

Customer Engagement in the German Wine Industry

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Regine Heimers

born in Worms

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1st referee: Prof. Dr. Ludwig Theuvsen

2nd referee: Prof. Dr. Edith Ruger-Muck

3rd referee: Prof. Dr. Ruth Fleuchaus

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General Introduction

Establishing, developing and maintaining customer relationships are of pivotal importance for organizations to defend market share and to secure profitability in competitive environments (Felzensztein et al., 2014; Meyer-Waarden, 2007). However, changing customer environments hinder organizations to sustain long term customer relationships. Along with the rise of social media, customers have transitioned from passive recipients to more interactive and networking participants (Kumar et al., 2010; Vargo, 2009). Nowadays, customers can also exchange with their environment almost anytime (Brodie et al., 2011; Verhoef et al., 2010). In this context, the new field of customer engagement (CE) with its underlying rationale of interactive customer-company relationships has risen over the last decade (Bowden, 2009; Van Doorn et al., 2010). For marketing scholars and practitioners, CE has established as a key area in relationship marketing (Capgemini, 2015; Marketing Science Institute, 2016). Vivek et al. (2012, p. 127) refer to CE as “an individual’s intensity of participation in and connection with an organization’s offerings or organizational activities”. Moreover, CE accounts for behavior reaching far beyond the pure decision to purchase comprising activities such as writing reviews, searching for information about products or services or liking offers and activities of favorite brands. Albeit CE is postulated to have a positive effect on customer loyalty (So et al., 2016; Vivek et al., 2012), most organizations fail to implement CE in relationship marketing instruments such as the loyalty program (LP) (Ashley et al., 2011; Capgemini, 2015; Rehnen et al., 2017).

Strengthening efforts in CE orientation might constitute a potential differentiation strategy. In particular, industries dominated by small and medium enterprises (SME), such as the German wine industry, often struggle to adapt to changing customer behaviors. This is mainly due to a lack of technological and employee resources (Nguyen and Waring, 2013). For instance, small family-owned wineries prevailing in the German wine industry can hardly compete on the sole basis of price or product quality. Vast amounts of quality wines from across the world coupled with the immense number of wines offered at prices below EUR 3 per liter characterize fierce competition (Hoffmann, 2005; Wine Australia, 2018). In order

to remain competitive in the long run, wineries can instead foster differentiation strategies such as the provision of superior customer service accounting for the engaging customer (Fiore, 2016; Steinthal and Hinman, 2007). The concept of CE can be particularly valuable for the service-intense direct-to-customer-channel (DTC-channel), in which the interaction between wine customers and the winery's service personnel tends to be higher compared other distribution channels (Hollebeek and Brodie, 2009). DTC mainly comprises ex-cellar sales, both online via the winery's website and offline in the tasting room, as well as wine clubs (Newton et al., 2015). The potential of DTC is manifold. Previous research has shown its positive effect on wineries' gross margins and growth rates (Newton et al., 2015). Moreover, 22% of the total value on the German wine market is generated in DTC, the share of the overall volume only amounts to 13% (German Wine Institute, 2016). By contrast, food retailers, including discounters, account for 77% of the volume but only for 57% of the value on the German wine market. On average, a liter of wine was sold for EUR 6.72 via DTC and EUR 2.92 via food retail in 2016 (German Wine Institute, 2016).

This thesis therefore seeks to investigate the potential of CE for the German wine industry while focusing on DTC-activities. In the previous decade, marketing research has predominately focused on the conceptualization and measurement of CE as a construct (e.g. Bowden, 2009; Brodie et al., 2011; Hollebeek et al., 2014; So et al., 2014; Sprott et al., 2009; Vivek et al., 2012). However, empirical efforts are still underrepresented (Hollebeek et al., 2014; Marketing Science Institute, 2016). More recently, the call for a comprehensive understanding of CE in the context of relationship marketing instruments has emerged in particular (Hollebeek et al., 2016; Rehnen et al., 2017). The wine club shall serve as the focal relationship marketing instrument in this thesis. The nature of wine clubs requires potential club members to perform certain behaviors (mainly wine purchase) for which, in return, members receive benefits in form of discounts, invitations to member-only-events or exclusive sales, etc. To date, wine clubs, also known as LPs in other industries, are still relatively scarce in Germany compared to other countries such as Australia or the United States (Teaff et al., 2005). However, German consumers are familiar with LPs in general and can be considered as heavy users of LPs such as Payback or the Tchibo-Card (Dr.

Grieger & Cie. Marktforschung, 2016; TNS Emnid, 2014). Taking these research issues as a starting point, the thesis consists of three parts and intends to answer the following research questions (Table 1).

Table 1: Structure of the thesis.

General Introduction	
Part I: Customer Engagement as Differentiation Strategy in the German Wine Industry?	
Type: Conceptual	
Research questions:	
<ul style="list-style-type: none"> - How can German wineries account for CE? - How can CE be conceptualized in LPs referred to as wine clubs? 	
Part II: Customer Engagement through Relationship Marketing Instruments	
Type: Empirical	
II.1 How to Engage Wine Consumers Online and Offline? An Exploratory Study	II.2 Customer Engagement through SME Loyalty Programs? A Status Quo Analysis in the Wine Industry
Research question:	Research question:
<ul style="list-style-type: none"> - Which potential relationship marketing instruments trigger CE? 	<ul style="list-style-type: none"> - To what extent do LPs and specifically wine clubs account for CE?
Part III: The Relationship between Customer Engagement, Involvement, Loyalty Program Mechanisms and Program Loyalty	
Type: Empirical	
Research questions:	
<ul style="list-style-type: none"> - How do LP mechanisms impact CE? - How does CE impact program loyalty? - How does involvement contribute to CE? 	
Conclusions, contributions and outlook	

Part I

The first part of the thesis covers the study “*Customer Engagement as Differentiation Strategy in the German Wine Industry*”. The study addresses the challenge of German wineries to differentiate in a highly competitive environment by means of providing superior customer service. With this in mind, the study provides a conceptual basis and examines how German wineries can account for CE. Furthermore, the study conceptualizes CE in LPs referred to as wine clubs in this thesis. In addition, the study illustrates how LPs might be (re-)structured in terms of CE. Our findings are an initial step to introduce CE to relationship marketing instruments of German wineries. This is the first study dealing with CE in wine clubs.

The study shall provide guidance for German wineries in particular and for SMEs in general.

Part II

The second part comprises two studies dealing with relationship marketing instruments which might potentially enhance CE. The first study is titled *“How to Engage Wine Consumers Online and Offline? An Exploratory Study”*. This study applies qualitative and quantitative research methods to identify effective CE tools. Against this background, seven marketing experts were interviewed and 345 German wine consumers responded to an online survey examining potential CE tools that can be used by wineries. The study is a preliminary step to empirically investigate the impact of relationship marketing instruments on CE. The second study titled *“Customer Engagement through SME Loyalty Programs? A Status Quo Analysis in the Wine Industry”* specifically deals with the LP as it is known to be one of the major relationship marketing instruments. The study applies the qualitative method of content analysis to assess the extent to which 60 Business-To-Customer (B2C) LPs implement core CE parameters. In this context, the study compares wine clubs and well-established LPs from other industries in terms of the consideration of CE. This study highlights the need for relationship marketers to account for CE in LPs and founds the basis for the third part.

Part III

Building on part two, the study in the third part titled *“The Relationship between Customer Engagement, Involvement, Loyalty Program Mechanisms and Program Loyalty”* addresses empirically the effects of LP mechanisms on CE and loyalty. To do so, a representative online experiment comprising 1,607 wine consumers was conducted. The study addresses three research issues. (1) The study examines how LPs affect CE. (2) In addition, the study analyzes how CE contributes to program loyalty. (3) The study further analyzes how involvement affects CE. The third part of the thesis responds to the call for more empirical research on the relationship between CE and customer loyalty. Moreover, the study responds to the need for investigating the impact of specific relationship marketing instruments on CE. Last but not least, this is the first study which validates the three-dimensions of

CE in the context of LPs referred to as wine clubs. The thesis ends with general conclusions, contributions to marketing research and practice and an outlook.

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Part I. Customer Engagement as Differentiation Strategy in the German Wine Industry?

Regine Heimers, Edith Rüger-Muck, and Ludwig Theuvsen

Declaration of Own Contribution

This article resulted from a collaboration with Prof. Dr. Edith Rüger-Muck and Prof. Dr. Ludwig Theuvsen. The areas idea and conception, conduction of the study and writing of the article have mainly been covered by me. I would like to acknowledge the following contributions. The idea has been developed in close collaboration with Prof. Dr. Edith Rüger-Muck. The conception was developed in close collaboration with Prof. Dr. Edith Rüger-Muck and Prof. Dr. Ludwig Theuvsen. Writing of the article progressed in close collaboration with Prof. Dr. Edith Rüger-Muck.

The article has been submitted in the present or a similar version to the *British Food Journal*.

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Abstract

Purpose – The aim of this paper is to develop an understanding of the value and applications of customer engagement (CE) as a potential differentiation strategy in the German wine industry.

Design/methodology/approach – Following an initial literature review on CE and its potential applications in the wine industry, CE is conceptualized under the framework of a loyalty program. In this research context, the loyalty program is referred to as a wine club.

Findings – An integrative conceptual model of CE within wine clubs is provided, from which relevant future research issues are then derived.

Originality/value – To the best of our knowledge, this is the first study considering customer engagement in wine clubs. Acknowledging the engagement of customers can be of further value to loyalty programs in general. Particularly, this accounts for the loyalty programs of small and medium-sized businesses.

Keywords: customer engagement; wine industry; DTC; loyalty; loyalty programs; wine clubs; relationship marketing; SME

1. Introduction

Efforts in establishing, developing, and maintaining customer relationships are key for enterprises to secure profitability in competitive environments (Felzensztein et al., 2014; Meyer-Waarden, 2007). However, changes in customer environments challenge these efforts in terms of sustaining long-term company–customer relationships. Further, over the past decade, customers have become more interactive and networked mainly due to the rise of social media, which allows them to engage almost anytime (Brodie et al., 2011; Kumar et al., 2010; Verhoef et al., 2010). Exchanges with other customers within brand communities, writing reviews, searching for information about their focal product or service, or liking the activities of their favorite brands are only a few of the diverse activities customers get actively involved in. In this vein, the new field of customer engagement (CE), with its underlying rationale of interactive customer–company relationships, has emerged (Bowden, 2009; Van Doorn et al., 2010). Vivek et al. (2012, p. 127) define CE as “the intensity of an individual’s participation in and connection with an organization’s offerings and/or activities, which either the customer or the organization initiates.” For marketing scholars and practitioners, CE has evolved as a major field of interest (Capgemini, 2015; Marketing Science Institute, 2016) and is a buzzword for how to generate customer loyalty (Hollebeek, 2011; Rehnen et al., 2017; So et al., 2016). However, most enterprises fail to implement this concept in their relationship marketing instruments, such as loyalty programs (Ashley et al., 2011; Capgemini, 2015; Heimers et al., 2017).

This holds particularly true for industries dominated by small to medium-sized enterprises (SMEs), such as the German wine industry. Albeit the average vine acreage size of wine growing enterprises has increased by 74%, from 3.4 to 5.9 hectares between 2003 and 2016, the majority are classified as micro enterprises (Destatis, 2017). They have, on average, less than 10 employees and annual revenues below EUR 2 million (European Commission, 2016). Out of the 16,900 wine growing enterprises above 0.5 ha in Germany, over 7,000 constitute independent self-marketing wineries (Loose and Pabst, 2018). On the one hand, these wineries have to cope with competition from other domestic enterprises, including cooperatives and large bottling wineries, which buy grapes and/or bulk wine from wine growers (Loose and Pabst, 2018). On the other hand, German

wineries face fierce competition from abroad. Germany is the world's leading wine importing country, with around 15 million hectoliters per year (German Wine Institute, 2018; Rückrich, 2018), followed by the United Kingdom and the United States with around 13 and 11 million hectoliters, respectively (OIV, 2018).

In this highly competitive environment, an average German winery can hardly compete by cost leadership (Duquesnois et al., 2010; Hunger and Wheelen, 2014). Additionally, wineries struggle in indirect food retail sales, a channel mainly dominated by supermarkets and discounters (Szolnoki and Hoffmann, 2014) and characterized by massive price pressure (i.e., the average price per liter is below EUR 3) (German Wine Institute, 2016). Instead, wineries using the service intense direct-to-customer (DTC) channel and differentiation strategies, like providing a superior customer service, are assumed to become competitive in the future (Gilinsky et al., 2014; Hollebeek and Brodie, 2009; Murray and O'Neill, 2012; Newton et al., 2015; Pellechia, 2017; Steinthal and Hinman, 2007).

Although the DTC channel facilitates higher prices per liter (over EUR 6 on average), wineries are challenged to adapt to customer behavior changes (German Wine Institute, 2014; Hollebeek and Brodie, 2009; Pomarici, 2016). Wineries face wine customers that tend to be more engaging and experience-oriented than loyal to one wine brand (German Wine Institute, 2014). Therefore, the purpose of this study is twofold:

- (1) It investigates how the German wine industry can account for CE.
- (2) It further conceptualizes CE in loyalty programs referred to as wine clubs.

To a large extent, DTC activities in Germany comprise ex-cellar sales, predominately offline via the winery but increasingly online via the winery's website (Rüger-Muck et al., 2014; Szolnoki and Hoffmann, 2014). Wine clubs are a common DTC-activity in New World wine countries such as the USA and Australia, stressing their overall relevance for the global wine industry. Despite the growing importance of loyalty programs, wine clubs are exceptions in Germany. Consequently, wine clubs shall constitute the basis for the conceptualization of CE (Newton et al., 2018; Teaff et al., 2005; TNS Emnid, 2014) as a prospective relationship marketing instrument to interact with the engaging customer.

Moreover, wine clubs can counteract possible switching behaviors from customers.

To the best of our knowledge, this is the first study dealing with the integration of engaging customers within wine clubs. Additionally, this study provides an initial step for adding wine clubs on the DTC activity map of the German wine industry. In a wider context, this study shall serve as general guidance to restructure loyalty programs accounting for engaging customers.

2. Relationship Marketing in the German Wine Industry

The global wine industry can be characterized as highly fragmented and competitive, with far-reaching traditions yet constant structural changes and concentration (Conz et al., 2016). Market participants in this industry face oversupply, fast-switching customer preferences and behaviors, increasingly internationalized markets with individual cultural differences and specific import barriers (Hussain et al., 2008). In this environment, Germany is one of the most liberalized and largest wine markets (Gilinsky et al., 2008; Hoffmann, 2005).

Germany has the fourth largest wine consumption worldwide, with an annual consumption of 20 million hectoliters (German Wine Institute, 2018), of which 45% is covered by national producers, with the remaining shares mainly split between France, Italy, and Spain. With annual exports of nearly 4 million hectoliters and imports of about 15 million hectoliters, Germany has thus evolved as a major platform for international wine trade (OIV, 2018). However, with an annual production of around 9 million hectoliters, Germany is still a smaller player. Only 3% of the world production originates from Germany, compared to Italy with 17% (German Wine Institute, 2018).

Albeit the average winery size has increased since the 1980s due to ongoing structural changes, the German wine industry is still characterized by small wineries (European Commission, 2016). Nevertheless, the majority of wineries is fully vertically integrated (Dyr, 2011). Most wineries cover the entire supply chain, starting from grape growing and wine production to wine distribution to marketing. Given the consolidation and ongoing price pressure, more advanced stages such as wine

marketing have gained in importance for achieving competitive advantage (Hoffmann, 2013).

Deregulation efforts by the European Commission to abandon planting contingents and allow countries to expand their vineyard areas by up to 1% per year further increases the pressure on wineries (European Commission, 2012). To prevent the risk of price depression due to the higher supply, the German government decelerated the yearly growth to 0.3% in the short term (Federal Ministry of Agriculture and Food, 2016). However, the possible price effects of imported wines have been hitherto neglected (Storchmann, 2017).

Consequently, the question of how to stay competitive is more pertinent than ever. To achieve a unique advantage in longstanding industries, such as the wine industry, previous research proposes two strategies: (1) cost leadership through consolidation and economies of scale or (2) differentiation through innovation or superior product quality or service provision (Duquesnois et al., 2010; Gilinsky et al., 2014; Jarvis and Goodman, 2005; Murray and O'Neill, 2012; Porter, 1980, 1985).

2.1 Strategic Profiling of German Wineries

Originally, the wine industry had been production driven, as it stems from the agricultural sector (Newton et al., 2015). Specifically, enterprises have focused on volume growth and better production technologies. However, the prevailing small family-owned wineries in Germany are relatively small compared to their competitors, meaning they cannot compete on the bulk wine market or low-priced segments of supermarket and discounter shelves (Hunger and Wheelen, 2014). Additionally, the large amounts of quality wines from producers worldwide coupled with the immense number of quality wines offered at low prices make it difficult to achieve a sustainable income (Hoffmann, 2005; Wine Australia, 2018). Moreover, industry-wide quality standards complicate differentiation via product quality. Although quality matters, wine is an experience good, with high information asymmetries between customers and wine producers and can only be evaluated after consumption (Storchmann, 2012). Other cues, such as price, aesthetics, brand, or expert opinions, are used by customers to reduce uncertainty and assess quality (Lockshin et al., 2006; Mueller and Szolnoki, 2010).

Although differentiation and innovation play a pivotal role on competitive markets, actual market data reveal the prevalence of product orientation in the German wine industry. Dressler et al. (2018) illustrate that almost 80% of German wineries pursue “stuck-in-the-middle” strategies by focusing on product quality and price-value. Similar results can be observed for the German brewery industry (Theuvsen et al., 2010).

To remain competitive, wineries can foster differentiation strategies such as providing a superior service (Fiore, 2016; Steinthal and Hinman, 2007). For the French wine industry, Duquesnois et al. (2010) found that only the largest wine producers pursue cost leadership, whereas smaller wineries mostly rely on differentiation strategies. A more recent study from the US by Newton et al. (2015) indicates that differentiation via DTC has a positive impact on gross profit and winery growth rates.

DTC via direct sales at the winery through tasting rooms and wine clubs and/or through the internet allow greater control over a winery’s pricing strategy (Coppla, 2000) and promise higher gross margins and more enduring customer relationships (Hollebeek and Brodie, 2009). However, the efforts required, especially in terms of marketing, are immense (Gurau and Duquesnois, 2008). Targeting (potential) customers directly involves the challenge of responding to a permanently changing environment. Nowadays, customers are well-connected and continuously interact using media with their environment. Thus, wineries have to respond to their customers’ actions almost in real time. Consequently, this study focuses on how wineries might conceptually achieve superior service as differentiation strategy through the acknowledgment of engaging customers.

2.2 Incorporating CE in Wine Industry’s Relationship Marketing

The concept of CE is particularly relevant for the service intense DTC-channel, characterized by higher interaction levels between wine customers and the winery’s service personnel (Hollebeek and Brodie, 2009). The potential of DTC is manifold. Previous research has shown its positive effect on wineries’ gross margins and growth rates (Newton et al., 2015). While 22% of the total value on the German wine market is generated in DTC, the share of the overall volume only amounts to 13% (German Wine Institute, 2016). By contrast, food retailers,

including discounters, account for 77% of the volume but only 57% of the value on the German wine market. On average, a liter of wine was sold for EUR 6.72 via DTC and EUR 2.92 via food retail in 2016 (German Wine Institute, 2016).

DTC in Germany faces the future challenge that wine customers above 60 are the majority (Szolnoki and Loose, 2017). In this age group, consumer behavior had been formed at a time when German wines dominated the domestic market. However, in the long run, wineries also have to target new and younger segments, which are assumed to show higher engagement levels. Therefore, wineries are also required to adapt to interactive, experience-oriented, and variety-seeking customers (Hollebeek and Brodie, 2009). As such, wineries might still achieve customer loyalty in younger segments. However, they need to systematically foster the involvement of the customer in offerings and activities, higher customer/service personnel interaction levels, and value-co-creation (Prahalad and Ramaswamy, 2004; Sawhney et al., 2005).

DTC mainly comprises ex-cellar sales, both online via the winery's website and offline in the tasting room, as well as wine clubs (Newton et al., 2015). Wine clubs, also known as loyalty programs in other industries, are scarce in Germany. By contrast, recent statistics on the use of loyalty programs by German consumers reveal a general affinity for loyalty programs: 80% participate in loyalty programs, predominately in Payback, and the average consumer participates in four programs (Dr. Grieger & Cie. Marktforschung, 2016; TNS Emnid, 2014). As such, an overall lack of structured service and customer orientation might be reasons for the low development of wine clubs in the German wine industry (Dressler, 2018; Hussain et al., 2008).

Facing increasing competition for customer loyalty, wine clubs can constitute platforms enabling wineries to easier gather information about their customers, identify the most profitable customers, and provide relationship marketing activities on an individual level (Gurau and Duquesnois, 2008; Verhoef, 2003). Consequently, wine clubs might ensure wineries' long-term relationships with customers. Wine clubs shall therefore form the basis for incorporating CE into wineries' DTC activities.

3. Theoretical Background of Customer Engagement

3.1 Customer Engagement as a Result of Changing Environments

Changing customer behavior constitutes a driving force in the wine industry (Hussain et al., 2008). Although German wineries acknowledge its significance, their focus on product quality outplays their efforts in market or customer orientation (Koch et al., 2013; Newton et al., 2015). This is mainly due to the fact that Germany, similar to other European producing wine countries, has long relied on the advantage of tradition in its domestic market (Hussain et al., 2008; Szolnoki and Loose, 2017). At least in specific regions, the local wine has evolved as an integral part in households. However, the domestic market is nowadays characterized by intense market rivalry from wine brands worldwide (German Wine Institute, 2017; Hoffmann, 2005), whereas customer loyalty to specific wine brands declines and curiosity for new experiences increases (German Wine Institute, 2014; Schipperges, 2013). Moreover, an industry which is partially undergoing the transition from product to customer orientation faces an immense backlog demand compared to other industries, such as cosmetics, fashion, or electronics, which have transitioned over decades (Bruhn, 2016; Fiore, 2016). Specifically, wineries face empowered customers that interact and network with other customers and organizations (Van Doorn et al., 2010). Although this development from the passive to the proactive customer bears opportunities in terms of value co-creation, its inclusion in the processes of wineries is not straightforward (Pomarici, 2016).

Changed customer behaviors mainly resulted from the rise of new media and social networks, where non-transactional behaviors are crucial (Van Doorn et al., 2010; Verhoef et al., 2010). Customers seek product and service information, they exchange information with other customers about products and services, and write reviews about their experiences with products and services. As a result, many companies have started to recognize the potential of non-transactional behaviors and motivate customers to rate their offers on third-party websites. Others motivate customers to improve or even develop their products or services. Until a decade ago, relationship marketing had mainly focused on the transactional side of customer–company relationships (Vargo, 2009; Vivek et al., 2012) and

researchers had focused on the profitability of customers as a major outcome (Bolton et al., 2004; Reinartz et al., 2005). Metrics such as customer lifetime value and equity had been developed to assess their return on marketing investments (Gupta et al., 2006; Rust et al., 2004). Although the positive effect of transactional behaviors on the immediate return on investment (ROI) is uncontested, neglecting non-transactional behaviors could lead to severe consequences such as negative comments in the short term and negative ROI in the long term.

In this vein, CE has evolved in the field of relationship marketing research.

3.2 CE Characteristics

A number of characteristics underpin CE, as follows: (1) the shift from one-way communication, from the enterprise to the customer, to two-way interactions between the organization and customer (Kozinets et al., 2010; Lusch and Vargo, 2010; Vargo and Lusch, 2004). Nowadays, wine customers might easily engage in conversations about a wine from their favorite wine brand in an online brand community. In return, the service personnel of the wine brand might respond to certain comments. However, in online brand communities, customers might also interact with other existing and prospective customers. As such, CE goes beyond the bi-directional exchange between organization and customer. (2) The concept involves interaction with multiple stakeholders in customers' environment (Dessart et al., 2016; Jaakkola and Alexander, 2014; Maslowska et al., 2016). Furthermore, (3) CE might be triggered by customer individual motives (Nolan et al., 2007; Van Doorn et al., 2010). This is in line with social exchange theory (Blau, 1964), according to which the engagement of customers in a certain activity or offer will depend on the expected return. For instance, prospective discounts for the next wine purchase or an invitation to a wine tasting might trigger positive online ratings. Additionally, (4) the intensity of CE may vary depending on the individual customer and context (Brodie et al., 2011; Vivek et al., 2012). For example, wine consumers open to new experiences will show higher engagement levels. However, cautious wine consumers might be less likely to engage in the online environment due to perceived safety issues. (5) Finally, CE is dynamic and evolves through an iterative interaction process in which engagement levels might differ (Bowden, 2009; Hollebeek, 2011). For instance, wine consumers participating in a

membership program might show different engagement levels over their membership.

3.3 Measurement of CE

Development of suitable measures to assess CE has thus been a major research issue. There are two strands of research: CE can be interpreted as a pure behavioral construct (Bijmolt et al., 2010; Jaakkola and Alexander, 2014; Van Doorn et al., 2010) or as a multidimensional construct that incorporates both behavioral and psychological dimensions (Brodie et al., 2013; Patterson et al., 2006; So et al., 2014; Sprott et al., 2009; Vivek et al., 2012). Behavioral-oriented CE researchers assess concrete engagement behavior, such as word-of-mouth activity, recommendations, helping other customers, providing feedback, or writing reviews. This interpretation is often criticized as it fails to capture all CE dimensions (Hollebeek et al., 2014; So et al., 2014).

The multidimensional CE approach is grounded on the view that CE of the brand or enterprise does not necessarily result from pure behavioral participation in CE activities (So et al., 2014). For instance, a customer might engage in a discussion in a brand community to reduce risk before buying a product or service but does not necessarily build an emotional bond to the brand, while truly engaged customers build strong connections to the brand or enterprise beyond behavioral participation (Vivek et al., 2012). Accordingly, a three-dimensional structure comprising cognitive, affective, and active (behavioral) elements seems to prevail (Brodie et al., 2013; Hollebeek et al., 2014).

3.4 Antecedents and Consequences

Besides the CE concept, its nomological framework has been extensively conceptualized (Brodie et al., 2013; Kumar et al., 2010; Mollen and Wilson, 2010; Pansari and Kumar, 2016; Vivek et al., 2012) and is increasingly assessed empirically (Leckie et al., 2016; Rehnen et al., 2017; So et al., 2016). Several key customer–brand relationships have been identified in the context of CE, including customer satisfaction, involvement, commitment, trust, as well as loyalty. To date, there is still limited evidence on how to incorporate CE in building loyal customer–company relationships (Harrigan et al., 2018; Rehnen et al., 2017; So et al., 2014). In

this respect, a comprehensive understanding of CE within particular service systems, such as wine clubs, is essential (Hollebeek et al., 2016).

3.5 Theoretical Embedding of CE in Wine Clubs

CE addresses ongoing interactive customer–company relationships, being directly related to the initial idea of relationship marketing theory, which stresses that marketing activities should aim at "establishing, developing, and maintaining successful relational exchanges" (Morgan and Hunt, 1994, p. 22). Additionally, the ideas of service dominant logic theory (Vargo and Lusch, 2004, 2008), which addresses the transition of a one-sided communication from the company to the customer, to co-creative interactive experiences between the company and customer form the basis for CE (Vivek et al., 2012). Beyond the interaction between the company and customers, both theories acknowledge the interaction of the customer with multiple stakeholders, such as the brand community (Vargo, 2009; Vivek et al., 2012). For a better understanding of how CE could be incorporated in wine clubs, this study further draws upon social exchange theory in dealing with the motivation behind CE (Blau, 1964; Hollebeek, 2011). The general assumption is that customers will engage out of self-interest and in the wine club due to the expected return. This is in line with the typical structure of a wine club (Teaff et al., 2005).

4. Developing a Conceptual Model of Customer Engagement in Wine Clubs

4.1 Impact of Wine Club Mechanisms on CE

The impact of a wine club on CE are understudied (Figure I-1) (Newton et al., 2018; Teaff et al., 2005). It can be differentiated between two types of wine clubs (Berglund, 2003; Santini and Faraoni, 2010): one that requires a membership fee for regular wine shipments and one that does not require any membership fee. In this case, the customer usually signs up for a mailing list and receives exclusive information about the pre-releases of new vintages, winery events, or discounts over a limited time span. Often, a winery implements both types of wine clubs within multi-level tiers. From a customer perspective, these tiers can easily be differentiated using names such as "bronze," "silver," or "gold" or "classic," "estate,"

or “reserve” (Teaff et al., 2005). Usually, the first level does not require membership fees, while the following levels do. Fees and the value of automatic shipments increase at higher levels. Value parameters can be the quality of wines shipped, frequency of shipments, number of bottles shipped, etc. Besides wine shipments, wine club members also receive additional benefits such as discounts on purchases, complimentary tastings, free wine tours, invitations to special events, access to limited wines, premier sales, or personalized service. Benefits usually increase at higher levels as well. Usually, club members have the option to renew, change, or opt out the program they initially selected at a certain stage.

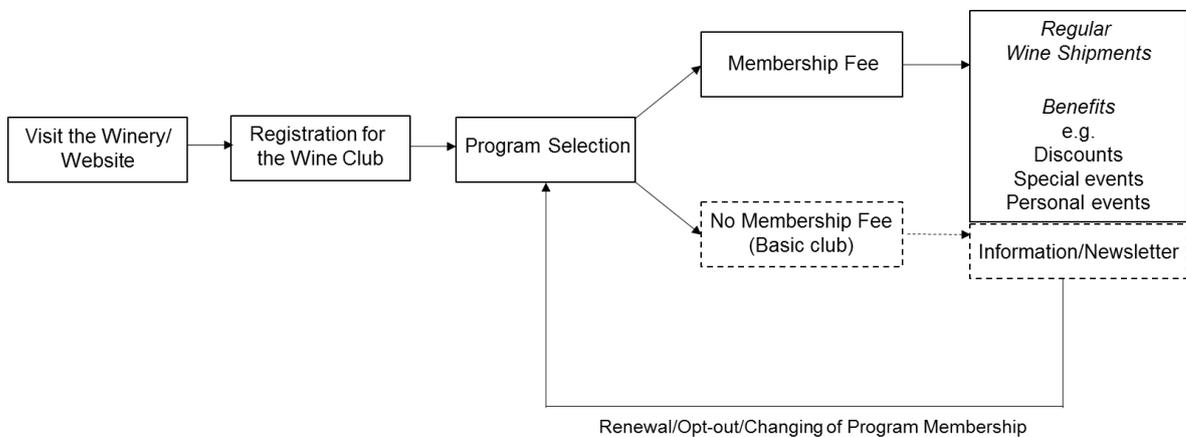


Figure I-1: Wine club structure.

Customer Input

The membership fee reflects the customer input in the club. From a customer perspective, limited inputs are more motivating (Blau, 1964; Soman, 1998). Hitherto, customer input is mainly based on wine purchases. Thus, it can be reasoned that wine clubs are predominately transaction-oriented. This contradicts the CE approach, which goes beyond a transaction-oriented perspective. That is, only the wine club without a membership fee incentivizes non-transactional behaviors, namely registration. However, in return, there are only limited benefits in the form of a newsletter. Recent studies have revealed that incentivizing behaviors beyond purchase, such as sharing information (Lou et al., 2013); contributing knowledge (Sawhney et al., 2005), word-of-mouth (Hennig-Thurau et al., 2004), and recommendations (Garnefeld et al., 2013), positively influence behavioral intentions and foster customer profitability (Kumar et al., 2010).

Therefore, extending the incentive basis from transactional behaviors (wine purchase) to non-transactional behaviors (e.g., registration, downloads, participation in events) might have positive effects. The following hypothesis can be formulated:

H1. Wine clubs that incentivize transactional (purchase) and non-transactional customer behavior (e.g., registration, recommendation, writing reviews) will affect CE more positively than those focused on transactional behaviors.

Customer Output

Customers are incentivized to participate in a wine club by means of the benefits they can expect in return (De Wulf et al., 2003). These benefits constitute customer output, which the customer seeks to maximize (Blau, 1964). In this respect, Van Doorn et al. (2010) conceptualize customers' goals and benefits as major CE drivers. The consideration of different types of incentives is important when exploring the impact of CE benefits.

The literature mainly distinguishes between *economic* and *social* incentives (Berry, 1995; Keh and Lee, 2006; Park et al., 2013). Examples of economic incentives are discounts or free shipments, while social benefits can be a meeting with other members of the wine club or an enhanced knowledge about wine. According to several authors, successful loyalty programs, in this case wine clubs, offer a blend of economic and social incentives (Kumar and Reinartz, 2012; Melancon et al., 2011). However, economic incentives prevail in practice (Capgemini, 2015; Heimers et al., 2017; Rehnen et al., 2017). This one-sided focus can be considered a limitation with respect to CE. CE mainly relies on social exchanges and is rather motivated intrinsically (Hollebeek et al., 2014). Therefore, wineries will have to reconcile their bundles of incentives towards social incentives to ensure an ongoing social exchange, thus facilitating CE. Previous research has revealed a positive effect of incentives on certain engagement behaviors in loyalty programs (Garnefeld et al., 2013; Rehnen et al., 2017; Ryu and Feick, 2007; Wirtz et al., 2018). With this in mind, the following hypothesis is proposed:

H2. Social benefits will have a greater positive impact on the CE of wine clubs than economic ones.

4.2 Consequences of CE in Wine Clubs

Perceived Club Value

Incentivized CE in wine clubs can lead to a number of outcomes (Figure I-2). Overall, CE is postulated to have a positive effect on loyalty (Bowden, 2009; Leckie et al., 2016; Pansari and Kumar, 2016; So et al., 2016). However, loyalty has different facets (Dick and Basu, 1994). Besides loyalty towards the wine club and the wine brand, literature dealing with loyalty programs also considers perceived club value (Yi and Jeon, 2003), which is an intermediate step in the process of forming club and brand loyalty. To create loyalty, customers have to perceive the wine club as valuable. For customers, relevant factors to assess the value of a wine club can be (1) cash value of incentives, (2) range of incentives, (3) aspirational value of incentives, (4) perceived likelihood to achieve these incentives, and (5) scheme's ease of use (Dowling and Uncles, 1997; O'Brien and Jones, 1995). Additionally, Bowman and Narayandas (2001) also refer to other factors, such as customer service during program participation that could contribute to the value perceived by customers. Regarding club value, Dowling and Uncles (1997) also account for the psychological benefits resulting from belonging to the club and point accumulation. Previous research revealed that a higher perceived value of the club has a positive impact on club loyalty (Hu et al., 2010; Kang et al., 2015; Yi and Jeon, 2003).

Club Loyalty as a Consequence of Wine club CE

Customer loyalty can refer to different areas, which can also include wine clubs (Palmatier et al., 2007). Here, CE aims to induce club loyalty (Yi and Jeon, 2003), which can be described as a pronounced positive attitude towards the wine club, potentially leading to desired outcomes such as brand loyalty or an increase in wallet share (Kang et al., 2015; Meyer-Waarden, 2007). Marketing research has revealed that increased customer participation can positively affect the performance of loyalty programs (Ashley et al., 2011; Bolton et al., 2000; Dowling and Uncles, 1997). Therefore, CE might be a stage in the process of developing program loyalty (Vivek et al., 2012). In line with Rehnen et al. (2017), who investigate the impact of behavioral CE on loyalty outcomes, this study assumes a positive effect of CE on club loyalty.

Brand loyalty

Vivek et al. (2012) consider CE to be a catalyst for the development of brand/company loyalty. Following the hierarchy-of-effect notion (Oliver, 1999), they purport that an engaged customer would be more likely to “transition faster the belief-attitude-behavior continuum” (Vivek et al., 2012, p. 136). As a result of the stronger connection to the company or brand, an engaged customer will thus cognitively faster process information intended to form beliefs and attitudes and increase affection. Consequently, the customer will act more loyal toward the brand/company. Vivek et al. (2012) clearly distinguish between CE and loyalty in two ways: (1) unlike loyalty, behavioral CE is based on an experience and not an exchange such as a transaction or repurchase and (2) CE is not based on a comparative evaluation of brands (Jacoby and Chestnut, 1978). In the tourism and hospitality sector, So et al. (2016) prove that customer engagement has a positive impact on brand loyalty. Conversely, Leckie et al. (2016) find that the activation and affection dimensions of CE have a positive influence, whilst the cognitive dimension is negatively related to brand loyalty.

The following hypothesis covers the effect of CE on wine club outcomes:

H3. CE relates positively to outcomes of wine club loyalty (in terms of perceived club value, wine club loyalty, and wine brand loyalty).

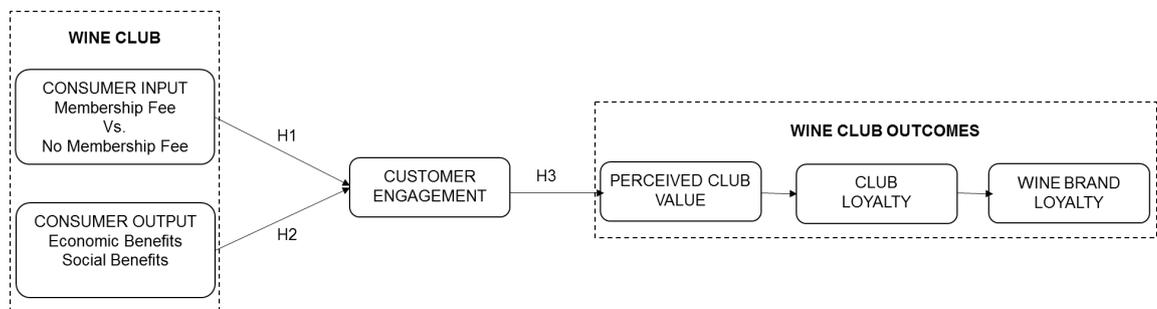


Figure I-2: Conceptual model of CE in a wine club.

5. Implications and Future Research

This study addresses the need for German wineries to develop differentiation strategies in a highly competitive environment. One strategy can be to provide superior service to customers. However, this requires wineries to adapt to the changing customer behaviors. Due to the rise of social media, customers have become increasingly interactive and networked within their environments. Albeit the wine industry acknowledges customers as the driving force on the market, the

majority of wineries still disregards customer orientation. This study introduces the concept of CE, which deals with the dynamics of interactive customer-company relationships. CE is discussed as a major driver of customer loyalty in investigating (1) how the German wine industry can account for CE and (2) conceptualizing CE in loyalty programs referred to as wine clubs.

CE can be particularly relevant for the service-intense DTC distribution channel, characterized by higher interaction levels between wine customers and service personnel in wineries (Hollebeek and Brodie, 2009). Although DTC promises higher added value, its introduction as a differentiation strategy in this channel is challenging. The concept of CE addresses interactive, experience-oriented, and variety-seeking customers. Generally, this type of customers tend to be younger. However, the DTC channel in the German wine industry is dominated by customers above the age of 60. Engagement tends to decline with the increasing age and wine only plays a minor role for younger Germans (16–29 years old).

Although the younger segment appears to be of minor importance, it comprises potential future wine customers. Therefore, CE can be a promising concept to systematically involve younger customers into wineries' offerings and activities.

Albeit wine clubs are considered to be a profitable DTC instrument in the global wine industry (Newton et al., 2018; Teaff et al., 2005), they are currently underrepresented in Germany. The conceptualization illustrated that the traditional structure of wine clubs has to be revisited when incorporating CE. Hitherto, wine clubs predominately aim at the wine purchases of customers. Consequently, they can be described as transaction-oriented. This contradicts the CE approach, which goes beyond a transaction-oriented perspective. Wineries should account for non-transactional customer behaviors, such as rewarding the customer for writing a review or recommending the winery to others. Moreover, wine clubs mainly offer economic incentives, such as discounts, free shipments, or free tastings. However, CE relies on social exchanges and is rather intrinsically motivated (Hollebeek et al., 2014; Rehnen et al., 2017). To ensure an ongoing social exchange facilitating CE, wineries need to augment their bundle of incentives with social ones.

This study is an initial step for introducing CE to the relationship marketing in German wineries. The following issues shall be subjects of future research. First, this study is

conceptual and future studies should assess CE empirically in loyalty programs and wine clubs. Second, the study focuses on German wineries and further studies could also focus on other countries (Old World vs. New World). Third, future research should consider the potential negative consequences of CE. Depending on personality, the willingness to engage might vary among customers. Finally, this study focuses on key loyalty constructs in the context of a wine club. However, there are other relational constructs, such as service quality, that might be relevant.

Theoretically, the study contributes to the field of relationship marketing (Vivek et al., 2012) and addresses the need for a better understanding of CE when implemented for relationship marketing instruments (Brodie et al., 2013; So et al., 2016). To the best of our knowledge, this is the first study dealing with the integration of engaging customers in wine clubs. Additionally, it introduces wine clubs as DTC activities in the German wine industry.

Practically, wine clubs can be of great value for the differentiation strategies in the German wine market and the achievement of long-term customer–company relationships. The gained insights are not only relevant to small businesses, prevalent in the German wine industry, but are also useful to SMEs in general, which often struggle to adapt to changing customer environments.

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Part II. Customer Engagement through Relationship Marketing Instruments

Part II.1 How to Engage Wine Consumers Online and Offline? An Exploratory Study

Regine Heimers and Edith Rüger-Muck

Declaration of Own Contribution

This article resulted from a collaboration with Prof. Dr. Edith Rüger-Muck. The areas idea and conception, conduction and analysis of the study, interpretation of the results and writing the article have mainly been covered by me. I would like to acknowledge the following contributions. Idea and conception of the study have been developed in close collaboration with Prof. Dr. Edith Rüger-Muck. Interpretation of the results and writing of the article progressed in close collaboration with Prof. Dr. Edith Rüger-Muck.

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Abstract

Purpose: Due to the rising popularity of customer engagement (CE), this exploratory study aimed to provide a first understanding of potential marketing tools for CE online and offline.

Design/methodology/approach: The research constituted an initial step to propose an experimental approach in order to assess how these tools impact CE. To achieve the research goal, we applied a mixed-methods approach combining qualitative and quantitative market research methods. We interviewed seven marketing experts in order to identify effective CE tools. In addition, we drew upon a self-administered online survey, to which 345 German wine consumers responded, in order to investigate their preferences regarding CE tools used by wineries.

Findings: Qualitative and quantitative results revealed that from an marketing expert's as well as from a customer's point of view, offline CE tools were regarded to dominate online tools. Experts further claimed the presence of an experience, the interactive and personal components as well as the awareness of the target group to be fundamental for effective CE tools.

Practical implications: Regarding the German wine market, practitioners are recommended to rather focus on offline tools when attempting to engage customers. In addition, they are demanded to put higher efforts in mobile platforms. When dealing with CE tools in detail, the advised aspects of experts should be taken into account.

Key words: customer engagement, engagement tools, relationship marketing

1. Introduction

This study builds on the challenge of a rising interactive nature of customer relationships faced by wineries. Given the increasing use of the Internet by wine consumers, they do not only have a vast amount of readily available information as well as a wider choice of products and services. They also have direct channels to interact with companies and their peers (Deighton and Kornfeld, 2009). Customers have become connected (Marketing Science Institute, 2010) and have taken an active role in the dialogue with companies across industries (Sawhney et al., 2005). These changes have resulted in a new field of research in the last decade: Customer Engagement (CE). Vivek et al. (2012, p.127) define CE as “an individual’s intensity of participation in and connection with an organisation’s offerings or organisational activities”. While having shed light on its conceptualisation (Bowden, 2009; Brodie et al., 2011, 2013), empirical efforts have been neglected in marketing research (Hollebeek et al., 2014). This gap was highlighted by the Marketing Science Institute (MSI) in (2014) by setting one research priority on the question: “how do social media and other marketing activities create engagement?” We aim to approach this by identifying potential marketing tools to engage with the customer, which is the central research objective. The study constitutes a preliminary step to further analyze how these tools impact CE.

Increased efforts in CE might be an opportunity for wineries in the digital era, which challenges the wine industry in particular. Not only empowered customers constitute a competitive challenge. But also the increasing virtualisation of products and services contrasts the fact that wine is classified as an experience good (Storchmann, 2012). In addition, the relative complexity of the product, compared to other consumption goods, causes barriers for customer management, especially online (Cohen et al., 2012). Hence, efforts in service quality and the reputation of a winery become most important (Bressolles and Durrieu, 2010). Enforcing CE which is claimed to impact marketing constructs such as satisfaction, loyalty (Bowden, 2009) or the effectiveness of advertising (Wang, 2006) might be one approach. While CE has been strongly related to online environments thus far, we claim that efforts in research and practice have to be extended to offline environments (Brodie et al., 2013).

We begin with a literature review on CE, by presenting its theoretical embedment, conceptualisation and status quo of empirical research regarding its tools. Following this, we provide first results of marketing expert's and customer's perspective on potential tools of CE online and offline. We conclude with a brief discussion of the results, its limitations and we infer future research areas.

2. Literature Review

Originating from organisational behavior research, especially in the context of work and role engagement (Kahn, 1990; Saks, 2006), the concept 'engagement' has not yet been fully approached in marketing research. However, in marketing theory the construct CE can be attributed to relationship marketing research by adding experience and interactive aspects to the relationship with existing and potential customers (Pralhad and Ramaswamy, 2004; Vivek et al., 2012). Linked to this, marketing academics emphasise that interaction is not restricted to the relationship between customers and companies. It might be any combination such as customer's engagement in offerings, activities and the actual exchange amongst customers (Hollebeek et al., 2014; Van Doorn et al., 2010). Over the last decade marketing research has contributed in particular to the conceptualisation of CE (antecedents, dimensions, consequences, measures etc.). However a review of related marketing literature shows that a common understanding of the construct has not yet been reached.

While having initially referred to behaviors, both positive or negative, that exceed purchase (Bowden, 2009; Kumar et al., 2010; Van Doorn et al., 2010; Verhoef et al., 2010), several researchers have extended the scope to cognitive, emotional and social dynamics (Brodie et al., 2013; Hollebeek, 2011; Vivek et al., 2012). Moreover, engagement is regarded as a motivational state that is either temporary or ongoing with changing engagement levels over time (Van Doorn et al., 2010). This raises the question how this state can be achieved by wineries and therefore builds the starting point for the underlying research.

Efforts in analyzing marketing tools engaging the customer are still underrepresented in the CE discipline. Vivek et al. (2012), for instance, assessed in a qualitative study "activities" and "offerings" to be the main tools that can be

customer- or company-initiated. What both tools have in common is assigning the customer an active role, allowing him or her to participate in the experience or interaction. “Activities” go beyond offerings when referring to skill and new product development as well as to creative events with the possibility to socialize or even with an innovative character. These can also include Branded Marketing Events (BMEs), of which the impact on CE was examined by Altschwager et al. (2013) in the context of wine business.

To further explore the marketing tools triggering CE while referring to the wine business, we set the focus on online versus offline environments for the following elaborations.

3. Current Research

3.1 Study 1 – The Marketing Expert Perspective

We conducted two independent studies, we present below our qualitative findings.

3.1.1 *Design, Method and Procedure*

To gain a comprehensive understanding of CE tools, we conducted semi-structured, in-depth interviews in the last quarter of 2014. The selection criteria were expertise in marketing with a focus on wine marketing or on CE, or both. We reached out to 11 marketing experts via email or phone, seven of whom agreed to an interview. The interviewees, each holding a leading position in its field, were categorised on their focus areas of wine marketing (3 consultants, 1 event marketer and author); marketing research with foci on interactive technologies (1 manager customer care) and on wine (1 researcher in consumer behavior); as well as B2B marketing in online and offline services dealing with customer engagement tools (1 director product marketing). They range in age between 32 to 51 years and in work experience in marketing between four to 24 years.

The average interview lasted 45 minutes, and was conducted by Skype or face-to-face, which were then digitally transcribed and transferred to MAXQDA. Methods of content analysis included coding and keyword search in order to establish certain categories and subcategories by following the standards of grounded theory (Corbin and Strauss, 2015).

Given the exploratory nature of the study and the semi-structure, we engaged around five broad areas of interest to the interviewees instead of posing a series of specific questions. We did let emerge the central theme of the paper in interviewing respondents about topics such as the status quo of customer management (1), the impact of new media on customer management (2) and their personal definition of customer engagement (3). For the purposes of the research objective, we focus on the following two areas: potential tools to engage with the customer (4), from an online as well as from an offline perspective (5).

3.1.2 Results

From the content analysis, it can be implied that certain frame conditions have to be considered when dealing with CE. Calder et al. (2009) assert that experience is the basis for engagement. Supported by statements from six out of seven experts, this view rather underlines a hedonic nature. To the contrary, utilitarian characteristics are rather regarded as prerequisite. Moreover, across almost all interviews the importance of the interactive character of CE-tools was highlighted.

Enforced activities should allow customers to interact amongst each other with the superordinate goal of a networking brand community, where they engage in evaluation, optimisation and development of winery's products, services and campaigns. Besides the actual experience, three experts claimed the importance of a personal dimension. People behind the brand must step forward to interact with customers, in particular the winery's owner him- or herself. Four of the experts further agreed on the aspect that target groups merit attention. Thereby, two experts stated the relationship intensity to be decisive for this type of tools.



Figure II-1: tools of customer engagement, online and offline.

The seven marketing experts placed their focus mainly on offline tools in the context of wine (Figure II-1). This is different from the 'brand communities' that are predominantly in online environments so far (Brodie et al., 2013; Sawhney et al., 2005; Wirtz et al., 2013). Furthermore, co-creation constituted a relevant tool, but again in the offline context. One wine marketing expert stated that the concept co-creation in wine marketing would not be in forms of co-production of the product itself, but rather in terms of collecting feedback in general or in the creation of wine labels.

Offline "events" still seemed to be one of the most important tools for wine marketing CE. These are not restricted to wineries and they can include fairs or wine feasts in central areas with regional customers. "Newsletters" were also acknowledged as an inherent CE tool that can be online or print, depending on the target group. Print medium was considered state of the art when working with the premium and ultra-premium sector, whereas electronic newsletters should rather be applied for general updates throughout the year. Referring to content, keywords such as "the importance of visualisation and authenticity" occurred repeatedly.

The former was also of particular relevance when mentioning online tools such as "video marketing". Online, proactive activities like "follow-up actions", including informing the customer when their favourite wine is available again, or recommending other wines, were stated.

Efforts in "mobile tools" were regarded by the majority of experts as highly important because traffic nowadays comes mainly from mobile devices. But five wine marketing experts regarded the potential of mobile tools for the wine business as critical, because a high proportion of wineries are still not providing a functioning mobile website. Nevertheless, QR-Codes placed on wine bottles, enabling the customer to evaluate the product, to register online, to gain incentives or information where to buy the wine, were regarded as useful by five experts. Controversially, when it comes to 'apps' as CE-tool, two experts considered them as an important interface while two others had an opposite view.

3.2 Study 2 – The Customer Perspective

To look at CE from a customer's point of view, our second study investigates, in a quantitative manner via an online survey, potential tools for CE.

3.2.1 Design, Method and Procedure

A total of 345 German wine consumers participated in a self-administered, online survey that was distributed via e-mail lists of three universities in South Germany. We targeted all fields of study in the first quarter of 2014 to investigate the consumer's likelihood to engage in CE-tools, comprising certain activities and offerings, in wineries. In order to identify these tools, nearly 200 winery's websites and Facebook pages were investigated based on a random selection of German wineries from the wineries' list of the German Wine Institute website (n.d.). They were then analyzed for tools with an interactive and innovative character. 43 marketing tools were derived, from which three researchers selected the top ten tools according to the degree of interaction and innovation. In addition, more general questions were posed regarding sociodemographic characteristics; their wine and social media behavior.

3.2.2 Results

The survey respondents were equally split at 50% female, and 50% male, the mean age was between 20-29 years. Almost 40% of respondents consumed wine more than once per week and they bought their wine mostly in wineries or supermarkets. Measured through subjective wine knowledge (Flynn and Goldsmith, 1999) and wine involvement (Lockshin et al., 1997) by using two and three items (five-point scale), 37% of the respondents rated their affinity with wine as high. In contrast, 46% of participants showed low involvement in social media, again assessed via three items measured on a five-point scale (Lockshin et al., 1997).

The initial set of CE-tools constituted ten items. In order to reduce data, we conducted an exploratory factor analysis resulting in a two-factor solution. KMO and Bartlett's test proved the sample to be adequate for factor analysis (KMO=0.840, $p=0.000$). Factor one indicated online characteristics. It had six items comprising of "sharing information about the product and service" (0.79), "exchanging favourite recipes with customers" (0.77), "a video diary of the winery" (0.71) as well as "an online wine tasting" (0.58). We assumed the items "wine education app" (0.47) and "mobile website" (0.70) to be part of a third factor, but found that they can also be loaded on factor one. This might be due to the fact that

these tools are stronger related to the online environment. Furthermore factor two contained four items, namely “creation of a vintage with the wine producer” (0.82), “developing mixed drinks based on wine” (0.73), “personalisation of wine labels” (0.66) and “wine evaluation” (0.58). We attribute offline characteristics to factor two. Reliability of the two factors was supported by Cronbach’s alpha accounting 0.80 for factor one, 0.72 for factor two.

Based on the two-factor solution, we first compared the likelihood of consumers to engage online and offline. We found that wine consumers are more likely to engage in offline compared to online activities. This tendency to favour offline engagement tools is illustrated in Figure II-2. While almost 50% were likely to engage in offline activities, only 17% of wine consumers would potentially engage in online tools.

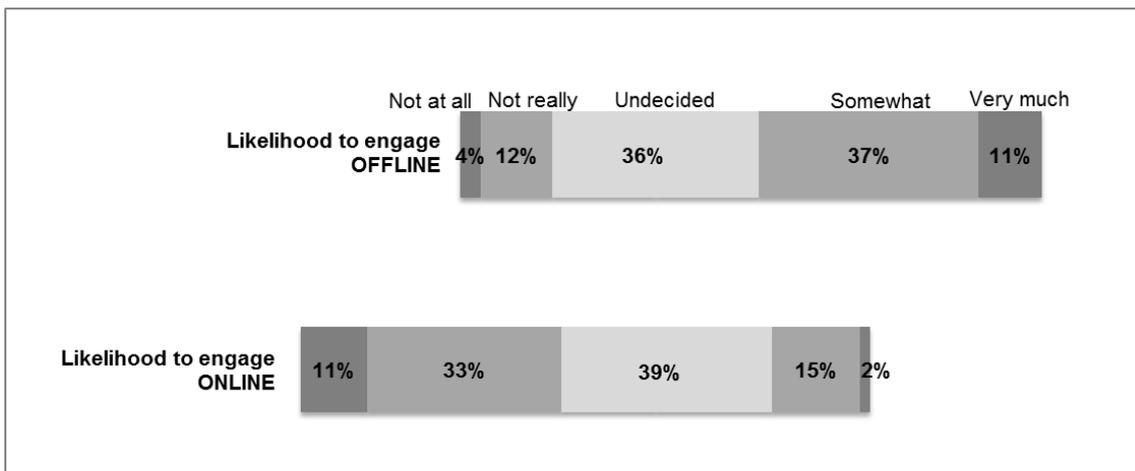


Figure II-2: comparison of the likelihood to engage in online and offline tools, n=345.

This tendency is further reinforced when we look at the activities in detail (Figure II-3). Out of ten activities, the top five CE tools were selected for comparison, amongst we only found one online variable, the “app”. It has to be added, that an “app” can be only characterised as an online tool by its origin and dependence, but functions can also be accessed offline. In contrast all four offline tools were favoured by respondents. The highest-ranked activity was “to evaluate new vintages”, of which 57% would be likely to engage in.

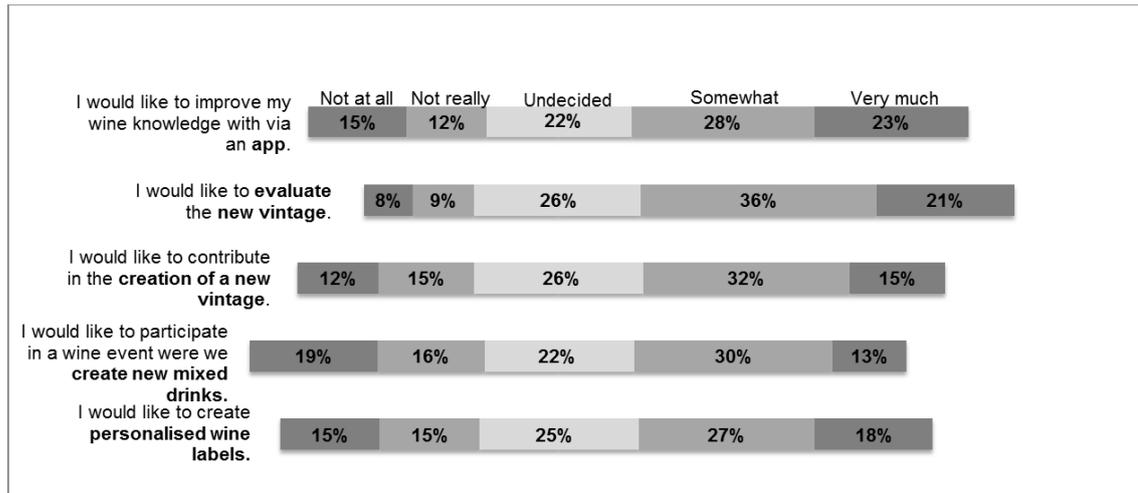


Figure II-3: top five tools of customer engagement.

4. Discussion, Implications and Limitations

CE has gained great relevance, both in research and in marketing practice. Hence, the performed analysis aimed to examine tools for CE from a marketing expert's and a customer's point of view while referring to the online and offline environment. Although consumers nowadays use both online and offline CE channels to interact amongst each other as well as with companies, in the context of wine marketing, we find a distinct preference for offline activities.

In order to enable effective tools for CE, marketing experts regarded certain conditions to be pivotal. These are experience and interaction, and linked to this, the personal levels of CE. Moreover, the target group should be predefined. Interviewees rather referred to CE in the offline context, where they perceive events and brand communities to be most important. In particular they see potential for interfaces linking offline and online activities – mobile tools for instance. Wineries in general were criticised for the lack of ensuring appropriate mobile websites.

Regarding the customer's point of view, they also showed a stronger likelihood to engage in offline activities. Respondents would be most likely to engage in the evaluation of new vintages. There was further a consensus between marketing experts and customers concerning the need for mobile tools, as the second preferred tool was an edutainment app for wine.

Referring to the limitations, we must add that respondents had lower involvement with social media and that the online survey was limited to German wine consumers. The study was also limited to the product wine so far. We recommend that future studies should extend the scope to cross-cultural approaches as well as to other product categories. Following studies should consider consumers who can relate to the offline and the online market. Furthermore, future studies should aim to gain a deeper understanding of the enlisted marketing tools and how these create engagement (Marketing Science Institute, 2014).

While this exploratory study constituted a study to identify tools to initiate CE, the paper should persuade the need for further research in this domain, especially on an experimental basis. To conclude, due to the identification of engagement tools, we can now investigate their impact on CE as well as on financial indicators and certain marketing constructs.

5. Acknowledgments

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Part II Customer Engagement through Relationship Marketing Instruments

Part II.2 Customer Engagement through SME Loyalty Programs? A Status Quo Analysis in the Wine Industry

Regine Heimers, Edith Rüger-Muck and Ludwig Theuvsen

Declaration of Own Contribution

This article resulted from a collaboration with Prof. Dr. Edith Rüger-Muck and Prof. Dr. Ludwig Theuvsen. The areas idea and conception, conduction and analysis of the study, interpretation of the results and writing the article have mainly been covered by me. I would like to acknowledge the following contributions. Idea and conception of the study resulted from a close collaboration with Prof. Dr. Edith Rüger-Muck. Interpretation of results and writing the article progressed in close collaboration with Prof. Edith Rüger-Muck and Prof. Dr. Ludwig Theuvsen.

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Abstract

In recent years, Customer Engagement (CE) has evolved as a major predictor for Customer Loyalty in marketing research as well as in marketing practice. Companies might foster CE by offering touchpoints and incentives relevant to the customer. Thereby loyalty programs might play a key role. Nevertheless, it can be questioned whether in particular small and medium enterprises' (SME) loyalty programs focus on Customer Engagement. By setting a focus on SME wineries, the study therefore employs content analysis of 60 B2C loyalty programs on a number of CE parameters.

Key words: customer engagement, CE, CRM, loyalty programs, SME, wine clubs, content analysis

1. The Importance of the Proactive Customer for the Design of Loyalty Programs

1.1 Loyalty Programs and Changed Customer Behavior

The increasing interactivity of customers in the course of digitalization requires companies more than ever to adapt customer relationship management (CRM) tools to changing customer behavior. Especially small and medium-sized enterprises (SMEs) are required to survive in the long term in an intensely global competitive environment (Nguyen and Waring 2013). As one of the most important but at the same time cost and time intensive instruments in the field of B2C, the loyalty program comes into focus (Gallup, 2011). Its significance becomes clear when looking at the example of the USA: The ongoing increase in the number of loyalty programs was 26% between 2012 and 2014 (Berry, 2015). Investments, on the other hand, paid off only partially. In 2014, the average US household participated in 29 loyalty programs. Of these, only 44% were used actively (Berry, 2015).

For this reason, loyalty programs are also often criticized for failing to achieve goals, such as an increase in the share-of-wallet, profitability and customer loyalty (Kumar and Reinartz, 2012). Reasons could be attributed to the lack of loyalty programs that are customized for the client (Capgemini, 2015). Classical loyalty programs are based on a transaction-oriented principle. The customer buys a product or uses a service, receiving a reward in return. In the course of digitization, however, customer activity has become far more diverse.

New communication channels such as mobile and social media allow customers to obtain information and exchange products and services at anytime and anywhere (Hennig-Thurau et al., 2010). Online platforms make it easier for customers to coordinate and cooperate (Brodie et al., 2013). Dynamic companies such as Uber are aligning their business models to these changes: The principle of the online transportation network company Uber is based solely on independent coordination between private drivers and passengers, good software and an interactive rating system. Passengers rate drivers and drivers rate passengers. Developments have gone so far that customers of companies act as co-designers (e.g., Lego), producers (e.g., Etsy), or even co-owners (e.g., Wikipedia).

By interacting proactively with his environment – including the company – the customer increasingly gains in influence (Jaakkola and Alexander, 2014). The changed impact structure has established itself as a new priority field in research and practice; it is summarized under the term customer engagement (CE) (Brown et al., 2013; Capgemini, 2016; Pansari and Kumar, 2016).

1.2 Challenges for CRM of SMEs in the Context of the Wine Industry

Will existing loyalty programs meet the requirements of the CE concept? The majority of companies recognize the potential of the concept (Brown et al., 2013). To date, however, only a minority of SMEs have explicitly implemented CE strategies in CRM (Convero, 2016). This may be due to the complexity and difficulty of measuring the CE concept.

Through constant interactions across multiple points of contact, customers leave a large amount of data in the form of personal attitudes, behaviors, and needs. These range from the purchase history to real-time data in the form of the browsing and click behavior or the indication of the location. In times of social media, it is also possible to learn more about the social environment of the customer and his current mood. A company faces the challenge of analyzing the large volumes of data in real time so that the customer receives consistent and relevant customer experiences in return.

To facilitate the customer's engagement and to make it flexible, online and offline channels must be interlinked: the customer can, for example, order and pay on a mobile device but then pick up the product at the store. Such cross-channel strategies increase the efficiency of the company and save the customer time (Capgemini, 2016).

Depending on the customer, the motives for interacting with the company differ. This poses a unique challenge for the CRM to create contact points that offer individual incentives (Verleye and De Keyser, 2016). An established tool in CRM is the loyalty program, which offers a whole range of incentives to attract as many (potential) customers as possible.

When adapting CRM systems to changed customer behavior, SMEs usually fail not only due to technological challenges, but also due to a lack of employee resources (Nguyen and Waring, 2013). This also applies to the wine industry

considered in this study. Worldwide, the wine industry is highly fragmented and characterized by small businesses or family-run wineries (Conz et al., 2016). On average, a German winery has fewer than ten employees and an annual turnover of less than two million euros (European Commission, 2016). Nevertheless, most wineries are vertically integrated, i.e., they cover all stages of the value chain – from wine growing and production to the distribution and marketing of the wine. The latter, in particular, deserves increased attention in times of oversupply, consolidation and constant price pressure but is often neglected due to prevailing structures (Lerner, 2011). Loyalty programs, in this context also called wine clubs – adapted to the interactive customer, could represent an important differentiation opportunity and serve to build and maintain long-term customer relationships.

2. The Concept of Customer Engagement

In order to address the question of whether companies implement CE as a concept in their loyalty programs, a more precise characterization of the CE is first required: It covers all *interactions* of a customer with a brand or a company (Brodie et al., 2011; Vivek et al., 2012). Because CE goes beyond mere purchase, it includes positive behaviors such as consuming, sharing, co-developing and recommending products and services, as well as negative behaviors such as bad ratings. Often CE is also referred to as the intensity of the customer's commitment to the company (Vivek et al., 2012). In the course of the CE approach, one-way communication from the company to the customer is replaced by a bidirectional exchange (Kozinets et al., 2010).

The concept goes beyond interactions between customers and companies; it rather calls for the *involvement of several actors* in the environment of the customer (Brodie et al., 2011; Jaakkola and Alexander, 2014). For example, companies are required to promote the exchange with other potential and existing customers or with partner companies. Customers can, e.g., be involved collectively in the improvement of a product and thus create mutual value: the optimization of the product according to the customer needs.

CE is triggered by the *individual motives* of the customer (Van Doorn et al., 2010). In line with the social exchange theory (Blau, 1964), the customer, therefore,

makes his commitment dependent on the expected reward. This may be of economic (e.g., discounts), social (e.g., status), or experience-oriented (e.g., event) nature (Etgar, 2008).

In the long term, CE strategies are aimed at increasing emotional attachment and loyalty to increase a customer's profitability and lifetime value (Kumar et al., 2010). Although CE is related to, but not limited to, the increasing digitization and deployment of mobile devices (Verleye and De Keyser, 2016), it is rather about offering the customer as many points of contact as possible – both *online* and *offline* – and linking them to each another. Marketing research has so far neglected studies that deal with the consideration of core properties of the CE concept in loyalty programs. Therefore, the following research questions are derived for the underlying investigation:

1. **Interaction vs. transaction:** Do existing loyalty programs merely reward buying behavior, or do they generally consider the customer's engagement behavior?
2. **Involvement of multiple actors:** Are existing loyalty programs limited to interactions between the company and the customer or do they also take into account interactions between a client and (potential) customers or with partner companies?
3. **Individual character:** Are individual incentives offered that are relevant to the customer?
4. **Motivational character:** What different types of incentives are offered to encourage customers in their engagement behavior?
5. **Integrated approach:** To what extent can incentives be achieved across all channels?

3. Investigation of Loyalty Programs Based on the CE Concept

3.1 Methodology

For the investigation of the research questions, 60 loyalty programs, primarily from Germany, Australia, and the USA, were examined using the empirical method of content analysis (Krippendorff, 2012; Neuendorf, 2002). This methodology structures and reduces large volumes of data using a coding scheme developed

on the basis of the research questions (Stemler, 2001). This systematic approach allows researchers to draw conclusions about patterns and trends of the analyzed data. Consequently, the methodology is also suitable for analyzing the consideration of the CE concept in loyalty programs.

The sample consisted of 30 wine clubs – representing SMEs – based on a randomized Google search. To identify whether wine clubs differ in terms of their CE orientation from successful and established loyalty programs, another 30 top loyalty programs were included as a reference. For this purpose, top loyalty programs were mainly selected from the retail trade, which have repeatedly been listed as a role model or have been awarded. The programs were randomly selected on the basis of third-party websites (Bond Brand Loyalty, 2015). In all 60 programs, one single company is the operator (Kumar and Reinartz, 2012).

The collected data is based on information about the loyalty programs on the websites of the respective companies. As part of the content analysis, the data was first structured in terms of the previously identified CE characteristics and the resulting research questions.

The developed coding guideline was used to assess whether and to what extent the individual characteristics of the CE concept were implemented in the selected loyalty programs. To validate the developed evaluation categories, four people coded four loyalty programs independently from each other using the coding guideline. In doing so, the initial guideline was revised. Afterwards, two coders again coded the entire data material independently of each other according to the revised categories. The reliability of the coding was determined by means of intraclass correlation (ICC), ranging from 0.73 to 0.96 for each final category – good to excellent, respectively (Cicchetti, 1994).

3.2 Test Results

The content of a total of 60 loyalty programs was analyzed and coded using selected CE parameters. Finally, the results were quantified. Only 38% of the 60 programs reward at least one form of engagement behavior that goes beyond mere purchase (see Fig. II-4). For instance, 27% of the programs reward the first member registration. Wine clubs and top loyalty programs differ significantly with

regard to the engagement orientation ($\chi^2 = 12.113, p < 0.01$). The majority of the top 30 programs (80%) promote at least one form of engagement. In contrast, this is the case for a minority of the 30 wine clubs (23%) which, consequently, might fail to adapt to the interactive customer.

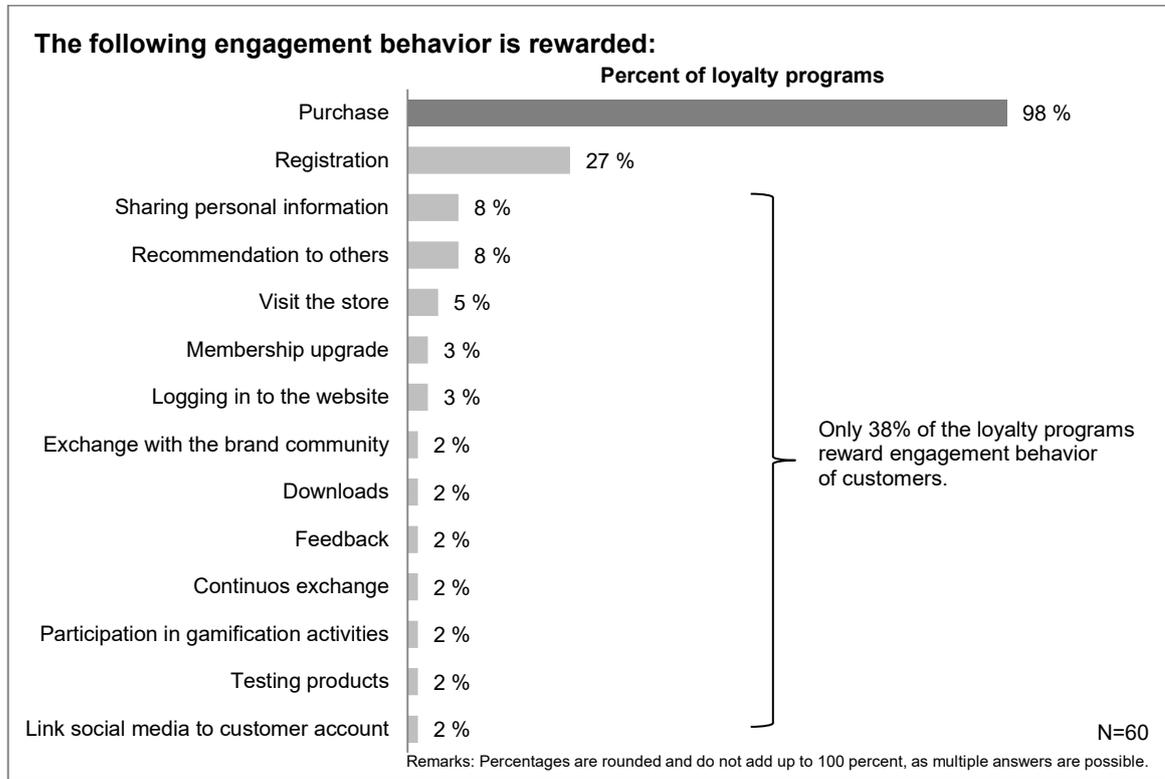


Figure II-4: Reward basis in loyalty programs.

In addition to the relationship between business and customers, the extent to which customer interactions with other actors are promoted through loyalty programs was examined (see Figure II-5). The analysis found that for 65% of the programs, interactions between existing customers of the program are accelerated, in particular by means of events offered to members. Nearly half of the companies consider the exchange of ideas with other potential customers when designing their loyalty programs (for example, friends recruit friends). To provide customers with a broader range of incentives and to facilitate the use of incentives, at least a quarter of companies cooperate with partner companies. Thus, e.g., airlines provide discounts at certain hotel chains and supermarkets allow their customers to redeem accumulated points at certain gas stations. Only eight percent of the programs promote social purposes. Only one program supports the exchange between customers and all mentioned actors. Top loyalty

programs also differ significantly from wine clubs ($\chi^2 = 38.25, p < 0.001$). While the vast majority of wine clubs pushes the exchange between (potential) customers, top programs tend to encourage cooperation with partner companies.

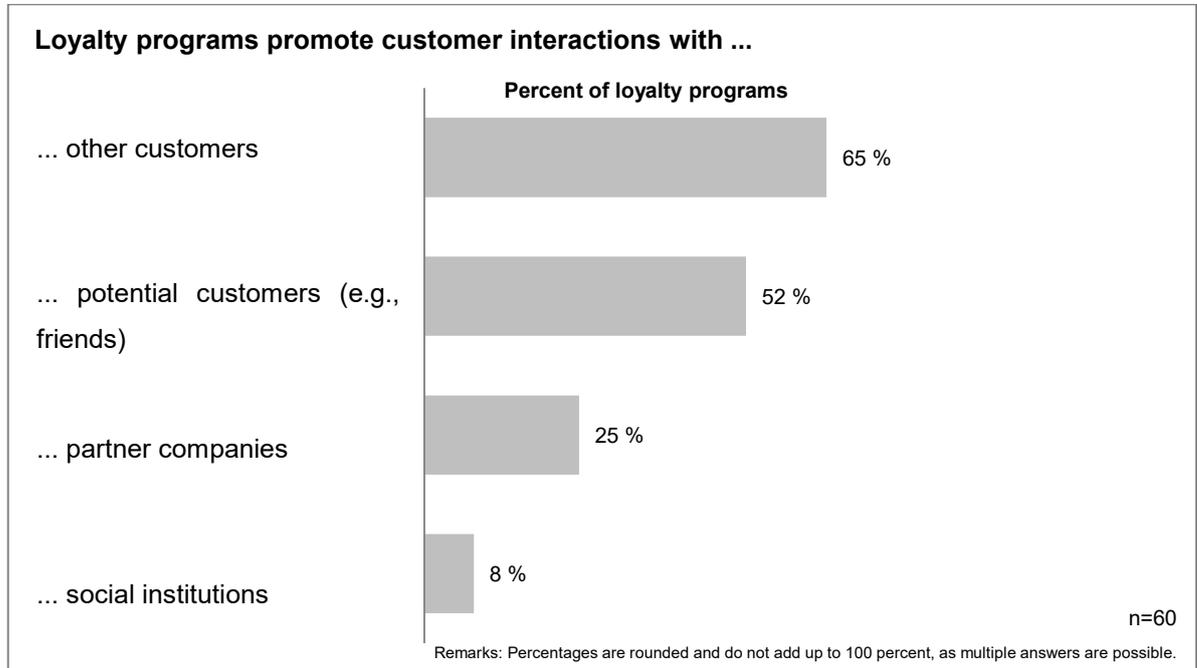


Figure II-5: Actors in loyalty programs.

There is much ground to make up in the individualization of incentives, even though individualized incentives are offered by almost 43% of the loyalty programs examined. However, this is relativized by the share of incentives that have been analyzed overall. The 60 loyalty programs resulted in a portfolio of 486 incentives of which just over 10% were individualized. Most often, a kind of "tracking service" is offered that allows customers to view their purchase history and provides an overview of accumulated points across all channels (Figure II-6). Furthermore, customized offers are made to customers based on personal information and the sales history (20%). Other programs offered more personalized service, e.g., personal calls, reminders, personalized advice or special gifts on a personalized basis. Top loyalty programs offer considerably more types of individual incentives. The difference to wine clubs is significant ($\chi^2 = 67.409, p < 0.001$). In Table II-1, all individual types of incentives are described and categorized by their motivational character.

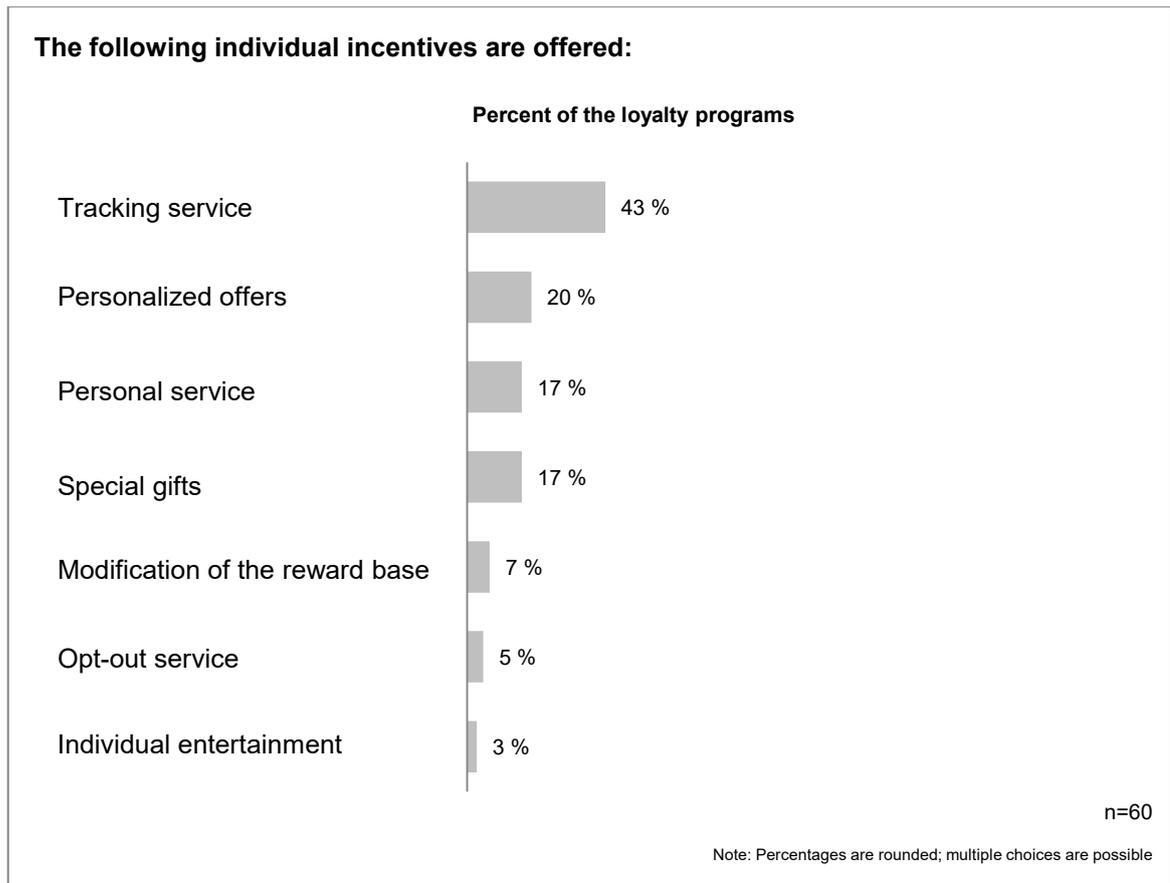


Figure II-6: Individual incentives.

Table II-1: Examples of individual incentives taking considering the motivational character.

Type of incentive (Reward)	Description	Example from a loyalty program (incl. wine club)
Motive: economic		
Personalized offers	Increased attention to individual customer needs based on personal information and purchase history	“Access to special savings and personalized coupons based on purchase history [...]”
Modification of the reward base	The customer may freely choose granted rewards.	“You can design your own annual pack with the wines you love or leave it to us.”
Opt-out service	The customer can terminate or suspend membership at any time.	“[...] members may ‘opt out’ of up to three shipments per year and still maintain full membership status [...].”
Tracking service	The customer receives an overview of his commitment and the resulting rewards.	“Mobile [...] card – exclusive coupons and discounts as well as your individual purchases history always available [...]”

Motive: social		
Personal service	The customer is treated preferably and receives increased esteem.	"Personal phone calls up to three times a year with exclusive offers"
Special treatment	An increased appreciation is expressed in the form of personalized gifts or birthday gifts.	"Free birthday gift" "Personalized Gold Card"
Motive: experience oriented		
Individual entertainment	Invitations to individual experiences	"Free custom makeovers" "Personalized tours [...], including a tour of the winery and the vineyards [...]"

Companies align their loyalty programs to the online and offline channel as much as possible. The question is whether the channels are integrated with each other. Only a quarter of the analyzed programs take the increased mobility of the customer into account and link the individual channels (Fig. II-7). Inter alia, the customer can order from a mobile device and pick up the product in the store. Customers also have an overview of their purchase history, their current point status, past savings, and any other rewards, anywhere at any time. On the basis of previous purchases, a program creates detailed information and even technical guidance for purchased products in the company-owned app. In terms of cross-channel orientation, top loyalty programs differ significantly from wine clubs ($\chi^2 = 39.095, p < 0.001$). While the majority of top programs are involved in all channels, none of the wine clubs in the sample offer a fully integrated solution.

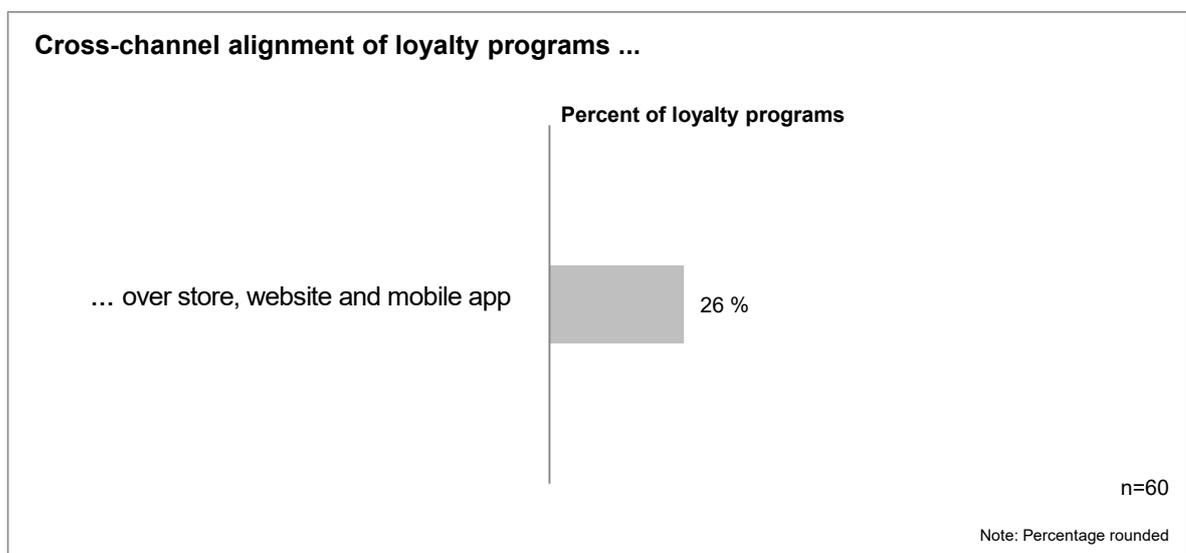


Figure II-7: Cross-channel programs.

4. Summary and Outlook

In summary, it should be noted that the analyzed loyalty programs neglect essential parameters of customer engagement. This holds particularly true for wine clubs. As a result, there is a lacking adaptation to the interactive customer. Only a minority of the loyalty programs reward engagement behavior beyond the purchase of products and services. Research has shown that increased customer engagement can substantially increase the share of wallet and profitability of the customers (Gallup, 2014). By contrast, negative engagement behavior can reduce these parameters. CE goes beyond the relationship between business and customers. But only a small proportion of loyalty programs anticipates all actors in the customer's environment. Doing so could increase the barriers of switching to competitors. Less than half of the companies take individual incentives into account when designing their loyalty programs, although the amount of available data allows for individualized customer engagement in these days. Last but not least, only a quarter of the analyzed programs are fully oriented towards increasing customer mobility.

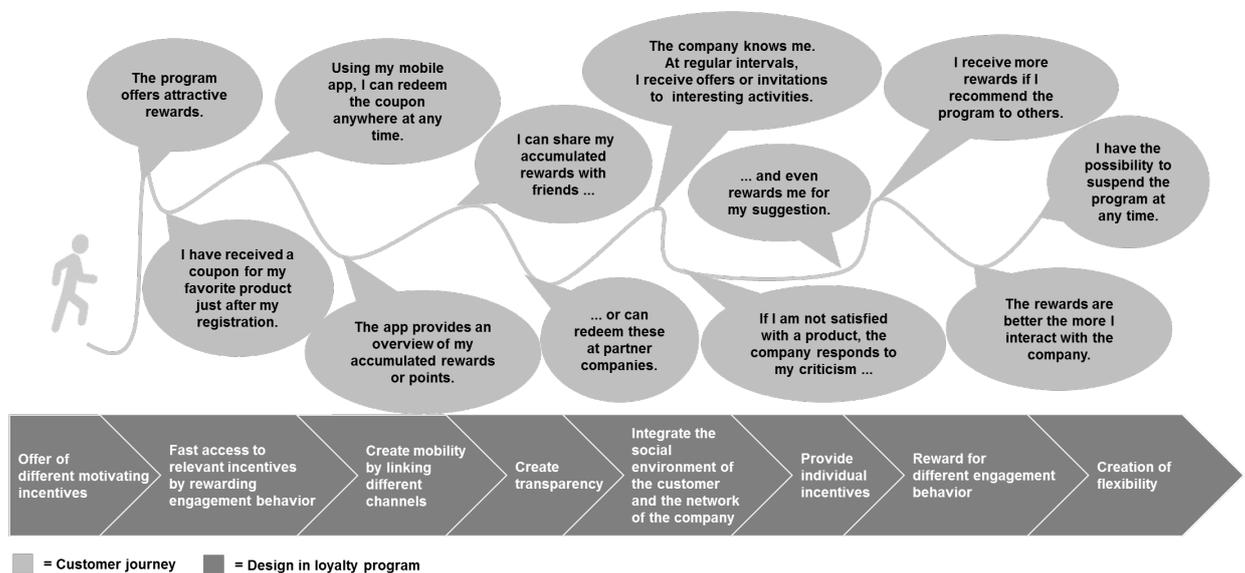


Figure II-8: An example of the adaption of a loyalty program to individual customer needs during the customer journey (= sum of all contact points).

More than ever before, companies face the challenge to respond to the individual needs and behavior of their customers throughout their customer journey, also including loyalty programs (Figure II-8). To understand needs, companies can gain relevant information about their customers from diverse interactions across

multiple points of contact, both online and offline, in order to complement customer profiles and provide relevant incentives to the customer in real time. The abundance of offers and the reduced attention of the customer generally require companies to reward the willingness of customers to interact. This also means that CRM honors negative customer engagement behavior and, in doing so, reconsiders and corrects previous CE strategies when required.

5. Acknowledgments

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Part III. The Relationship between Customer Engagement, Involvement, Loyalty Program Mechanisms, and Program Loyalty

Regine Heimers, Edith Rüger-Muck, Yonca Limon-Calisan, and Ludwig Theuvsen

Declaration of Own Contribution

This article resulted from a collaboration with Prof. Dr. Edith Rüger-Muck, Prof. Dr. Yonca Limon-Calisan, and Prof. Dr. Ludwig Theuvsen. The areas idea and conception, conduction and analysis of the study, interpretation of the results and writing of the article have mainly been covered by me. I would like to acknowledge the following contributions. Idea and conception of the article resulted from a close collaboration with Prof. Dr. Edith Rüger-Muck and Prof. Dr. Ludwig Theuvsen. Conduction of the study evolved in close collaboration with Prof. Dr. Edith Rüger-Muck. Analysis and interpretation of results progressed in close collaboration with Prof. Dr. Edith Rüger Muck and Prof. Dr. Yonca Limon-Calisan. Writing of the article was conducted in close collaboration with Prof Dr. Edith Rüger-Muck, Prof. Dr. Yonca Limon-Calisan, and Prof. Dr. Ludwig Theuvsen.

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Abstract

In recent years, customer engagement (CE) has been extensively discussed as a major predictor of customer loyalty. Yet, the integration of CE into loyalty programs (LPs) has been neglected. We address this research gap through three approaches. First, we examine how CE affects program loyalty. Second, we examine how involvement contributes to generating CE and program loyalty. Third, we analyze how loyalty program mechanisms, such as LP type and incentives, affect CE. Our findings reveal CE to be a major predictor of program loyalty. We find that involvement impacts CE positively, CE has a positive relationship to involvement and program loyalty, and social incentives impact the affective and active dimensions of CE. In the context of the wine industry, we address research gaps on how CE can be triggered and how CE impacts loyalty as well as provide insights on establishing more effective LPs in an increasingly engaged environment.

Keywords: customer engagement; loyalty programs; involvement; program loyalty; incentives; relationship marketing

1. Introduction

Over the last decade, traditional measures and constructs, such as the long and intensively researched construct of customer satisfaction, have been increasingly regarded as unreliable predictors of customer loyalty (Bowden, 2009; Calder et al., 2015). They have been criticized for failing to adequately assess the depth of an individual's responses towards a product or service (Reichheld, 2001; Oliver, 1997) and being unable to capture the rising interactivity among customer environments (So et al., 2016). Marketing researchers and practitioners have since transitioned their focus to new, multidimensional measures such as customer engagement (CE) to evoke loyalty (Hollebeek et al., 2014; Vivek et al., 2012). However, modelling CE into a nomological framework for developing loyal customers into the specific context of loyalty programs (LPs) is lacking so far (Heimers et al., 2017; Rehnen et al., 2017).

Widely acknowledged as the major relationship marketing instrument, LPs are implemented across many industries in order to increase customer loyalty, with the ultimate goal of heightened company performance (Dorotic et al., 2014; Meyer-Waarden and Benavent, 2009). There are numerous examples, for instance from the US, where the numbers of program members rose by 26% from 2012-2014, revealing the still increasing popularity of LPs. However, at the same time, the number of active members is seen to be declining across industries (Berry, 2015).

Given this context, marketing researchers and practitioners have begun to doubt the effectiveness of LPs (Ashley et al., 2011; Noble and Phillips, 2004; Reinartz and Kumar, 2002). The failing effectiveness of incentives is regarded as a major flaw (Jin and Huang, 2014; Yi and Jeon, 2003). A majority of these LPs still heavily rely on rather short-sighted financial incentives instead of long-term oriented social incentives that seek to create strong emotional connections between the customer and the company (Capgemini, 2015; Heimers et al., 2017).

Further, despite non-transactional customer behaviors becoming more important in an increasingly networked society, where customers can easily interact with other customers and organizations, companies are still failing to account for these behaviors (Ramani and Kumar, 2008; Verhoef et al., 2010). Customers are predominately rewarded for their purchase behavior, however, CE reaches far

beyond comprising behaviors such as ratings, providing feedback, registration, etc. (Van Doorn et al., 2010). Empirical research has proven that rewarding customers for their contributions can improve LP performance (Garnefeld et al., 2013).

Although marketing researchers have emphasized the importance of further research on CE (Hollebeek et al., 2016; Marketing Science Institute, 2016), important topics, such as incentivizing CE as well as the role and implementation of CE in the context of LPs, have remained nebulous thus far (Rehnen et al., 2017). We therefore seek to contribute to these research streams by investigating the relationship of CE with different LP mechanisms and types of involvement as well as its impact on program loyalty in an online experiment of 1,607 participants (Figure III-1). Moreover, we strive to provide guidance for marketing practitioners in developing LPs which meet the requirements of interactive environments, potentially leading to competitive advantage and long-term customer-company relationships.

While we developed this study in the context of the wine industry – where LPs are often referred to as wine clubs – we do propose a generalized model of how to incorporate the concept of CE into LPs. Therefore, we argue that this study can be potentially to a range of industries and specific brands within those industries.

2. Theoretical Background and Hypothesis Development

2.1 CE and LPs

Engaging customers has been extensively discussed from diverse angles by marketing researchers (Bolton, 2011; Pansari and Kumar, 2016). While the conceptualization of CE within a broader nomological framework has been prevalent (Bowden, 2009; Brodie et al., 2013; Vivek et al., 2012), a remarkable amount of research has contributed to the measurement of CE (Hollebeek et al., 2014; So et al., 2014; Sprott et al., 2009) and its application to specific contexts, predominately to social media (Calder et al., 2009). More recently, a call for a comprehensive understanding of CE within particular service systems, such as LPs, has emerged (Hollebeek et al., 2016). LPs resemble integrated service platforms for marketing activities that reward customer behaviors in the form of

diverse incentives (Dorotic et al., 2014; Leenheer et al., 2007). In this context, CE is regarded as a major potential success factor (Rehnen et al., 2017; Wirtz et al., 2018).

With regard to CE, two research streams have been established over time: (1) CE as a behavioral manifestation (Bijmolt et al., 2010; Jaakkola and Alexander, 2014; Van Doorn et al., 2010) and (2) CE as a multidimensional construct incorporating behavioral and psychological dimensions (Brodie et al., 2013; Patterson et al., 2006; So et al., 2014; Vivek et al., 2012).

Behaviorally oriented CE researchers focus on concrete engagement behaviors “...towards a brand or firm, beyond purchase, resulting from motivational drivers” (Van Doorn et al., 2010, p. 253), which include word-of-mouth (WOM) activities, recommendations, helping other customers, and providing feedback or writing reviews. However, several scholars argue that this approach fails to capture the full concept of CE (Hollebeek et al., 2014; So et al., 2014).

In this regard, Vivek et al. (2012, p. 127) define CE as “the intensity of an individual’s participation in and connection with an organization’s offerings and/or activities, which either the customer or the organization initiates.” The authors acknowledge behavioral and social elements of CE, through participation by customers, as well as cognitive and affective elements, through which customers develop a connection based on their experiences and feelings. Similarly, Brodie et al. (2013) refer to CE in virtual brand communities as a multidimensional construct comprised of a cognitive, emotional, and behavioral dimension. A multidimensional CE approach is grounded on the view that true CE with a brand or an organization does not necessarily result from pure behavioral participation in CE activities (So et al., 2014). For instance, a customer might engage in a discussion of a brand community in order to reduce risk before buying a product or service – but that customer does not necessarily build an emotional bond to the brand. Truly engaged customers build strong connections to a brand or an organization beyond behavioral participation (Vivek et al., 2012).

Several approaches to measure the multi-dimensionality of CE have evolved. Hollebeek et al. (2014) have proposed a three-dimensional structure comprising cognitive processing, affection (emotional), and activation (behavioral). This is

supported by So et al. (2014) who, in addition, include interaction and brand identification dimensions, similar to Sprott et al. (2009). Several scholars have further advocated including a social dimension (Calder et al., 2009; So et al., 2014; Vivek et al., 2012).

For the purpose of this paper, we adopt the three-dimensional structure suggested by Hollebeek et al. (2014) because the cognitive, emotional, and the behavioral dimensions are the most commonly agreed on dimensions of CE by marketing scholars, as verified by Harrigan et al. (2018). We do account, however, for the social aspect of CE in the active dimension as LPs heavily rely on their member communities which is part of the scale developed by So et al.'s (2014).

The nomological framework of CE has been extensively conceptualized (Brodie et al., 2011; Kumar et al., 2010; Mollen and Wilson, 2010; Pansari and Kumar, 2016; Vivek et al., 2012) and is increasingly being empirically assessed (Leckie et al., 2016; Rehnen et al., 2017; So et al., 2016). Several key customer-brand relationship concepts that relate to CE have been identified including customer satisfaction, customer involvement, customer commitment, and customer trust as well as customer loyalty. To date, limited empirical evidence still exists on how to incorporate CE in building loyal customer-company-relationships (Harrigan et al., 2018; Rehnen et al., 2017).

Concurrent with the rise and dominance of social media in consumers' lives, the conceptual relationships between CE and other constructs have, thus far, been predominately investigated in online contexts (Malthouse et al., 2016; Solem and Pedersen, 2016). Although CE is considered to be context-dependent (Brodie et al., 2011), little is known about CE in offline settings (Jaakkola and Alexander, 2014; Vivek et al., 2012) and even less is known about CE that targets both online and offline contexts (Wirtz et al., 2018). With this investigation of CE in LPs, both the online and offline context are covered.

Our review of literature shows that the most studied aspect of CE is the interaction relationships between customers, as the focal subjects, and brands, as the focal engagement objects (Hollebeek et al., 2014). However, we find that there is an increase in research around the interaction between the focal customer and multiple engagement objects (e.g. brand, LP, and program members) (Dessart et

al., 2016; Maslowska et al., 2016). Building upon the work of these scholars as well as the earlier claim of advancing the contexts of analyses, particularly exploring CE in the service context such as LPs with multiple actors (member-to-member, member-to-program) is crucial (Hollebeek et al., 2016).

The underlying rationale of CE is the emergence of interactive customer-company relationships where customers are proactive, rather than passive recipients of company activities. This seizes upon perspectives from relationship marketing theory (Ashley et al., 2011; Vivek et al., 2012) and service-dominant logic theory (Vargo and Lusch, 2004, 2008). In addition, while these theories highlight the shift to co-creative contributions within customer-company relationships, social exchange theory outlines stakeholders' motivation behind making such contributions (Hollebeek, 2011). Drawing on social exchange theory, customers will be motivated to engage in a LP due to the expected returns (Blau, 1964). From a customer perspective, and in the context of LPs, these returns can be economic, social, or a mixture of both (Berry, 1995; Guo et al., 2017). CE is based on social exchanges in which customers seek to interact with like-minded people within a brand community to exchange ideas and develop new skills, to the point where they feel they are a part of a community – often going beyond mere financial incentives (Bettencourt, 1997; Harrigan et al., 2018). In order to ensure an ongoing social exchange, and thus ongoing CE, customers must perceive a balance between their personal input (e.g. CE) and output (e.g. LP incentives) (Brodie et al., 2011).

2.2 Involvement as Antecedent of CE in LPs

The relevance of involvement for our study is threefold. First, involvement has emerged as a key driver of CE (Harrigan et al., 2018; Hollebeek et al., 2014; Pansari and Kumar, 2016; Vivek et al., 2012). Second, involvement is thought to be key a prerequisite in regard to the customer's willingness to participate in LPs (Ashley et al., 2011).

According to Zaichkowsky (1985), involvement can be referred to as the perceived relevance and interest of a customer towards a specific engagement object (e.g. an LP). Building on this perspective, Vivek et al. (2012, p. 134) refer to involvement as a "heightened level of interest" potentially leading to more engaged customers

through the provision of tools such as LPs. Contrary to CE, the concept of involvement lacks a behavioral component and can therefore be regarded as an important antecedent (Vivek et al., 2012). Further support is provided by Saks' (2006) approach to employee engagement, which presumes a personal level of interest prior the emergence of engagement. Mollen and Wilson (2010), taking up the thoughts of service-dominant logic (Vargo, 2009), posit that CE goes beyond involvement in that it encompasses a more transcendent interactive and dynamic view of customer relationships.

Hollebeek et al. (2014) found, in the context of customer brand engagement (CBE) in social media that consumer brand involvement relates positively to CBE. A replication of their model with tourism brands on social media by Harrigan et al. (2018) reached a similar conclusion. Drawing upon these findings, this study purports that highly involved customers will be more willing to engage in a LP compared to less involved customers. Higher involved customers will be more likely to be interested in taking a closer look at the LP (cognitive processing). They will also exhibit more positive feelings towards the LP (affective) and will be more likely to engage in an LP. Based on this rationale, we propose the following hypotheses:

H1a. Involvement relates positively to the cognitive processing dimension of CE in LPs.

H1b. Involvement relates positively to the affection dimension of CE in LPs.

H1c. Involvement relates positively to the social activation dimension of CE in LPs.

2.3 The Impact of LP mechanisms (Incentives/LP type) on the Relationship between Consumer Involvement and CE

Research on specific CE behavior such as co-creation, has investigated different customer motives, such as personal benefits or monetary incentives that might lead to such behaviors (Füller, 2010; Nambisan and Baron, 2007). Results reveal that incentivizing customers can trigger certain desired engagement behaviors from a company perspective. Research on incentives in the specific context of LPs has revealed similar results (Garnefeld et al., 2013; Ryu and Feick, 2007). Yet,

thus far, research has neglected to focus on mechanisms to incentivize the multidimensional construct of CE in LPs (Rehnen et al., 2017).

When exploring the impact of incentives on CE and loyalty outcomes, investigating the effects of different types of incentives is important. Van Doorn et al. (2010) conceptualized customers' goals and benefits as major drivers of CE. Their finding is in line with social exchange theory which claims that people are motivated to engage in certain behaviors based on expected returns (Blau, 1964).

Academic literature on relationship marketing and CE uses several criteria to describe and distinguish between incentives (Keh and Lee, 2006; Park et al., 2013; Van Doorn et al., 2010). Most typologies distinguish between economic incentives, which are of a rather economic nature, and social incentives, which are rather of non-monetary nature (Berry, 1995; Bolton et al., 2004; Kang et al., 2015; Melancon et al., 2011; Palmatier et al., 2006; Park et al., 2013).

While economic incentives are primarily in the form of discounts or coupons, social incentives could involve special treatment such as an invitation to a member-only event. In previous research it has been proven that incentives have a positive impact on consumer behavior (Daryanto et al., 2010; Garnefeld et al., 2013). According to social exchange theory, customers may engage in a LP at all three dimensions in exchange for being invited to a members-only event or for discounts. Thus, we claim the following hypotheses:

H2a. LP incentives positively influence the cognitive processing dimension of CE.

H2b. LP incentives positively influence the affection dimension of CE.

H2c. LP incentives positively influence the social activation dimension of CE.

Although classic LPs are primarily focused on rewarding purchase behavior, CE is a concept that goes beyond the simple transaction (Van Doorn et al., 2010). As recent studies have revealed, rewarding behavior beyond purchase such as sharing information (Lou et al., 2013), contributing customer knowledge (Sawhney et al., 2005), word-of-mouth (Hennig-Thurau et al., 2004), and recommendations (Garnefeld et al., 2013), have positive effects on behavioral intentions and foster the profitability of the customer (Kumar et al., 2010).

Therefore, it can be assumed that extending the reward basis of LPs from incentivizing purchases to engagement of the customer (e.g. registration, downloads, recommendations) in general might have positive effects. We purport that engagement-oriented LPs have a greater effect on CEs throughout all three dimensions compared to standard LPs.

H3a. Engagement-oriented LPs relate more positively to the cognitive processing dimension of CE compared to standard LPs.

H3b. Engagement-oriented LPs relate more positively to the affection dimension of CE compared to standard LPs.

H3c. Engagement-oriented LPs relate more positively to the social activation dimension of CE compared to standard LPs.

2.4 LP loyalty as a Consequence of CE in LPs

Prior studies have highlighted CE as a major predictor of customer loyalty outcomes (Bowden, 2009; Hollebeek, 2011; Rehn et al., 2017). Vivek et al. (2012) conceptually assert that CE is a catalyst for the development of company loyalty. By founding their proposition on the hierarchy-of-effects notion by Oliver (1999), they purport that an engaged customer would be likely to “transition faster the belief-attitude-behavior continuum” (Vivek et al., 2012, p. 136). As a result of the stronger connection with the company or brand, an engaged customer will cognitively process information provided more quickly to form beliefs and build an attitude and affection. Consequently, the customer will act more loyal toward the brand or company. Vivek et al. (2012) clearly distinguish CE from loyalty in two ways: (1) behavioral CE is based on an experience and not just an exchange of transaction and (2) CE is not based on a comparative evaluation of brands (Jacoby and Chestnut, 1978).

Previous studies have implied that more participation results in more loyalty towards the program and the organization (Bolton et al., 2000; Dowling and Uncles, 1997). Rehnen et al. (2017) investigated the impact of rewarding behavioral engagement in the mobility service industry. They found that rewarded engagement behaviors relate positively to program and brand loyalty. In the context of tourism and hospitality sector, So et al. (2016) proved that CE has a positive impact on brand loyalty. On the contrary, Leckie et al. (2016) found that only the activation and affection dimension of CBE have a positive influence, whilst the cognitive dimension related negatively to brand loyalty.

In the present study, CE is aimed to induce LP loyalty (Yi and Jeon, 2003). LP loyalty can be referred to as a high positive attitude towards a LP, eventually leading to desired outcomes such as brand loyalty or an increase in share of wallet (Kang et al., 2015). Building on the above, CE including all three dimensions might constitute an important stage in the process of developing LP loyalty. In this sense, we propose the hypotheses as follows:

H4a. The cognitive processing dimension of CE positively relates to LP loyalty.

H4b. The affection dimension of CE positively relates positively to LP loyalty.

H4c. The social activation dimension of CE positively relates to LP loyalty.

As involvement is considered to be one of the main drivers of CE (Hollebeek et al., 2014; Vivek et al., 2012) and given the speedy belief-attitude-behavior sequence (Oliver, 1999), it is expected that highly involved (vs. low involved) customers will engage more (vs. engage less) in a LP resulting in higher (vs. lower) LP loyalty. Therefore, we postulate:

H5a. The cognitive processing dimension of CE mediates the relationship between consumer involvement and LP loyalty.

H5b. The affection dimension of CE mediates the relationship between consumer involvement and LP loyalty.

H5c. The social activation dimension of CE mediates the relationship between consumer involvement and LP loyalty.

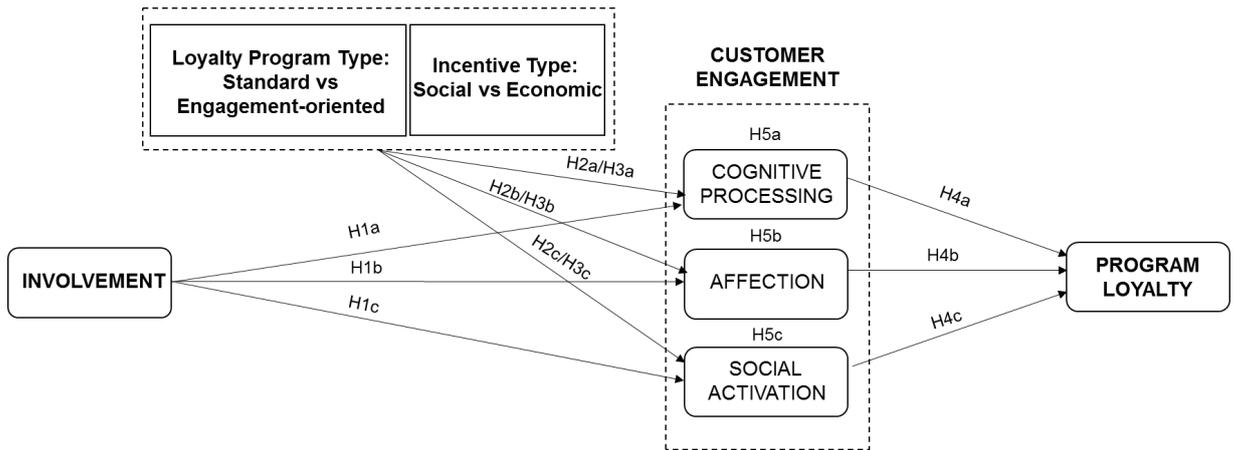


Figure III-1. Conceptual model of CE within the context of LPs.

3. Methodology

3.1 Sample

To test the hypotheses, the study quantitatively measured consumer perceptions in regards to the constructs of interest via an online survey. The final sample comprised 1,607 German wine consumers, of whom the majority were women (57%). Drawn from a large online panel held by a German market research institute, the random sampling was representative for the socio-demographic structure of the population from the age of 16 (legal drinking age for wine in Germany) upwards. Most of the respondents were above 50 years of age (57%). Almost 60% were respondents with a net household income between EUR 1,300 and 3,599. Over 30% lived in a single household. In addition, nearly 40% were from cities with more than 100,000 inhabitants; more than 40% lived in a wine area.

3.2 Procedure

The study is oriented on a field study situation – CE through LPs in the wine sector. We therefore conducted an online laboratory experiment with a 2x3 between-subjects design (Table III-1). The study applied the scenario technique for a controlled variation of the following two stimuli categories: LP type (2: engagement-oriented vs. standard) and LP incentives (3: economic, social, and

none) of LPs.¹ Respondents were randomly assigned to one of the six possible conditions.

Table III-1: Experimental design.

		Factor 1: LP type	
		Engagement	Standard
Factor 2: Incentives	No incentive (control group)	Scenario 1	Scenario 2
	Economic incentive	Scenario 3	Scenario 4
	Social incentive	Scenario 5	Scenario 6

As part of a larger questionnaire, respondents were first introduced to the LP in general by asking them to imagine a hypothetical situation in which they are loyal customers of a fictitious winery. Starting with the manipulations of the experiment, they were then navigated to the new LP of the winery, which offered club members the chance to purchase a certain amount of wine per year in order to enjoy a number of rewards. The engagement-oriented LP differed by means of an additional page implying the respondents would be rewarded for their engagement behaviors going beyond purchase (e.g. online & newsletter registration, participation in contests). The standard LP was exclusively purchase-focused. Subsequently, the experiment manipulated for LP incentives for both LP types. In return for their participation in the LP, respondents hypothetically received either an economic or a social incentive. In the control group no incentives were provided.

In order to increase data quality and validity, the study accounted for the speed and attention of respondents during the online survey (Smith et al., 2016). The latter was resolved via manipulation checks (Perdue and Summers, 1986) which were double-checked by seven researchers and tested on 106 respondents in the pre-test. Moreover, the average speed needed by the participants to process the stimuli was calculated in the pre-test and was controlled for in the survey. Both manipulations, LP type and LP incentives, worked as intended.

¹ The design of the two manipulations was based on results of the content analysis of 60 LPs by Heimers et al. (2017).

3.3 Measures

For all constructs different established measures were reviewed and, where necessary, adapted to the context of LPs. To account for consistency, we measured all items on seven-point scales (with strongly disagree to strongly agree as anchors). Except for CE, all measures were first order constructs as illustrated in Table III-2. To measure CE, the study mainly oriented on the three-dimensional scale developed by Hollebeek et al. (2014). As the scale is still relatively new and has not yet been applied in consumer research in Germany, a team of qualified interpreters translated the items into German. The items were then back-translated by researchers fluent in English (Sousa and Rojjanasirat, 2011). As CE is conceptualized as highly context-dependent (Brodie et al., 2013), the study further accounted for the social nature of LPs and the service-intense wine industry. Therefore, the behavioral activation dimension was substituted through the social interactive item battery of So et al. (2014). In total, we measured CE on a 12-item scale. Five involvement items came from McQuarrie and Munson (1992); three LP loyalty items oriented on Yi and Jeon (2003).

Table III-2: Measures, reliability and convergent validity.

Measurement items	Internal reliability		Composite reliability & convergent validity		
	α	Item-total correlation	SL	ρ	AVE
Involvement	0.894			0.894	0.629
I am interested in reading about wine.		0.761	0.861		
I compare product characteristics among wines.		0.793	0.885		
I usually talk about wine with other people.		0.724	0.765		
I usually take many factors into account before purchasing this product.		0.743	0.706		
I spend a lot of time choosing what kind to buy.		0.755	0.731		
CE cognitive processing	0.953			0.953	0.870
Using the website gets me to think about the wine club.		0.898	0.929		
I think about the wine club a lot when I am using the website.		0.909	0.933		
Using the website stimulates my interest in learning more about the wine club.		0.893	0.937		
CE affection*	0.956			0.956	0.879
I feel very positive when I use the website of the wine club.		0.913	0.941		
Using the website of the wine club makes me happy.		0.924	0.968		
I feel good when I use the website of the wine club.		0.889	0.903		
CE social activation	0.983			0.982	0.917
In general, I would like to get involved in wine club community discussions.		0.948	0.962		
I am someone who enjoys interacting with like-minded others in the wine club.		0.958	0.969		
In general, I would thoroughly enjoy exchanging ideas with other people in the wine club.		0.964	0.974		
I am someone who likes actively participating in wine club discussions.		0.961	0.965		
I would often participate in activities of the brand community.		0.913	0.917		
Program loyalty	0.949			0.949	0.861
I would recommend the proposed program to others.		0.895	0.930		
I would consider joining a similar program in the future.		0.892	0.932		
I like the proposed loyalty program more than other loyalty program.		0.891	0.921		

*CE affection originally consisted of four items; one item was deleted after CFA.

4. Results

4.1 Measurement Model

Confirmatory factor analysis was conducted with all constructs on the first-order level modelled as correlated factors using AMOS 24. To ensure unidimensionality of the constructs one item from the affection dimension was removed from the CE construct (Hair et al., 2010). The results of the first-order measurement model as shown in Table III-3 demonstrate a good fit with $\chi^2/df = 6.086^2$; IFI =0.983; TLI = 0.979; NFI=0.980; CFI=0.983; GFI=0.946; SRMR=0.089; RMSEA =0.056 (Hair et al., 2010). The results further indicated sufficient reliability – all Cronbach’s alpha values (α) and composite reliabilities (ρ) exceeded the recommend minimum threshold of 0.70 (Bagozzi and Yi, 1988). In addition, for all factors, the average variance extracted (AVE) values surpassed 0.50 and the square root of the AVE for each construct was greater than all inter-factor correlations, indicating convergent and discriminant validity (Table III-4) (Fornell and Larcker, 1981). A common method bias test was conducted to determine whether a method bias interfered with the measurement model outcomes. Thereby, the common latent factor (CLF) method recommended by Podsakoff et al. (2003) showed that none of the regression weights were dramatically affected by adding the CLF with deltas ranging from 0.086-0.172 (<0.200). Thus, common method bias is not of concern.

Table III-3: Measurement model fit indices.

Fit index	Measurement model	Recommended level	Source
IFI	0.983	>0.900	
TLI	0.979	>0.900	
NFI	0.980	>0.900	
CFI	0.983	>0.900	Kline (2015); Hair et al. (2010); McDonald & Ho (2002); Bagozzi & Yu (1988), Fornell & Larcker (1981); Bentler & Bonett (1980)
GFI	0.946	>0.900	
SRMR	0.089	<0.090	
RMSEA	0.056	<0.080	
$\chi^2/d.f.$	6.086	<5.000	

² Chi-square with degree of freedom highly sensitive to large sample size (Bentler and Bonett, 1980)

Table III-4: Descriptive statistics and discriminant validity.

Construct	Mean	SD	1	2	3	4	5
Involvement	4.20	1.49	0.793				
CE cognitive processing	3.62	1.84	0.290	0.933			
CE affection	4.17	1.72	0.441	0.874	0.938		
CE social activation	3.09	1.86	0.547	0.799	0.734	0.958	
Program loyalty	3.38	1.86	0.512	0.906	0.878	0.864	0.928

4.2 Hypotheses Testing

We performed multiple regression analyses to test H1a to H1c, H2a to H2c, H3a to H3c, and H4a to H4c. A follow-up analysis explored the mediating role of the three dimensions of CE (H5a-H5c). The regression-based mediation analyses were performed using the PROCESS macro version 31 (Hayes, 2013) for SPSS 24. Preliminary analyses were executed to account for normality, linearity, multicollinearity, homoscedasticity, and independence of residuals. For all tests, the study controlled for age and LP participation as covariates.

As shown in Table III-5, H1a to H1c were supported. Involvement explains 31.5% of the variance in the cognitive dimension of CE ($\beta=0.473$, $p<0.001$), 23.9% of the variance in the affective dimension ($\beta=0.378$, $p<0.001$), and 31.9% of the variance in the social active dimension ($\beta=0.503$, $p<0.001$).

To test H2a to H2c multiple regression analyzes were performed (Table III-5). Social incentives relate positively to the affective and social active dimension of CE, while the effect of social incentives on the cognitive dimensions was not significant; the effect of economic incentives was also not significant (cognitive CE: $\beta_{\text{social}}=0.020$, $p>0.05$, $\beta_{\text{economic}}=0.052$, $p>0.05$; affective CE: $\beta_{\text{social}}=0.057$, $p<0.05$, $\beta_{\text{economic}}=0.035$, $p>0.05$; social active CE: $\beta_{\text{social}}=0.094$, $p<0.001$, $\beta_{\text{economic}}=0.004$, $p>0.05$). In contrast, H3a to H3c were rejected by the multiple regression analyzes (Table III-5). Neither engagement LPs nor standard LPs do relate significantly to the three dimensions of CE (Cognitive CE: $\beta=-0.012$, $p>0.05$; affective CE: $\beta=-0.020$, $p>0.05$; social active CE: $\beta=-0.035$, $p>0.05$).

As Table III-5 shows H4a to H4c were confirmed. Cognitive CE explains 76.8% of the variance in LP loyalty ($\beta=0.872$, $p<0.001$). In addition, affective CE explains

69.4% of the variance in LP loyalty ($\beta=0.824$, $p<0.001$) and social active CE explains 71.2% of the variance in LP loyalty ($\beta=0.824$, $p<0.001$).

Table III-5: Results of multiple regression analyses.

	Cognitive CE in LP	Affective CE in LP	Social Active CE in LP
Involvement	0.473*** (H1a)	0.378*** (H1b)	0.503*** (H1c)
Control variables			
Age	-0.212***	-0.224***	-0.216***
Participation in LPs (=0)	-0.148***	-0.152***	-0.098***
Participation in LPs (=1)	-0.066**	-0.062*	-0.020
Participation in LPs (=3)	0.043	0.038	0.012
Participation in LP (>3)	-0.035	-0.015	-0.076**
R ² /Adj.R ²	0.315/0.313	0.239/0.236	0.319/0.316
Social incentive	0.020 (H2a)	0.057** (H2b)	0.094*** (H2c)
Economic incentive	0.052 (H2a)	0.035 (H2b)	0.004 (H2c)
Control variables			
Age	-0.196***	-0.219***	-0.208***
Participation in LPs (=0)	-0.206***	-0.200***	-0.157***
Participation in LPs (=1)	-0.074**	-0.066**	-0.024
Participation in LPs (=3)	0.078**	0.071**	0.057*
Participation in LP (>3)	0.000	0.018	-0.031
R ² /Adj.R ²	0.096/0.092	0.104/0.100	0.084/0.080
LP type	-0.012 (H3a)	-0.020 (H3b)	-0.035 (H3c)
Control variables			
Age	-0.198***	-0.221***	-0.211***
Participation in LPs (=0)	-0.208***	-0.201***	-0.163***
Participation in LPs (=1)	-0.074**	-0.065*	-0.023
Participation in LPs (=3)	0.076**	0.069*	0.054
Participation in LP (>3)	0.000	0.018	-0.031
R ² /Adj.R ²	0.094/0.091	0.101/0.098	0.077/0.074
Program Loyalty			
Cognitive CE in LP	0.872*** (H4a)		
Control variables			
Age	-0.006		
Participation in LPs (=0)	-0.018		
Participation in LPs (=1)	0.040**		
Participation in LPs (=3)	-0.008		
Participation in LPs (>3)	0.000		
R ² /Adj.R ²	0.768/0.767		
Affective CE in LP	0.824*** (H4b)		
Control variables			
Age	-0.005		
Participation in LPs (=0)	-0.036*		
Participation in LPs (=1)	0.032		
Participation in LPs (=3)	0.006		
Participation in LPs (>3)	-0.010		
R ² /Adj.R ²	0.694/0.693		
Social Active CE in LP	0.824*** (H4c)		
Control variables			
Age	-0.012		
Participation in LPs (=0)	-0.067***		
Participation in LPs (=1)	-0.002		
Participation in LPs (=3)	0.019		
Participation in LPs (>3)	0.031		
R ² /Adj.R ²	0.712/0.711		

*** $p<0.001$; ** $p<0.01$; * $p<0.05$

Incentive type (social and economic incentives) dummy coded; control group taken as reference category.

Participation in LP dummy coded; participation in LP (=2) taken as reference category.

Moreover, the mediating role of CE throughout all three dimensions was supported (H5a-H5c). The indirect effect from involvement through cognitive CE to LP loyalty was $\beta=0.476$, $p<0.01$, from involvement through affective CE to LP loyalty was $\beta=0.358$, $p<0.01$; and from involvement through social active CE to LP loyalty $\beta=0.500$, $p<0.01$. The results of the mediation analyses are further illustrated in Figure III-2.

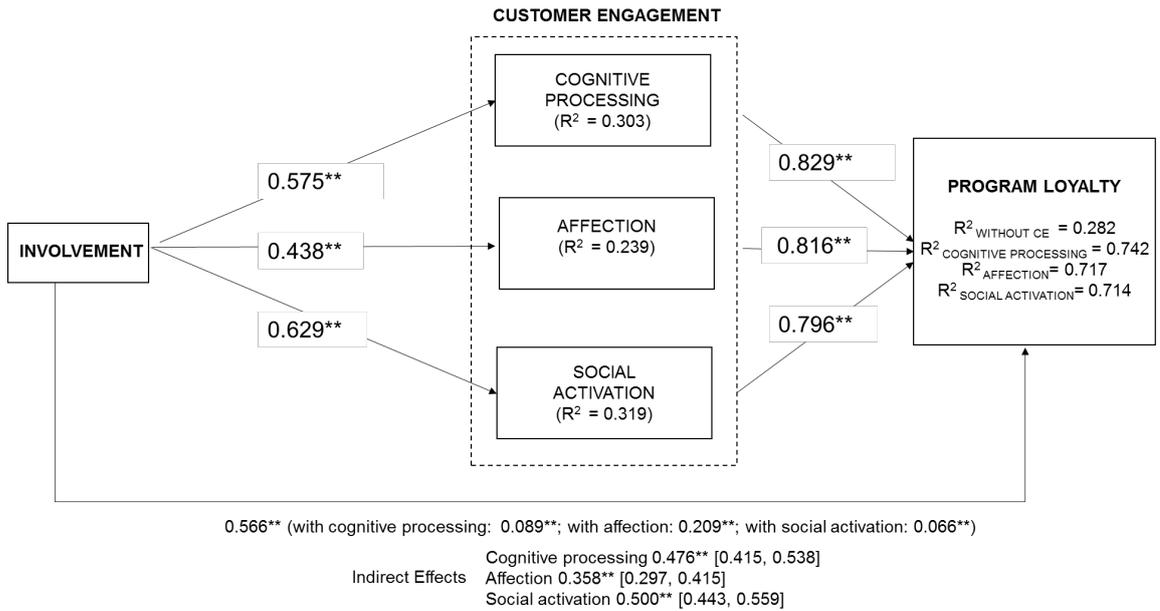


Figure III-2: Results mediation analyses.

5. Discussion

This representative study assessed the three-dimensional construct of CE in the context of LPs and tested the relationship between the dimensions of CE and major constructs such as involvement and LP loyalty. We found CE to be a key driver of LP loyalty. We further validated that the three-dimensional structure of CE and involvement is a predictor for CE. In addition, CE occurred as mediator between involvement and LP loyalty. LP type turned out to have no significant impact on CE. However, social incentives positively influence the affective and social active dimension of CE.

Our findings support the widely assumed three-dimensional structure of CE (Hollebeek et al., 2014). An 11-item scale, loading on the intended cognitive, affective, and social active dimension, was validated and shown to be adequate in

terms of internal consistency. In contrast to the 10 item scale by Hollebeek et al. (2014), we had to delete one item of the affective dimension in order to ensure unidimensionality. We further adapted the active dimension to account for the LP context and, thus, incorporated the items of the social and active “interaction” dimension by So et al. (2014). The validated three dimensional approach stands in contrast to the behavioral one-dimensional CE research stream (Rehnen et al., 2017).

Involvement is found to be a predictor for CE with LPs. Higher levels of involvement with the focal product category lead to higher levels of CE with LPs throughout the cognitive, affective, and social active dimensions. Our findings support previous conceptualizations and empirical evidence that customers with a heightened interest will be more likely to engage with the focal object (Ashley et al., 2011).

The study further addresses the importance of CE as a prerequisite to forming loyalty towards a program. CE shows strong explanatory power to predict LP loyalty. As engagement levels throughout all three dimensions increased, so did loyalty towards the program. This is in line with previous works by Rehnen et al. (2017) and Leckie et al. (2016) in the mobile industry as well as of So et al. (2016) in the tourism sector.

CE is also found to be a mediator between involvement and LP loyalty. This result is in line with the conceptualized relationship between CE and loyalty described by Vivek et al. (2012), which claims that engaged customers transition faster in terms of forming loyalty attitudes and behaviors towards a product or service.

LP type had no and incentive type only a partial significant impact on CE. Although this contradicts our initial hypothesis, this is in line with the assumption that CE is instead based on intrinsic motivation (Algesheimer et al., 2005; Hollebeek et al., 2014), and it is not necessarily induced by providing incentives or rewarding desirable behaviors. Intrinsic motivation means that an activity – the engagement – itself is rewarding, whereas in contrast, extrinsic motivation is triggered by activities which are rewarded in the form of a separable outcome (Deci, 1971). Cognitive evaluation theory (Deci and Ryan, 1985) has even outlined that receiving rewards might interfere with the individual’s intention to engage by mitigating an individual’s self-determination. However, certain incentives of a non-monetary nature might stimulate intrinsic motivation (Bhattacharya and Bolton, 2000) which we also

retrieved in the form of the direct positive impact of social incentives on the affective and social active dimension of CE.

The underlying study does have certain limitations, which shall be subject to future research. The following recommendations are offered. First, the study focuses on the wine industry. Although classified as a fast-moving consumer good (FMCG), wine purchase decisions are much more complex compared to classic FMCG (Lockshin et al., 2000). Due to its high emotional character, wine exhibits characteristics of a luxury product. As LPs are considered to have the highest potential in highly competitive markets such as in FMCG industries, future studies shall focus on further industries with clearly assignable FMCG goods, such as supplements. The study focuses on German wine consumers. Future studies shall extend their target groups to different countries since the intensity of CE could differ depending on the cultural context (e.g. indulgent versus restrained societies). Third, the online experiment resembles laboratory conditions. Further research can collect field data on how different types of LPs affect CE and loyalty outcomes. As CE is assumed to be highly context-dependent, manipulating LP mechanisms in the real world might have a stronger effect on CE. Fourth, future research should address further loyalty performance outcomes, as for example LP loyalty does not necessarily result in brand loyalty and vice versa. Linked to the former, in a real-world condition the effect of CE on actual brand loyalty can be measured. Finally, empirical evidence of CE in loyalty programs remains sparse (Rehnen et al., 2017). Field experiments should be conducted in which different types of incentives and rewarded engagement are applied to different contexts, other than the wine industry, in order overcome this limitation.

5.1 Theoretical Implications

From a theoretical perspective, this study contributes to the relationship marketing literature (Vivek et al., 2012), and, more specifically, it responds to direct calls for more empirical research on the relationship between CE and customer loyalty (Brodie et al., 2013; So et al., 2016). Our study provides a new, integrated framework for CE within the context of LPs, with high explanatory power that can be replicated in different settings. The major outcome and extension to CE research is constituted by the evidence that all three dimensions – the cognitive,

affective, and social active – of CE were found to significantly influence LP loyalty. The findings further support the significance of involvement as a driver of CE (Harrigan et al., 2018; Hollebeek et al., 2014) and extend the existing research by illustrating the importance of CE as a mediator between involvement and LP loyalty. The study further contributed to existing CE research by providing evidence that LP mechanisms – incentives and the LP type – have no significant impact on the relationship between involvement and CE. This might support the approach of regarding CE as an intrinsically motivated construct that cannot be easily triggered by external incentives or broadening the scope of incentivized behaviors. On the contrary, the study offers useful insights on how to directly incentivize CE. Finally, to the authors' best knowledge, this is the first study validating the three-dimensional structure of CE in the specific context of LPs with a representative sample.

5.2 Practical Implications

Marketing managers must account for CE in their LPs. When CE forms, customers exhibit more loyalty to the program. LP loyalty, in return, helps to retain customers and potentially leads to loyal customers for the company in general. Thus, the latent financial risk of LPs can be mitigated. They can make use of strategically designed LPs as relationship marketing instruments by pursuing the following suggestions. Contrary to the current trends for existing LPs, managers should think beyond monetary economic incentives. Instead, expanding social non-monetary incentives can develop higher LP loyalty through higher levels of CE. Moreover, instead of focusing on transforming existing LPs to engagement platforms, managers must target specific existing and prospective customers – namely, those who are already highly involved with a product, service, or brand. These customers are more likely to engage with the LP. This is in line with numerous studies dealing with customer retention and customer churn (e.g. Reichheld & Sasser, 1990) that posit that it is worth more to invest in the existing customer base instead of spending time and other resources in acquiring newcomers. As a consequence, CE has proven to be a concept that needs to be incorporated into a marketing manager's customer relationship management tool kit in order to foster loyalty.

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Conclusions, Contribution and Outlook

This thesis investigates the potential of customer engagement (CE) for loyalty programs (LPs), in the wine industry also referred to as wine clubs. In doing so, the thesis is comprised of three distinct parts that provide conceptual and empirical evidence, predominately from the German wine industry which is known to be highly competitive. The German wine industry mainly consists of small family-owned wineries which may struggle to compete with larger domestic competitors and also face competition from abroad. A stronger focus on service provision and, thus, on customer orientation could be a possible differentiation strategy in the German wine market. However, wineries face changing customer environments. Due to the rise of social media, customers are able to constantly interact with their environment in multiple ways and on various platforms. With this in mind, the first part of the thesis investigates how German wineries can incorporate CE in relationship marketing instruments in general and in wine clubs in particular (part I). Subsequently, the second part analyzes which kind of relationship marketing instruments might be appropriate for triggering CE in general (part II.1). The second part also examines the extent to which existing LPs and wine clubs already account for engaging customers (part II.2). Building on this, the third part deals with CE in the context of LPs and analyzes how LP mechanisms affect CE and how CE affects loyalty (part III). The three parts of this thesis answer the following research questions:

Part I

- How can German wineries account for CE?
- How can CE be conceptualized in LPs referred to as wine clubs?

Part II

Part II.1

- Which potential relationship marketing instruments trigger CE?

Part II.2

- To what extent do LPs and, specifically, wine clubs account for CE?

Part III

- How do LP mechanisms impact CE?
- How does CE impact program loyalty?
- How does involvement contribute to CE?

Part I

Part I introduces the topic CE in general and its potential for German wineries. Although customers are considered to be the driving force of the wine market (Hussain et al., 2008), a majority of German wineries neglects customer orientation and, thus, disregards the increasing interactivity of customers. These dynamics of interactive relationships between customers and companies are summarized under the concept of CE by marketing researchers and practitioners. Postulated as a major driver of customer loyalty, CE can be particularly relevant for the service-intense DTC-channel (Hollebeek and Brodie, 2009). Although DTC can potentially lead to higher added value, accounting for CE in this channel bears challenges. The DTC-channel is mainly characterized by customers above 60 in the German wine industry (Loose and Pabst, 2018). However, engagement tends to decline with an increasing age. At the same time wine is of minor interest amongst younger Germans (16-29). As a consequence, CE can be promising instrument to address this gap and can contribute to systematically involve younger customers in winery's offers and activities. In this context, German wineries can also strike new paths in terms of relationship marketing. Albeit wine clubs are considered to be profitable DTC-instruments in the global wine industry (Newton et al., 2018; Teaff et al., 2005), wine clubs are currently underrepresented in Germany. Wine clubs can be an opportunity to retain customers. However, the conceptualization shows that the traditional structure of wine clubs has to be reconsidered. Wine clubs often solely rely on customers' decisions to purchase wine. However, bearing in mind engaging customers, wineries should also account for non-transactional behavior. Recommendations of the winery, writing a good review about a wine or even complains about a product or service should be valued by wineries.

The conceptual study in Part I shall serve as an initial step to account for CE in relationship marketing. However, future studies shall empirically investigate how

CE can be actually triggered and how CE affects loyalty outcomes. Future studies shall further extend the scope to other countries (Old World wine countries vs. New World wine countries) and to other relational constructs such as commitment, trust or service quality. Potential negative consequences of CE should be considered. The first part of this thesis contributes to the field of relationship marketing and loyalty from a theoretical perspective (So et al., 2016; Vivek et al., 2012). Considering implications for practice, wine clubs can be beneficial for German wineries as a strategy to differentiate and to achieve long term relationships with customers. However, wineries need to account for customer behavior going beyond the pure wine purchase. The gained insights can be transferred to SMEs in general.

Part II

The first study of part II (*II.1*) examines relationship marketing activities that can be used to foster CE from the perspective of marketing experts (n=7) and German wine customers (n=345). The former perspective is derived by qualitative interviews, the latter by a self-administered online survey. Both studies distinguish between CE in online and offline environments. The study reveals that marketing experts and customers tend to prefer the offline environment when referring to CE activities in the wine context. According to marketing experts, experience, interaction and personalization are the most important characteristics for an effective CE. Marketing experts see the biggest potential for CE activities in events or brand communities organized by wineries. While marketing research predominately relates brand communities to the online environment (Baldus et al., 2015; Brodie et al., 2013), the interviewed marketing experts referred to offline brand communities. However, they see potential for interfaces linking offline and online activities, such as mobile websites, and advocate the expansion of related marketing efforts. Likewise, wine customers also show a higher affinity for offline CE activities. There is consensus between marketing experts and customers with regard to the demand for mobile activities. The provision of an edutainment app for wine was the customers' second most preferred activity. It has to be noted that respondents of the online survey are German wine consumers which are on average lower involved in social media activities. The study is exploratory and serves to identify potential tools to trigger CE. Future investigations can build on

this and investigate impact of relationship marketing tools on CE as well as on other relational constructs.

Using content analysis, the second study of part II (II.2) analyzes the extent to which relationship marketing instruments, namely LPs and wine clubs, consider CE characteristics. Results from the 60 programs analyzed reveal that essential parameters of CE are neglected. This holds particularly true for wine clubs. Consequently, the analyzed programs are likely to fail the adaptation to the interactive customer trends to be insufficient in the analyzed programs. Only a minority of the analyzed programs accounts for engagement behavior beyond the mere purchase of products and services. Research has shown that increased efforts to foster CE can substantially increase the share of wallet and profitability of customers (Gallup, 2014; Garnefeld et al., 2013). By contrast, negative engagement behavior, such as negative comments, can diminish the effect on CE (Kumar et al., 2010). CE goes beyond the relationship between company and customers. Only a small proportion of LPs anticipate all actors in the environment of customers. Doing so, could increase the barriers of switching to competitors. Moreover, the study reveals that only a minority of incentives offered in LPs are individualized. In addition, the majority of LPs still heavily relies on economic incentives such as discounts, tracking and opt-out services, etc. This finding contradicts the concept of CE which is based on individual social exchanges and is rather intrinsically motivated (Hollebeek et al., 2014; Rehnen et al., 2017). LPs should therefore revisit their bundle of incentives and incorporate social benefits. As wine clubs barely exist as relationship marketing instruments of German wineries, wine clubs from Australia and the United States are taken as examples.

Part III

Building on part II, the representative study of part III assesses CE in the context of LPs, which are referred to as wine clubs for the matter of the research context. The study applies an online experiment to examine the relationship between CE, involvement, LP mechanisms and LP loyalty. Moreover, the study validates a three-dimensional structure of CE (cognitive processing, affection, social activation). The results further reveal that CE is a key driver for LP loyalty. Increasing engagement levels throughout all three dimensions of CE lead to higher

loyalty towards the program. This finding is congruent with previous studies by Rehnert et al. (2017) and Leckie et al. (2016) in the mobile industry as well as of So et al. (2016) in the tourism sector. Moreover, CE turns out to be a predictor for involvement which supports previous conceptualizations (Ashley et al., 2011). Higher levels of involvement with the focal product category lead to higher levels of CE with LPs in terms of the cognitive, affective and social active dimension. CE is also found to be a mediator between involvement and LP loyalty. This result is in line with Vivek et al.'s (2012) conceptualization of the relationship between CE and loyalty. The researchers claim that engaged customers transition faster from the involvement to forming loyalty attitudes and behaviors towards a product or service. LP mechanisms, namely LP type and incentive type, show contrary results. The LP type does not significantly affect the three dimensions of CE. However, social incentives positively influence the CE dimensions affection and social activation. This contradicts the expectation, that both, economic and social incentives affect CE positively. An explanation might be that CE is based on intrinsic motivation (Algesheimer et al., 2005; Hollebeek et al., 2014).

Future research shall examine CE in further industries with pure FMCG goods as wine also shows characteristics of a luxury product. Moreover, future studies shall extend our scope and consider other countries than Germany since the intensity of CE could differ depending on the cultural context (e.g. indulgent versus restraint societies). As the study is based on an online experiment, field data on how different types of LPs and incentives affect CE as well as loyalty can be valuable. In addition, further loyalty outcomes shall be considered in future studies, as LP loyalty does not necessarily result in brand loyalty and vice versa. Last but not least, further empirical evidence of CE in LPs will remain important (Rehnert et al., 2017).

From a theoretical perspective, the study in Part III contributes to the literature on relationship marketing in general CE and customer loyalty in particular (Brodie et al., 2013; So et al., 2016; Vivek et al., 2012). The study provides a new, integrated and replicable framework for CE within the context of LPs. To the authors' best knowledge, this is the first study validating the three-dimensional structure of CE in the specific context of LPs using a representative sample.

The major outcome of our study and contribution to previous CE research is constituted by evidence that all three dimensions – cognitive, affective, and social active – of CE significantly influence LP loyalty. The study further offers useful insights on how to incentivize CE. From a practical perspective, the study suggest that marketing managers should account for CE in LPs which potentially leads to LP loyalty. In doing so, managers should think beyond prevailing economic incentives as, social incentives lead to higher CE levels. Moreover, instead of transforming existing LPs to engagement platforms, we suggest to target both prospective and existing customers who are already highly involved with a product, service, or brand. These customers are more likely to engage with the LP. As a consequence, CE should be considered as a tool for customer relationship management in order to foster loyalty.

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Statutory Declarations

1. I, hereby, declare that this Ph.D. dissertation has not been presented to any other examining body either in its present or a similar form.

Furthermore, I also affirm that I have not applied for a Ph.D. at any other higher school of education.

Göttingen,

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(Regine Heimers)

2. I, hereby, solemnly declare that this dissertation was undertaken independently and without any unauthorised aid.

Göttingen,

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(Regine Heimers)