there might be a number of