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Title: The Effects of Brand Engagement in Social Media on Share of Wallet

Year: 2015

Version:

Please cite the original version:

Karjaluoto, H., Munnukka, J., & Tiensuu, S. (2015). The Effects of Brand Engagement in Social Media on Share of Wallet. In R. Bons, J. Versendaal, A. Pucihar, & M. K. Borstnar (Eds.), Proceedings of the 28th Bled eConference : #e WellBeing (pp. 436-448). Moderna organizacija. [https://domino.fov.uni-mb.si/proceedings.nsf/0/aad14a5d4998e258c1257e5b004c9713/\\$FILE/5_Karjaluoto.pdf](https://domino.fov.uni-mb.si/proceedings.nsf/0/aad14a5d4998e258c1257e5b004c9713/$FILE/5_Karjaluoto.pdf)

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28th Bled eConference

eEcosystems

June 7 - 10, 2015; Bled, Slovenia

The Effects of Brand Engagement in Social Media on Share of Wallet

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Abstract

Customer engagement and share-of-wallet (SOW) are relatively new in the marketing literature, and academic research has only limitedly examined these concepts. This study presents five motivational drivers of customer brand engagement in social media and examines the nature of the relationship between these drivers and engagement. The moderation effect of consumer innovativeness on the relationship between engagement and SOW is also examined. Results suggest that community exerts the strongest positive effect on customer brand engagement and that such engagement positively influences SOW. The findings also indicate that consumer innovativeness strengthens the relationship between engagement and SOW. The findings also show that frequency of visits on the brand community site predict higher SOW. This study contributes to the understanding of customer brand engagement by describing how online brand community engagement and its antecedents drive SOW.

Keywords: Customer Brand Engagement, Share of Wallet, Brand, Social Media

1 Introduction

Companies have fast incorporated social media into their marketing and brand building activities (Kaplan & Haenlein, 2010). For example, in recent years, several companies have created brand communities on social media, such as Facebook, which currently has more than 1.2 billion active users on a monthly basis (Facebook Annual Report, 2013). Therefore, rise of social media and technological development have provided companies with new tools that have led to new practices of contacting and engaging with customers. This has made customer engagement increasingly important strategy for companies' customer relationship management (Libai, 2011; Sashi, 2012; Kumar et al., 2010). This development has also been reflected to academic research, which fast develops theories and accumulates empirical evidence of customer brand engagement (e.g., Bowden, 2009; Sashi, 2012; Libai, 2011). For example Bijmolt et al. (2010) indicate that consumer brand engagement has been one of the emerging measures for maximizing business value. Consumers' share of spending on the company's offerings (i.e. share of wallet) has been suggested as a focal measure of business value and behavioural loyalty in consumer marketing context (e.g. Keiningham et al., 2005; Zeithaml, 2000). Especially for retailers who continuously search for new and more effective practices of extracting a higher share of total grocery expenditures from their customers share of wallet (SOW) is of high importance (Meyer-Waarden, 2006). In recent years social media has been recognized as a highly potential channel for effectively contacting and engaging with consumers. However, brand engagement is still relatively new concept to the marketing literature and its drivers as well as consequences on consumer buying behaviour limited. More empirical research is needed especially in the context of online communities (e.g., Cheung et al., 2011; Jahn & Kunz, 2012). Therefore, our study aims at shedding light on the drivers of customer engagement in online brand communities and its impact on customers spending on the companies' products.

Prior literature proposes engagement to arise from motivational drivers (Brodie et al., 2011; van Doorn et al., 2010; Hollebeek, 2011; Ouwersloot & Odekerken-Schröder, 2008). McQuail's (1983) classifies motivations into four main components: social interaction, need for information, entertainment, and developing personal identity. Thereafter, economic benefits have also been presented as a driver of engagement (Gwinner et al., 1998; Muntinga et al., 2011). Previous studies also show several consequences of customer engagement, such as higher brand satisfaction, trust, commitment, emotional connection/attachment, empowerment, consumer value, and loyalty (e.g., Bowden, 2009; Brodie et al., 2011; van Doorn et al., 2010). However, research lacks empirical evidence of how engagement affects consumers' spending between different brands.

A good example of engagement on social media is Coca-Cola, which has successfully capitalized on social media in brand management. They actively participate in the social media

brand community to inspire optimism and happiness and to build the Coca-Cola brand (The Coca-Cola Company, 2014). Coca-Cola has nearly 80 million fans and more than 640 000 people talking about the company and its products on Facebook. They aim at building personal relationships with millions of people accruing their brand as well as business value.

Consumer innovativeness has been recognized as a focal construct of consumer behaviour especially in the new product adoption context (Hirschman, 1980; Midgley & Dowling, 1978). Cotte and Wood (2004) define consumer innovativeness as a tendency to willingly embrace change, try new things, and buy new products more often and more rapidly than others. In the current work, consumer innovativeness is understood as a consumer's personality trait that influences the effect strength of the consumer's engagement in an online brand community on share of spending on the brand's products. Previous research is limited in showing evidence how consumer innovativeness affects the effectiveness of specific marketing strategies for influencing consumer buying behaviour.

Based on this discussion this study strives to contribute to the identified limitations in the current knowledge by constructing and testing a conceptual model of customer brand engagement in social media context. This study examines behavioural and experiential motives that affect customer brand engagement in a social media context and the effect of engagement on SOW. We combine engagement and SOW theories to develop a framework for the associations between the aforementioned concepts. This research aligns with the suggestions of Brodie et al. (2011), Gummerus et al. (2012), and Jahn and Kunz (2012) calling for more empirical studies on customer engagement to identify different types of brand communities and similarities in engagement behaviours. Also the Marketing Science Institute (MSI) addressed customer engagement as a key research priority. This research contributes to our knowledge by first showing the key drivers of customer engagement in online brand communities, and second, how brand community engagement affects the brand's share of the consumers' wallet (SOW). Third, we examine the effect of consumers' innovativeness on the proposed model.

Rest of the paper is structured as follows. First, we briefly describe the research framework and develop hypotheses on how motivational factors, brand engagement, share of wallet and perceived innovativeness are connected to each other. Then we describe the methods and measures applied to test the research model. Finally, we present the analyses results and discuss the findings from both theoretical and managerial aspects.

2 Sources of Brand Engagement and Influence on Share-of-Wallet

2.1 Research Model and Hypotheses

The conceptual model of this study and six hypotheses that are derived from a prior literature are presented in Figure 1. It examines the effect of five types of motives on customer

engagement in social media context and how brand engagement and perceived customer innovativeness affect SOW. The model is controlled for gender, age and frequency of visits to the social media forums (Facebook and Twitter) of the brand.

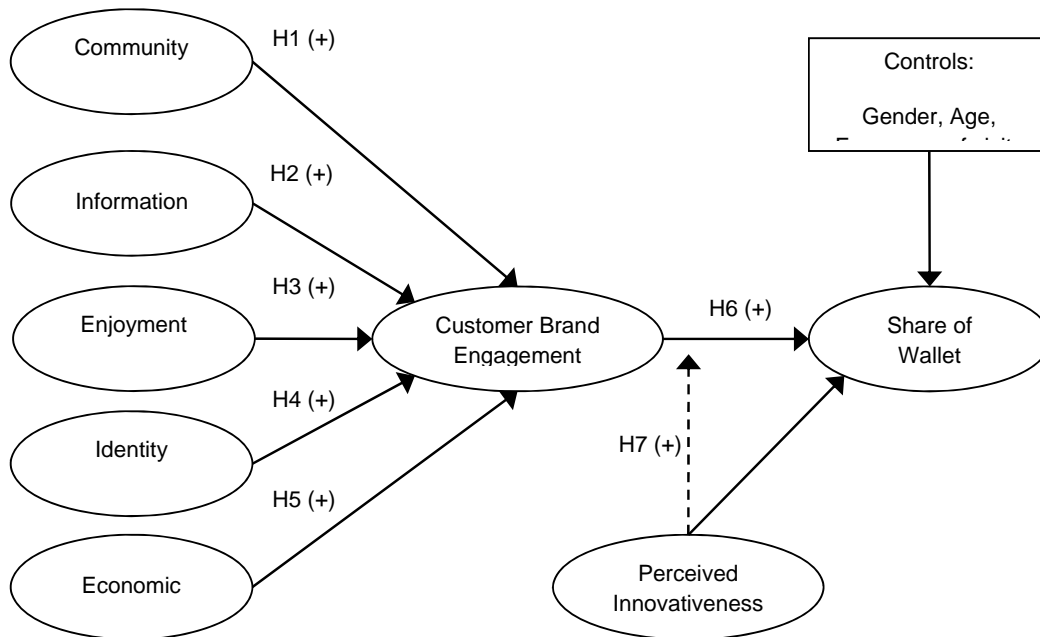


Figure 1: Research model and hypotheses (dashed lines represent moderating effects)

Brodie et al. (2011) suggest customer engagement as a strategic imperative for establishing and sustaining a competitive advantage and as a valuable predictor of future business performance. It is claimed to improve profitability (Voyles, 2007) as well as promoting customers' WOM behaviour, such as increasing customers' tendency to provide referrals and recommendations on specific products, services, and/or brands to others (Brodie et al., 2011). In online context, virtual brand communities constitute an important platform for customer engagement behaviour (Brodie et al., 2011; Dholakia et al., 2004; Kane et al., 2009; McAlexander et al., 2002). Therefore, customer brand engagement in social media is defined here as "an interactive and integrative participation in the fan-page community" (Jahn & Kunz, 2012, p.349).

Engagement stems from several motivational drivers (Brodie et al., 2011; Calder & Malthouse, 2008; Hollebeek, 2011; van Doorn et al., 2010). Five main components are addressed here, which are relevant in social media context: community motivations (c.f. social interaction motivations), information motivations, entertainment motivations, personal identity motivations and economic motivations (Heinonen, 2011; McQuail, 1983; Mersey et al., 2012). Jahn and Kunz (2012) reveal that community value is among the strongest drivers of brand fan

page use. Need for information is another key motive for participating in online brand communities (Brodie et al., 2013; De Valck et al., 2009). In addition, entertainment is an important motivation for consuming user-generated content (Muntinga et al., 2011). It provides experiential value for customers from using online services such as social media (Gummerus et al., 2012; Men & Tsai, 2013). Similarly, impression management and identity expression have been identified as motivators of social network sites access (Boyd, 2008) where users can express themselves by adjusting their profiles, linking to particular friends, displaying their “likes” and “dislikes,” and joining groups (Tufekci, 2008). Finally, economic benefits provide impetus for joining brand communities. For example economic incentives such as discounts and time savings or opportunity to participate in raffles and competitions are important motivational drivers for consumers to engage in online brand communities (Gwinner et al., 1998).

Against this backdrop four hypotheses are constructed that these five motivations drive consumers’ brand engagement in social media:

H1: Community experience is positively associated with customer brand engagement.

H2: Information experience is positively associated with customer brand engagement.

H3: Enjoyment experience is positively associated with customer brand engagement.

H4: Identify-related experience is positively associated with customer brand engagement.

H5: Economic-related experience is positively associated with customer brand engagement.

Share of wallet is understood as the percentage of the volume of total business transactions between a firm and a customer within a year (Keiningham et al., 2003). For example in retail banking, it is “the stated percentage of total assets held at the bank being rated by the customer” (Keiningham et al., 2007, p. 365). According to Perkins-Munn et al. (2005), a firm’s efforts to manage customers’ spending patterns tend to represent greater opportunities than does simply trying to maximize customer retention rates. In fact, rather than concentrating on customer retention rates a more effective way to increase a company’s profitability is to concentrate on serving existing customers (Reinartz & Kumar, 2000) and increasing the company’s share of wallet in their expenditures (see Zeithaml, 2000). For example Vivek et al. (2012) show that engaging consumers with the company leads to positive outcomes, such as increased SOW.

Consumers’ share of spending is an important measure of behavioural loyalty (e.g. De Wulf et al., 2001; Keiningham et al., 2005), which provides essential information to retailers on how and on what grounds customers allocate their purchases across different brands and stores (Meyer-Waarden, 2006). This enables retailers to formulate strategies to motivate their customers to allot a higher share of their expenditure to the retailer’s products. Therefore, SOW has been suggested as a more reliable measure of loyalty than other loyalty measures (Jones & Sasser, 1995; Zeithaml, 2000). Although engagement has been linked with

satisfaction, commitment and loyalty (e.g., Bowden, 2009; Brodie et al., 2011; van Doorn et al., 2010), only Vivek et al. (2012) has specifically investigated the associations between consumer brand engagement and SOW. As this preliminary evidence indicates a positive association between these constructs and as a strong support exist for the positive relationship between customer engagement and loyalty (Algesheimer et al., 2005; Hollebeek, 2011; Matzler et al., 2008), we expect that a consumer's higher engagement in an online brand community leads to higher brand's share of the consumer's wallet. Therefore, next hypothesis postulates following:

H6: Customer brand engagement has a positive effect on SOW.

Perceived innovativeness refers to a tendency to embrace change, try new things, and buy new products more often and more rapidly than others (Cotte & Wood, 2004). It is strongly related to the adoption and purchase of products, especially new products. Steenkamp et al. (1999) state innovative consumers change consumption patterns and previous product choices rather than remain with old ones. Joseph and Vyas (1984) further suggest that individuals' innovativeness affects the use of new information and ability to recognize ideas from others. Innovative individuals are also found as more responsive than less innovative individuals to communication and information (e.g. in brand communities) that has relevance to them. In addition, prior literature suggests that innovativeness is context or product specific (Citrin et al., 2000; Goldsmith & Hofacker, 1991). Thus, an individual may not be innovative in general terms but might still be innovative in a specific context, such as in the case of household appliances or the use of new communication channels.

The present study is conducted in the household appliances and online brand community context. In the household appliances context new technological innovations form the basis of brands' competitive power and consumers' buying decisions are strongly affected by brands' technological capabilities. Customers' brand engagement in social media drives brand loyalty and is suggested to result in improvements in the company's competitive position (Brodie et al., 2011) as well as profitability (Voyles, 2007). The prior evidence proposes that a customer's innovativeness affects his/her communication behaviour and enhances the ability to evaluate and apply new information for example in buying decisions. Therefore, customer's innovativeness is expected to moderate the relationship between customer brand engagement and SOW. The more innovative individual is, the more strongly he/she engages to the brand's online community and the more strongly community engagement is reflected in the brand's share of the consumer's wallet. Thus, the final hypothesis states following,

H7: Perceived innovativeness moderates the relationship between customer brand engagement and SOW.

3 Methodology

We tested the hypotheses with data obtained from Facebook fans and Twitter followers of a global consumer electronics company. Within a two-week response time, 818 completed

questionnaires were returned. The effective response rate was 57%. We used established scales anchored from 1 “strongly disagree” to 5 “strongly agree” to measure the study constructs. Community (four items) and enjoyment (three items) scales were adapted from Calder et al. (2009), Mersey et al. (2012) and Calder and Malthouse (2008). Identity was measured with three items and information with three items adapted from Mersey et al. (2012). Two items were used to measure economic benefits taken from Hennig-Thurau et al. (2004). Customer brand engagement (seven items) scale was adapted from Jahn and Kunz (2012), Gummerus et al. (2012) and Muntinga et al. (2011). SOW was measured with two items from De Wulf et al. (2001). Finally, in measuring customer perceived innovativeness, three items adapted from Lu et al. (2005) were used.

The data was first subjected to exploratory factor analysis and thereafter the hypotheses were tested with partial least squares structural equation modelling software SmartPLS 3.0 (Ringle, Wende, & Becker, 2014). All the study constructs are reflective.

Common method bias was minimized already in the data collection stage by mixing the items in the questionnaire and keeping the respondents’ identities confidential. In the analysis phase, we ran a PLS model with a method factor. The results suggest that average variance explained by the indicators (0.704) was considerably higher than the average method-based variance (0.016). Given the magnitude of method variance, common method bias is unlikely to be of serious concern in this study.

4 Results

Most of the respondents were male 547 (67%). The major age group falls between 26 and 35 years (25%). The next largest groups are those aged 36–45 (19.9%) and 18–25 (18.9%). Most of the respondents visit the fan page 1–3 times per week (30%) or 2–3 times per month (24%). This composition aligns with the profile of the visitors to the case company’s Facebook fan page, where the female population accounts for approximately 40% of the community’s population.

The confirmatory factor analysis was acceptable as the factor loadings were high (>0.75) and significant, composite reliabilities for the scales were larger than 0.840, AVE values exceeded the cut-off criteria 0.50, and discriminant validity is achieved as the square root of Ave exceeded the value of correlation between the factors (see Table 1).

	AVE	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)
COM ^b (1)	.645	.803										
INF ^c (2)	.719	.618	.848									
ENJ ^d (3)	.699	.616	.690	.836								
IDE ^e (4)	.683	.654	.580	.683	.826							
ECO ^f (5)	.727	.388	.326	.372	.444	.852						
CBE ^g (6)	.687	.765	.583	.631	.686	.539	.829					

PI ^h (7)	.777	.150	.206	.309	.174	.158	.221	.881				
SOW ⁱ (8)	.868	.248	.246	.297	.283	.190	.358	.283	.931			
FV ^j (9)	n/a	.352	.327	.381	.341	.241	.451	.284	.361	n/a		
Gender (10)	n/a	.114	.143	.028	.038	.080	.039	-.276	-.054	-.102	n/a	
Age (11)	n/a	-.017	.011	-.071	.011	-.042	-.016	-.239	-.073	-.065	.142	n/a
Mean	-	2.99	3.44	3.33	2.67	3.29	2.75	4.08	4.17 ^k	3.28	n/a	n/a
s.d.	-	1.10	1.00	0.96	1.05	1.17	1.14	0.99	2.55	1.24	n/a	n/a
CR ^a		.879	.884	.874	.866	.840	.939	.912	.929	n/a	n/a	n/a

Table 1: Discriminant validity

Notes: ^a CR = Composite reliability; ^b COM –Community; ^c INF – Information; ^d ENJ – Enjoyment; ^e IDE – Identity; ^f ECO –Economic; ^g CBE – Customer brand engagement; ^h PI – Perceived innovativeness; ⁱ SOW – Share of wallet; ^j FV – Frequency of visits; ^k SOW item scale transformed from 0-100 to 0-10.

n/a = Not applicable. Construct measured through a single indicator; composite reliability and AVE cannot be computed

The model’s predictive relevance was medium-high as the model explains more than 50% of the R^2 of customer brand engagement ($R^2 = 0.695$). The R^2 for SOW was 0.206. The Q^2 values were larger than 0.15 for SOW and larger than 0.35 for customer brand engagement. Figure 2 shows the results of the hypotheses testing.

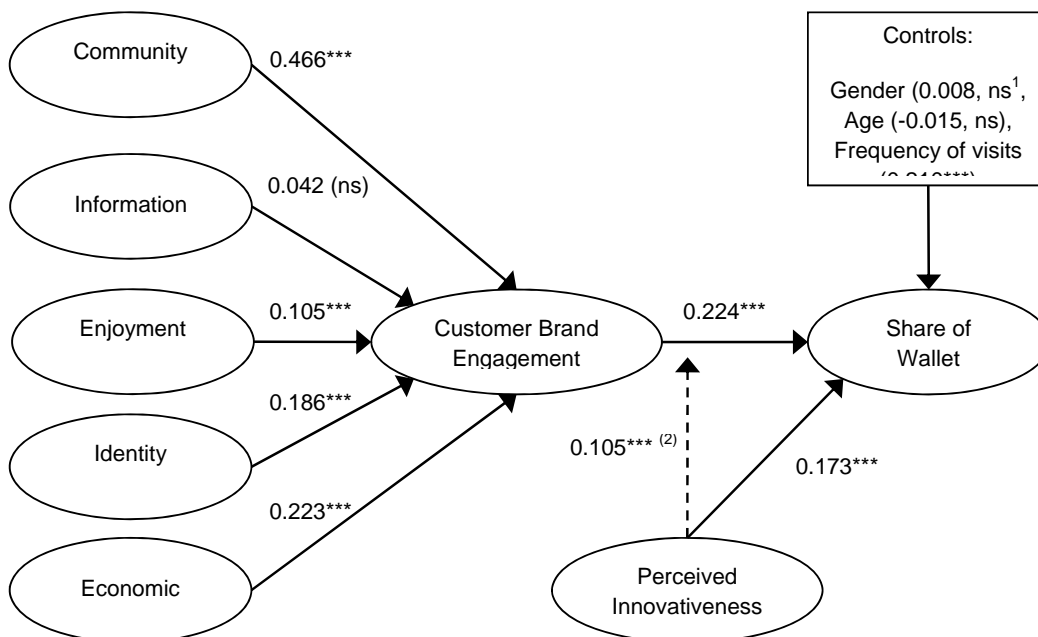


Figure 2: Hypotheses testing (path coefficients)

Notes: *** $p < 0.01$, ¹ ns = Not significant, ² Moderating effect

As shown in Figure 2, of the proposed five motivational factors, four exhibit positive relationships with brand engagement, thus confirming H1 and H3-H5. The effects of community is the strongest ($\beta = 0.466, p < 0.01$), followed by the effects of economic motives ($\beta = 0.223, p < 0.01$) and identity motives ($\beta = 0.186, p < 0.01$). No relationship between information motives and engagement was found, thus rejecting H2. Moreover, customer brand engagement (H6) is positively associated with SOW ($\beta = 0.224, p < 0.01$), confirming H6. Of the control variables, frequency of visits ($\beta = 0.210, p < 0.01$) is positively associated with SOW whereas the effects of gender ($\beta = 0.008, ns$) and age ($\beta = -0.015 ns$) on SOW were not significant.

The results of the moderating effects indicate that perceived innovativeness (H7) exerts a positive effect on the relationship between customer brand engagement and SOW, such that when perceived innovativeness is high, the link between customer brand engagement and SOW is strengthened. Without the moderating effect, the relationship between customer brand engagement and SOW is 0.224; with the significant moderating effect (0.105), this relationship is 0.329. The moderator therefore significantly strengthens the relationship so that the more strongly a customer perceives himself/herself as innovative; the stronger the relationship between brand engagement and SOW. Thus, H7 is accepted.

We finally also examined the indirect effects of the five motivational drivers on SOW through brand engagement. The results reveal that community motives has the largest indirect effect on SOW ($\beta = 0.105, p < 0.01$).

In sum, the results suggest that 1) community benefits is the strongest motivator of customer brand engagement in the social media context; 2) customer brand engagement is positively associated with SOW; and 3) customers' innovativeness moderates the positive brand engagement-SOW relationship.

5 Conclusion

Customer brand engagement is growing in importance in companies' customer relationship and brand management activities along with the growth of social media. However, theories and conceptual models still need more empirical testing. Research is especially needed on the drivers of customer brand engagement in social media, how it affects consumers' buying behaviour, and how consumers' personality traits such as innovativeness affect these relationships. One of the key measures of behavioural loyalty is share of wallet (SOW). However, prior research is limited in examining the effect of customer brand engagement in social media on share of wallet (SOW) (see Brodie et al., 2011; Vivek et al., 2012).

This study contributes to the customer brand engagement literature with three important findings. First, we identify four motivational drivers that positively influence consumers' brand engagement in social media. The results indicate that the consumers' who follow a brand in social media and receive benefits related to community, enjoyment, identity and economics are more intensively engaged with the brand than those receiving less benefits. Interestingly, information motives were not found to be related to engagement. Our findings confirm the existence of four motivational drivers of brand engagement in social media (Jahn & Kunz, 2012; Muntinga et al., 2011; Ouwersloot & Odekerken-Schröder, 2008) and add to the literature by identifying the community experience as the key driver of customer brand engagement in social media and finding no support for the effects of information motives on engagement. The latter is a unique finding and might be a special feature of Facebook brand communities that are built around the other four motives identified. Second, we make an important contribution to literature by investigating the relationship between brand engagement in social media and share of wallet. The relationship of customers' engagement with a company's Facebook site and the brand's share of the customers' spending has not been previously studied. Our results show that customer engagement is positively associated with SOW (c.f. Vivek et al., 2012). In other words, the percentage of the expenditure that engaged customers allocate to a brand is larger than those allocated by customers who are unengaged with the brand in social media. Finally, we add to current knowledge by showing that customers' context-specific innovativeness positively affects the brand engagement and SOW relationship in the social media context. Thus, the higher the perceived innovativeness, the stronger is the positive relationship between brand engagement and SOW (c.f. Citrin et al., 2000; Cotte & Wood, 2004; Joseph & Vyas, 1984). Therefore, among consumers with higher innovativeness brand engagement in social media is a stronger driver of SOW than among those with lower innovativeness.

Three managerial implications arise from the findings. First, our results show four (out of five) motivational factors that drive engagement with brand in social media. Of these motives, community motives turned out to be the most important. Thus, we recommend managers to develop social media sites that foster especially we-intentions and belongingness (c.f. De Valck et al., 2009; Saho, 2009). In addition, we encourage managers to offer economic benefits on Facebook communities. Second, as the results confirm the positive link between brand engagement in social media and SOW, our results encourage brands to invest in fostering engagement in social media brand sites. Third, the results indicate that managers should implement strategies for social media in the light of the users' perceived innovativeness and frequency of visits as they positively relate to SOW. A company should invest in creating up-to-date information and innovative activities to those customers that are identified as innovative and high-frequent visitors of the brand's social media site. This would be the most effective way of driving increases in the brand's share of the customers' wallet.

Finally, the study is concerned of limitations that offer opportunities for future studies. The sample can be biased towards more motivated users as participation was voluntary. Thus, in

generalizing the results caution has to be made. Future studies should strive for data that includes also the respondents with less motivated users of the brand. Although we minimized common method bias in the survey design, its effect can only be ruled out with longitudinal study design. Last, this study was concerned of only brands sold one household appliances store in Finland, which limits the generalization of these results to other types of brands or outside of Finland. Future research should be conducted in study a cross-country setting concentrating on different types of brands.

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Appendix

List of survey items

Community
I am as interested in input from other users as I am in the content generated by company
I like the company's FB-site because of what I get from other users
Company's FB-site gets its visitors to converse or comment
I have become interested in things, which I otherwise would not have, because of other users on the site
Information
I get good tips from the content
The content shows me how people live
The content helps me learn what to do or how to do it
Enjoyment
I find following content enjoyable
Following content helps me improve my mood
The content entertains me
Identity
Following content makes me a more interesting person
Contributing to this content makes me feel like I belong in a group
I want other people to know that I am reading this content
Economic
I write comments and/or like posts on virtual platform because of the incentives I can receive
I write comments and/or like posts on virtual platform because I can receive a reward for the writing and liking
Brand engagement
I am an engaged member of this fan-page community
I am an active member of this fan-page community
I am a participating member of this fan-page community
I engage in conversations and comment in company's FB-site
I often like (like-function in FB) contents from company's FB-site
I use to contribute in conversations in company's FB-site
I often share company's contents in FB
Personal innovativeness
If I heard about a new domestic appliance technology, I would look for ways of experimenting with it
Among my peers, I am usually the first to explore new domestic appliance technologies
I like to experiment with new domestic appliance technologies
Share of wallet
What percentage of your total expenditures for domestic appliance technologies do you spend for company's products?
Of the 10 times you select to buy domestic appliance technologies, how many times do you select company?