

Keller Center Research Report

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Creating Customer Engagement on Social Media

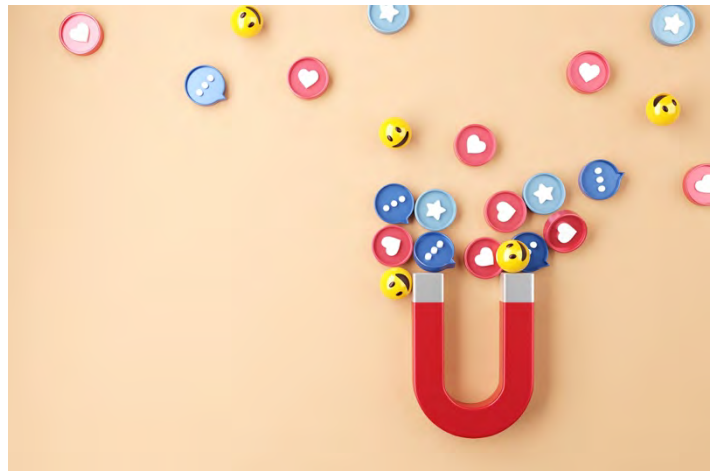
Fernando de Oliveira Santini, PhD, Wagner Junior Ladeira, PhD, Diego Costa Pinto, PhD, Márcia Maurer Herter, PhD, Claudio Hoffmann Sampaio, PhD, and Barry J. Babin, PhD

Nearly half of the world's population, roughly 3.8 billion people, use some form of social media, so the importance of customer engagement through social media has skyrocketed in recent years. Medium and large businesses spend roughly 11% of their marketing budgets, nearly \$84 billion, specifically targeting social media platforms such as Twitter, Instagram, Facebook, Pinterest, and LinkedIn. Such investments are not solely made for the purpose of increasing immediate purchases but also for creating trust and commitment to build positive long-term customer relationships.

Even so, firms have an increasingly difficult time measuring the financial return on such social media marketing aimed toward creating meaningful customer engagement. Studies up to this point have found inconclusive evidence to suggest that customer engagement equates to a positive increase in firm performance.

About Our Study

Our study aims to synthesize previous customer engagement literature into a comprehensive framework for studying customer engagement in social media. Customer engagement has fairly accurate predictive power in regard to consumer outcomes and firm performance. Findings suggest social media engagement is driven by satisfaction, positive emotions, and trust. These components are grouped into three stages including relationship



formation, customer engagement resulting from satisfaction (positive emotions and trust), and customer engagement directly contributing to firm performance.

Relationship Formation

Relationship formation is based on two essential components—trust and commitment. For our purposes, *trust* is defined as the willingness to rely on exchange partners. The more trusting a client is, the more engaged that individual will be. Participants in online communities feel increased trust when they experience a sense of belonging. In short, trust increases customer satisfaction. *Commitment* is defined as customers' willingness to continue a long-standing

association, to be engaged in brand-community exchanges, and to promote brands. Commitment also works to increase customer satisfaction.

Customer Engagement

Although trust is essential for relationship formation, trust directly builds customer engagement and plays a role in generating customer satisfaction. Customer satisfaction and positive emotions are two additional main drivers of customer engagement and are born from positive intellectual and sentimental evaluation of the consumption of a production or service. In short, satisfied customers are generally more enthusiastic and vocal about their positive experience on social media. Positive emotions include sociability, feelings of enthusiasm, freedom of expression, and creative optimistic outlooks. These positive emotions will trigger self-indulgent purchasing and customer engagement.

Engaged customers directly increase positive client behavior and word of mouth. Behavioral intention mediates the relationship between customer engagement and performance. Customer intention is defined as the willingness of a client to continue interacting in ways that will benefit the firm and to seek out other brand-related experiences. Customer engagement positively affects behavioral intentions that drive purchases and firm performance. Word-of-mouth, on the other hand, is the unprompted sharing of positive or negative information about a firm or product based on a buyer's longing to create and preserve social relationships. Our findings suggest word-of-mouth, contrary to popular opinion, does not improve firm performance.

Firm performance (sales growth and financial performance) is neutrally and negatively impacted by customer engagement depending on market conditions. One such condition is convenience (time and effort to acquire good/service). Under high convenience the influence of satisfaction on customer engagement is especially strong. Satisfaction is a stronger predictor of customer engagement in B2B customer (vs. B2C) conditions when using Twitter (vs. Facebook and blogs), and for manufactured goods as compared to services.

Managerial Implications

Time, money, and other resources are limited, so firms must prioritize social media actions to most effectively enhance the customer engagement process. The results of our study suggest that real estate agents should focus such energy on building trust with clients. Building trust directly increases customer engagement and indirectly increases client satisfaction. A simple way to begin building trust is ensuring transparency in business practices and actions. Customer engagement increases firm performance, behavioral intention, and word-of-mouth, although only via the behavioral intentions route.

Positive emotions directly affect customer engagement, and this is especially true for hedonic purchases such as a vacation home or one with considerable amenities. We suggest real estate

agents increase resource allocation toward more satisfying and enjoyable touchpoints with customers as a way of strengthening customer engagement. The goal should not be to simply increase social media impressions but instead to increase *positive* impressions. Positive impressions keep customers engaged and improve firm performance.

Study results suggest that Twitter has the strongest satisfaction-customer engagement relationship compared to other platforms. Twitter provides a fast and effective mechanism for communicating via social media given its standard word count limit. Facebook, on the other hand, is currently suffering a 50% decline in customer engagement as a result of competing informational news feeds and a lack of user trust. Instagram has less data available to establish clear customer engagement relationships, as the platform is still relatively new at the time of our study.

Tangible consumer goods have a stronger customer engagement-firm performance relationship compared to services. That being said, real estate agents should work to increase the tangibility of services to improve customer engagement and subsequently firm performance. We suggest searching for ways to increase the self-indulgent values, such as pleasure, fun, and adventure of your firm's services to increase client engagement and firm performance. Self-indulgent consumption increases customer engagement three times more than practical consumption.

Conclusion

Only 40% of consumers follow their favorite brands/companies online, and of those, only 25% end up making a purchase. Customer engagement highlights the role of emotion and trust in driving customer activities, including customer purchasing behaviors, which enhance value to both buyers and sellers.

Recommended Reading

de Oliveira Santini, Fernando, Wagner Junio Ladeira, Marcia Maurer Herter, Claudio Hoffmann Sampaio, Barry J. Babin (2020), "Customer Engagement in Social Media: A Framework and Meta-Analysis," *Journal of the Academic Marketing Science*, 27 May 2020, 1211-1228.

About the Authors

Fernando de Oliveira Santini, PhD

Professor of Marketing and Management, Universidade do Vale do Rio dos Sinos (Brazil)

Dr. Fernando De Oliverira Santini (PhD –Pontifical Catholic University of Rio Grande do Sul) is a renowned researcher on marketing and management issues, with international publications. Dr. Santini is a professor of the Undergraduate and Graduate Program in Administration at Unisinos. He also works in the area of evaluation of the Institution's Innovation, Evaluation and Training Center (NIAF).

Wagner Junior Ladeira, PhD

Professor of Business Administration, Universidade do Vale do Rio dos Sinos (Brazil)

Dr. Wagner Junior Ladeira's (PhD - Federal University of Rio Grande do Sul) research interests include consumer behavior, brand strategy and innovation, retail strategies, quantitative research, experimental research, and meta-analysis. He previously worked in the sales area at Ambev and carried out market research for several companies.

Diego Costa Pinto, PhD

Professor of Business Administration, Universidade do Vale do Rio dos Sinos (Brazil)

Dr. Diego Costa Pinto's (PhD – Neoma Business School) research appears in international peer reviewed ranked journals, including the *International Journal of Retail and Distribution Management*, *International Journal of Consumer Studies*, *Journal of Brand Management*, and *Journal of Consumer Behavior* and international academic conferences such as the Association for Consumer Research, the Academy of Marketing Science (AMS) and the European Marketing Academy (EMAC). As a consultant, Dr. Pinto worked on research projects at Box1824 and CFT consultancy for companies such as RedBull, TIM Mobile, Kraft Foods, Grendene (Melissa), SESI/FIERGS, Ipiranga (Ultra Group) and Calçados Bibi (Footwear).

Márcia Maurer Herter, PhD

Professor of Marketing, Universidade Europeia (Portugal)

Dr. Márcia Maurer Herter's (PhD – Neoma Business School) research focuses on consumer well-being, social and sustainable consumption, experiential and sensory marketing, and consumer behavior. She has published in several international journals such as the *Journal of Academy of Marketing Science*, *European Journal of Marketing*, *International Journal of Retail & Distribution Management*, *Journal of Retailing and Consumer Services*, *International Journal of Consumer Studies*, *Business Ethics Quarterly*, and *Journal of Cleaner Production* and in international academic conferences such as the Association for Consumer Research (ACR), the Academy of Marketing Science (AMS), and the European Marketing Academy (EMAC). Dr. Herter has professional and consulting experience via the International Retailing Center in large companies such as Midea Carrier, Decathlon, McDonalds France, and SESI. She also co-authored a Marketing book for practitioners at Editora Almedina (Portugal).

Claudio Hoffmann Sampaio, PhD

Professor of Business Administration, Chair of Graduate Program in Business Administration, Pontifical Catholic University of Rio Grande do Sul (Brazil)

Dr. Claudio Hoffmann Sampaio's (PhD – Federal University of Rio Grande do Sul) research focuses on consumer behavior, strategic marketing, business performance, and innovation. He has published in several international peer reviewed ranked journals and in international academic conferences. Dr. Sampaio is a full professor of the Undergraduate and Graduate Program in Business Administration at the Pontifical Catholic University of Rio Grande do Sul.

Barry J. Babin, PhD

Morris Lewis Professor and Chair of Marketing, The University of Mississippi

Dr. Barry J. Babin (PhD – Louisiana State University) is the Executive Director of the Academy of Marketing Science (AMS) and has authored over 100 professional publications with research appearing in the *International Journal of Wine Business Research*, *Journal of the Academy of Marketing Science*, *Journal of Marketing*, *Journal of Retailing*, *Journal of Business Research (JBR)*, *Journal of Consumer Research*, *European Journal of Marketing*, and many others. Dr. Babin served as Marketing Section Editor for *JBR* for over 15 years and received the Michel Laroche Award for his contribution. He is an AMS Distinguished Fellow and recipient of the prestigious Harold W. Berkman Distinguished Service Award. He is author/coauthor of several leading books including *CB: A Consumer Value Framework*, *Multivariate Data Analysis*, and *Exploring/Essentials of Marketing Research*. He also has received university recognition for outstanding mentorship of graduate students.



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Baylor University | Keller Center for Research | Hankamer School of Business
One Bear Place #98007 | Waco, TX 76798

www.baylor.edu/kellercenter | Keller_Center@baylor.edu

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