

Customer Engagement Behaviors and Purchase Value

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Abstract

As companies are striving to deepen their customer relationships in a world where information and alternatives abound, customer engagement is a widely offered solution. Based on service-dominant logic, it is defined as a customer's motivationally driven, volitional investment of focal resources in brand (firm) interactions, and is widely assumed to improve company performance.

Research on how expressing engagement affects the purchase behavior or purchase value of the individual in question is nevertheless scarce. Current research tends to consider customer engagement in terms of behaviors that are visible to others (e.g., customer referrals), even though private behaviors are clearly identifiable (e.g., reading brand-related social-media content). Researchers have also neglected the role of engagement in transactional behaviors that could be considered volitional and highly motivational. Examples include voluntary donations and high pay-what-you-want (PWYW) prices. Thus, customer engagement behaviors are categorized along two dimensions that, based on social identity theory, are assumed to impact purchase behaviors: social visibility and transaction focus.

This dissertation comprises four essays focusing on these dimensions of customer engagement behavior and their effect on customers' own purchase behavior. Essays I and II investigate public and private non-transactional behaviors in online communities, whereas Essays III and IV concern public and private transactional behaviors in the case of PWYW offers. The results show that public customer-engagement behavior in online communities is hedonically motivated but not related to purchase intentions (Essay I). Increased public engagement may even lead to diminished service usage and sales revenues (Essay II). In the case of transactional behavior, the effect of the customer relationship is often overridden by the impact of price-offer tactics (Essay III). Finally, significantly higher transactional customer-engagement behavior is witnessed if known customers are made socially liable for their decisions (Essay IV).

The essays contribute to the literature on service and relationship marketing in highlighting the potential of customer engagement to create value that is not dependent on the ownership or usage of the sold product or service, the implication being that it does not necessarily increase, and may even decrease, the purchase value of an individual customer. Customer-engagement strategies should therefore concentrate on the indirect value that engaged non-buying customers generate, and on the benefits customers expect from their engagement behaviors, such as social approval.

Keywords customer engagement behaviors, service-dominant logic, social identity theory, online community activity, pay-what-you-want pricing

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Asiakasosallistumisen käytännöt ja ostokäyttäytyminen

Julkaisija Kauppakorkeakoulu**Yksikkö** Markkinoinnin laitos**Sarja** Aalto University publication series DOCTORAL DISSERTATIONS 244/2016**Tutkimusala** Asiakassuhdemarkkinointi**Väitöspäivä** 09.12.2016**Kieli** Englanti☐ **Monografia**☐ **Artikkeliväitöskirja**☒ **Esseeväitöskirja****Tiivistelmä**

Maailmassa jossa vaihtoehtoisia palveluntarjoajia on yllin kyllin, asiakkaiden osallistamisen on ajateltu olevan ratkaisu asiakassuhteiden syventämiseen. Palveluajattelun mukaisesti asiakkaan osallistuminen tai sitoutuminen – tässä ”asiakasosallistuminen” (engl. *customer engagement*) – määritellään asiakkaan motivoituneeksi ja vapaaehtoiseksi vuorovaikutukseksi brändin tai yrityksen kanssa. Korkean asiakasosallistumisen asteen uskotaan usein näkyvän positiivisesti yrityksen myynnissä ja tuloksessa.

Tutkimustietoa siitä, miten asiakasosallistumisen ilmaiseminen vaikuttaa henkilön omaan ostokäyttäytymiseen tai ostosten arvoon, on kuitenkin vähän. Nykytutkimus tapaa ajatella asiakasosallistumisen vain muille näkyvänä käyttäytymisenä (esim. asiakassuosituks), vaikka myös yksityisiä osallistumisen tapoja voidaan tunnistaa (esim. sosiaalisen median sisällön lukeminen). Tutkimus on myös jättänyt huomioimatta asiakasosallistumisen merkityksen transaktioihin liittyvissä päätöksissä, jotka voivat olla erittäin motivoituneita ja vapaaehtoisia (esim. lahjoitukset ja korkeat maksa mitä haluat -hinnat). Näin ollen asiakasosallistumisen käytännöt jaetaan tässä tutkimuksessa kahden ulottuvuuden suhteen, joiden sosiaalisen identiteetin teorian mukaan oletetaan vaikuttavan kuluttajien ostokäyttäytymiseen: käytäntöjen näkyminen muille ja niiden transaktiosidonnaisuus.

Tämä väitöstutkielma koostuu neljästä esseestä, jotka keskittyvät eri asiakasosallistumisen ulottuvuuksiin. Essee I ja II tutkivat julkisia ja yksityisiä osallistumisen keinoja virtuaaliyhteisöissä, kun taas Essee III ja IV käsittelevät julkisia ja yksityisiä transaktioihin liittyviä osallistumispäätöksiä maksa mitä haluat -hinnoittelun tapauksessa. Tulokset osoittavat, että julkiset asiakasosallistumisen muodot virtuaaliyhteisöissä ovat hedonistisesti motivoituneita, eivätkä liity ostoaikeisiin (Essee I). Lisääntynyt osallistuminen voi jopa johtaa vähentyneeseen palvelun käyttöön ja myyntituottoihin (Essee II). Transaktioihin liittyvän osallistumisen tapauksessa hinnan esitystavat ovat usein vaikuttavampia kuin esimerkiksi asiakassuhteen laatu (Essee III). Lisäksi merkittävästi arvokkaampaa asiakasosallistumista voidaan havaita silloin, kun asiakkaat kokevat siihen sosiaalista velvoitetta (Essee IV).

Tämä tutkimus edistää palvelu- ja asiakassuhdemarkkinoinnin tutkimusta osoittamalla, että asiakasosallistuminen voi tuottaa arvoa, joka ei riipu tuotteen omistamisesta tai käytöstä. Tämän vuoksi asiakasosallistuminen ei välttämättä kasvata tai se voi jopa laskea asiakkaan ostojen arvoa. Asiakkaita osallistettaessa pitäisi keskittyä osallistumisen tuottamiin epäsuoriin verkostohyötyihin ja osallistumisen sosiaalisiin etuihin ja haittoihin.

Avainsanat asiakasosallistumisen käytännöt, palveluajattelu, sosiaalisen identiteetin teoria, virtuaaliyhteisöt, maksa mitä haluat -hinnoittelu

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Helsinki, October 20th, 2016

Essi Pöyry

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List of Essays

This doctoral dissertation consists of a summary and the following essays, which are referred to in the text by their Roman numerals.

Essay I:

Essi Pöyry, Petri Parvinen and Tuuli Malmivaara (2013). Can we get from liking to buying? Behavioral differences in hedonic and utilitarian Facebook usage. *Electronic Commerce Research and Applications*, 12 (4), 224–235.

Essay II:

Maurits Kaptein, Petri Parvinen and Essi Pöyry (2016). The danger of engagement: Behavioral observations of online community activity and service spending in the online gaming context. *International Journal of Electronic Commerce*, 20 (1), 50–75.

Essay III:

Essi Pöyry (2015). Pay-what-you-want pricing research: Review and propositions. 2015 Summer Marketing Educators' Conference, Chicago, United States.

Essay IV:

Essi Pöyry, Petri Parvinen and Maurits Kaptein. Should pay-what-you-want price decisions be seen by others? Non-published.

PART I: OVERVIEW OF THE DISSERTATION

1. INTRODUCTION

1.1 Background

Like, share, donate, rate, review, participate! Modern marketing is highly dependent on consumers' voluntary resource contributions, not only with a view to saving costs, but also and more importantly because they bring in the credibility marketing communications lack, and draw attention to the company and its offerings (Brodie et al. 2011; Kumar et al. 2010). Another reason to rely on consumers' contributions is the belief that they foster more meaningful, deeper and eventually more valuable customer relationships (Kumar et al. 2010; Van Doorn et al. 2010; Verhoef et al. 2010). It is argued that participatory behaviors are manifestations of *customer engagement*, which is defined as the motivationally driven, volitional investment of focal operant resources (knowledge and skills) and operand resources (e.g., equipment) in brand interactions in service systems (Hollebeek et al. 2016). This perspective aligns with service-dominant logic, which highlights consumers' proactive contributions in co-creating their personalized experiences and perceived value (Vargo and Lusch 2004, 2008). In practical terms, customer engagement behaviors are described as brand- or firm-focused behaviors that go beyond transactions (Brodie et al. 2011; van Doorn et al. 2010). Typical examples include firm-related inputs to online communities, customer referrals, and product-development suggestions.

The benefits that customer engagement behaviors bring to companies are indisputable, and are widely recognized in the literature. Word-of-mouth, for example, has been found to positively affect sales revenues (e.g., Duan et al. 2008; Liu 2006), and overall customer engagement (comprising purchases, referrals, influence, and knowledge) to have a positive effect on firm performance (Kumar and Pansari 2016). However, these benefits can largely be attributed to the network effect – other people are influenced by ones' public customer-engagement behaviors. Perhaps, therefore, or because of the personal benefits of customer engagement such as enjoyment (Van Doorn et al. 2010), it is frequently assumed also to be manifest in increased purchasing or higher payments from the same customer. This is a basic assumption in Maslowska and colleagues' (2016) model of the customer-engagement ecosystem, according to which customers' brand

experiences, brand-dialog behaviors, shopping behaviors, and brand consumption are interrelated concepts that emerge in a cyclical pattern.

However, there has been little empirical research on how different kinds of customer engagement behavior relate to purchase behavior and value, and the evidence is mixed. Some studies report a positive relationship (Rishika et al. 2013; Thompson and Sinha 2008), whereas others posit a more complex relationship and imply that customer engagement behaviors could sometimes even decrease costly customer contributions (Kristofferson et al. 2014). Interestingly, all of these studies differ in terms of what kinds of customer engagement behaviors were in focus, making it difficult to draw general conclusions. This research gap should be filled because, despite the usual assumption of a positive relationship, alternative theories could be applied assuming a negative relationship. It could be hypothesized based on the literature on hedonic consumption (Babin et al. 1994; Childers et al. 2001) and cognitive processing (Leckie et al. 2016; Morewedge et al. 2010) that engagement with an object diminishes the need to consume it.

A multifaceted framework for different kinds of customer engagement behaviors is used to address the research question. The framework accounts for both private and public as well as transactional and non-transactional behaviors. Public and private customer-engagement behaviors are differentiated depending on whether the behavior or its product is seen by anyone other than the engagement subject. Without explicitly identifying the visibility of such behavior one cannot account for the social motivations consumers have for choosing a specific mode of engagement. Public behaviors, for example, may relate to motivations such as positive self-enhancement and social benefits (Hennig-Thurau et al. 2004), whereas private behaviors tend to reflect more personal motives such as learning and curiosity (Burton and Khammash 2020). It is therefore necessary to assess the visibility of customer engagement behavior to understand what kinds of consequences might possibly ensue.

Second, it is clear that the state of customer engagement is manifested in transactional behavior that is still voluntary, and that goes beyond the traditional limits of customer behavior: it may be, for example, that voluntary market payments including tipping, donations, gift giving and pay-what-you-want prices (PWYW) (Natter and Kaufmann 2015) represent motivational and volitional resource investment in brand interactions. This is a disputed matter, however, in that some researchers regard customer engagement behaviors simply as behaviors that go beyond buying (Brodie et al. 2011; Van Doorn et al. 2010; Verhoef et al. 2010), whereas others also include purchases as part of the concept of customer engagement (Kumar et al. 2010; Kumar and Pansari 2016). It is argued in the light of both of these views, as well as of the literature on customers' organizational-citizenship behavior, that customer engagement behaviors go "outside the customer's required role for service delivery" (Bove et al. 2009, p. 699). Thus, merely buying a product is not considered engagement behavior, but paying extra for it is. Consequently, it is posited that customer engagement behaviors can be

differentiated based on the transaction focus – they may be transactional or non-transactional (Gummerus et al. 2012).

1.2 Research questions and an outline of the dissertation

The four research questions are considered, respectively, in the four essays comprising this dissertation. By and large, all the essays address the main question concerning how different kinds of customer engagement behaviors (public vs. private, non-transactional vs. transactional) affect one's own purchase behavior and purchase value. The following sub-questions are addressed in the corresponding essays:

- RQ1: How do public and private non-transactional customer-engagement behaviors affect purchase intentions? (Essay I)
- RQ2: How do increases in public non-transactional customer-engagement behaviors affect service spending? (Essay II)
- RQ3: What factors affect the sales value of transactional customer-engagement behaviors? (Essay III)
- RQ4: How do public and private transactional customer-engagement behaviors differ in terms of price paid? (Essay IV)

This dissertation is organized as follows. Part I gives an overview, beginning with a presentation of the theoretical background. The ontological and epistemological perspectives of the work are then discussed, followed by an introduction of the methodological choices related to the individual essays. The findings reported in the essays are briefly presented, and their theoretical and managerial implications summarized. Part II consists of the four individual essays.

2. THEORETICAL BACKGROUND

The discussion in this chapter covers the tenets of customer engagement as well as the theoretical lenses through which it is interpreted. More specifically, service-dominant logic, relationship marketing and social identity theory are utilized as theoretical perspectives from which to interpret different customer engagement behaviors and assess their relationship with consumer purchase behavior. The focus then turns to both public and private, non-transactional as well as transactional customer-engagement behaviors, which constitute the theoretical framework of this dissertation.

2.1 Defining customer engagement

The concept of engagement is rooted in psychology and theories of organizational behavior (e.g., Harter et al. 2002; Kahn 1990; May et al. 2004). Kahn (1990) defines engagement from the psychological perspective as physical, cognitive, and emotional self-expression during role performance. Employee engagement, for example, has been shown to increase job satisfaction and organizational commitment, and to decrease absenteeism (Harter et al. 2002; Saks 2006). One suggested explanation for this is that once people engage with their work they are physiologically present and true to themselves in terms of work performance, and this translates into positive performance (Kahn 1990). The concept hinges on an interactive relationship between two parties (the subject and the object of the engagement), which allows the subject to attain a motivational, personally fulfilling state (Handelsman et al. 2005; Resnick 2001). Bejerholm and Eklund (2007) point out that even though engagement levels typically vary in the subject over time, they increase because of some specific favorable interactions with the object.

Customer engagement is typically described in the marketing context as a fulfilling relationship between a customer and a company, and it has been used to explain customer behavior that does not fit into traditional boundaries. For example, customer satisfaction does not sufficiently explain why consumers advocate a particular company (Bowden 2009), but it does seem to precede the choice of making a customer referral (Pansari and Kumar 2016). Thus, customer engagement has been used to explain consumers' motivated behavior that goes beyond the traditional boundaries of customer behavior (Van Doorn et al. 2010).

This has encouraged the use of customer engagement as a concept that captures the overall value a specific customer generates for a company (Kumar et al. 2010). The increasing interest in the topic aligns with the increasing consumer-driven influence of social media and online communities, typical manifestations of customer engagement including word-of-mouth (WOM) communication, customer advocacy, customer referrals and participation in new-product development (e.g., Brodie et al. 2011; Kumar et al. 2010; Li et al. 2013).

According to Cheung and colleagues (2011), customer engagement could be viewed as a process, a psychological state, or a behavioral manifestation. These views differ in terms of how specific events or instances are examined: behaviors are included in the conceptualization as a psychological state, whereas states of customer engagement can be aggregated so as to form a process. Thus, these views overlap. As a psychological process customer engagement leads to customer loyalty through satisfaction, commitment, and trust (Bowden 2009). This view highlights the inherent role of purchases or purchasing in generating customer engagement, which derives from satisfactory customer experiences. As a psychological state, customer engagement is said to occur by virtue of interactive, co-creative customer experiences with a focal object such as a company or a brand, and is manifested as emotional, cognitive and/or behavioral engagement (Brodie et al. 2011).

On the behavioral level there are two competing definitions of customer engagement, both of which assign such behaviors a firm or brand focus, and go beyond what is fundamental to transactions. The difference lies in whether the behaviors are considered voluntary resource contributions (Brodie et al. 2011) or whether they should communicate a favorable attitude toward a brand or firm (van Doorn et al. 2010; Verhoef et al. 2010). The consensus in most research is that as customer engagement includes positive, neutral, and negative states and behaviors, customers can also be “disengaged” (Hollebeek and Chen 2014; Kumar et al. 2010).

Given that there are numerous ways of defining customer engagement, it is assumed in this dissertation to align with service-dominant logic (discussed in more detail in the next section). Consequently, the following definition put forward by Hollebeek and colleagues (2016, p. 6) is adopted:

A customer’s motivationally driven, volitional investment of focal operant resources (including cognitive, emotional, behavioral, and social knowledge and skills), and operand resources (e.g., equipment) into brand interactions in service systems.

This definition highlights the motivational and voluntary nature of customer engagement and thereby differs from the other definitions discussed above. The literature is relatively scant in terms of the possible motivations that drive customer engagement, although Hollebeek (2013) suggests that brand engagement reflects the difference between hedonic and utilitarian brands: it is also suggested that engagement with web pages may depend on hedonic and utilitarian motivations (Cotte et al. 2006; Hartman et al. 2006). Although it is accepted that other

frameworks and theories might explain what motivates customer engagement, hedonic (enjoyment-oriented) and utilitarian (task-oriented) motivations (e.g., Babin et al. 1994) constitute one alternative, and they are utilized in this research.

2.2 Theoretical perspectives on customer engagement

2.2.1 Service-dominant logic

Theoretically, customer engagement has been linked to the broader concepts of service-dominant logic and the co-creation of value, which state that value is always co-created in interaction with the customer (Vargo and Lusch 2004, 2008). Inherent in this are the notions that actors cannot create value for other actors but make offers that have potential value, and that firms merely make value propositions that may become realized in value co-creation (Vargo and Lusch 2011, 2016). Related to this, it is argued that value is always uniquely, experientially and contextually determined by the beneficiary (Vargo and Lusch 2004; Grönroos 2011). All these ideas highlight the subjective evaluation and importance of customer experiences: consumers might value different aspects of products and services than companies originally intend, and a ‘customer experience’ might encompass other activities than simply purchasing or using a product or a service.

Hollebeek and colleagues (2016) refer to customer engagement as a micro-foundational theoretical constituent of service-dominant logic, which is considered a macro-foundational theory. Similarly, Van Doorn (2011) proposes the use of service-dominant logic as a theoretical lens for customer engagement, given that both essentially focus on the interactivity between a customer and a company, and on the value created as a result. Jaakkola and Alexander (2014) see customer engagement as a fundamental element in the co-creation of value through which firms are able to allow customer provision of resources during non-transactional, joint value processes, thereby affecting their respective value processes and outcomes. In sum, customer engagement is the operation through which interaction – a central tenet of value co-creation – occurs.

In line with service-dominant logic, the foundational processes are argued to be customer resource integration (necessary), and customer knowledge sharing and learning (conducive) (Hollebeek et al. 2016). The former refers to the customer’s incorporation, assimilation and application of focal operant and/or operand resources into the processes of other actors in brand-related utility optimization (ibid.). According to Vargo and Lusch, (2008), operant resources refer to skills and knowledge and form the basis for all exchange, whereas operand resources include physical resources such as equipment, and money. Customer engagement is typically understood as the provision of operant resources (e.g., the time and effort required to write a product review online), although the provision of operand resources can also be identified (e.g., Internet connections and a smart phone or computer to access the review site and write the review).

2.2.2 Relationship marketing

The concept of relationship marketing has traditionally been used with reference to the process of attracting, maintaining, enhancing and retaining customer relationships (Berry 1983, 1995). Morgan and Hunt (1994) extended the definition to all relationships companies have, with suppliers, employees, competitors, and so forth. They therefore define relationship marketing as “all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges” (ibid., p. 22). Similarly, Grönroos (1994, p. 9) points out the importance of managing “relationships with customers and other partners, at a profit”. With regard to customers or consumers in general, Morgan and Hunt (1994) identified “intermediate customers” and “ultimate customers” as key partners of the focal firm, but did not include non-purchasing customers who could be influential or important in other ways. Customer relationship management (CRM) developed from relationship marketing, and concerns the process of managing customer relationships in particular. The objective is to maximize customer lifetime value, which is the discounted sum of expected future profits derived from the relationship with a customer (Malthouse et al. 2013; Payne and Frow 2005; Reinartz et al. 2004).

Both relationship marketing and CRM appear to align with service-dominant logic if customer experience (vs. single transactions) is considered the core of a customer relationship (Hollebeek et al. 2016; Vargo and Lusch 2016). According to the literature, it is customer engagement that facilitates the interaction that creates customer experiences (Brodie et al. 2011; Hollebeek 2011a; Hollebeek et al. 2016). Thus, if all kinds of customer experiences, not only those relate to buying, are considered important, relationship marketing receives a greater significance in the working of the firm. Indeed, Vivek and colleagues (2014b) argue on this basis that proponents of relationship marketing should incorporate the customer-engagement perspective into their thinking and consider the experiences of both current and potential customers, regardless of their purchasing intentions.

Notably, however, the literature on relationship marketing and CRM that deals with customer engagement assume that it eventually facilitates the creation of more valuable customer relationships, either directly through increased individual purchasing or indirectly through increased purchasing by others. It is suggested that the benefits of customer-engagement-informed relationship marketing include longer-lasting relationships, increased customer contributions and responsiveness, stronger referral and retention rates, and higher stock returns (Kumar and Pansari 2016; Malthouse et al. 2013). Kumar and colleagues (2010) propose a model to account for the value of different dimensions of customer engagement, including customer lifetime value, referral value, influencer value, and knowledge value. Even though the dimensions are allowed to be distinct, no consideration is given to the possibility that one dimension could have a detrimental effect on another. Therefore, in considering the effect of customer

engagement behaviors on the same customers' purchase value, this research contributes to the literature on relationship marketing and CRM.

2.2.3 Social identity theory

According to the theory, people articulate their sense of self by developing social identities (Tajfel and Turner 1985). In other words, they define themselves through various social categories and groups (e.g., nationality, gender, occupation, hobby). The groups may be large and the members are not necessarily known to one another, but they are characterized by a belief in shared behavior and expectations (Tajfel 1972; Hogg and Reid 2006). Indeed, the self and the social realm are considered inseparable in the research: one's self-concept is critically influenced by what important others think of one (Reed 2002). Social identities are not stable and given, however – people constantly negotiate them with the external world as well as with their own private, personal identity. Hence, people identify with other people and groups as they find new perceptions of common qualities (Reed 2002). The identification process may be unconscious or conscious, and if it is conscious it involves a choice and discrimination among other possible identities (Higgins et al. 1995). When people act on their social identities it is called signaling: they signal that they are part of a group (Berger and Heath 2007), or aspire to be part of a group (Englis and Solomon 1995), or that they do not want to be part of a group (Berger and Heath 2007; White and Dahl 2007).

The literature on customer-company identification assumes relevance in the context of customer engagement and social identity theory. For example, organizational theory highlights the importance of identification in the emergence of work engagement (Schaufeli et al. 2002). With regard to customer-company identification, in turn, the literature emphasizes the sense of connection between an individual and an organization, arguing in line with social identity theory that consumers identify with companies whose identity is attractive and relatable (Ahearne et al. 2005; Bhattacharya and Sen 2003). Customer-company identification appears to take the form of active, selective, and volitional acts motivated by the satisfaction of one or more self-definitional needs (Bhattacharya and Sen 2003). These acts may surface through purchases and product usage (in-role behaviors), but also in ways that go beyond buying: recruiting new customers, becoming resilient to negative information, and having a strong claim on the company, for example (Ahearne et al. 2005), known as customer extra-role behaviors (*ibid.*).

Interestingly, customer engagement behaviors and customer extra-role behaviors are often described in the same terms. Word-of-mouth, customer advocacy and product-development suggestions are all behaviors that can be listed under both labels. The key difference between the two in the relevant literature is that customer engagement behaviors are assumed to derive from interactions with the focal brand or firm (Brodie et al. 2011; Hollebeek et al. 2016), whereas customer-company-identification behaviors are assumed to occur because the customer wants to be

identified with the company – interaction is not required. Nevertheless, it is argued that the literature on customer engagement benefits from social identity theory and customer-company-identification frameworks. Consumers evaluate customer engagement behaviors seen by others through these others' eyes: What does this behavior say about me? Research has shown that identity signaling takes place in publicly visible product domains, such as clothing (Berger and Heath 2007), and the same is thought to apply to publicly visible customer-engagement behaviors.

2.3 Theoretical framework

2.3.1 Customer engagement behaviors

One of the key debates in the literature on customer engagement concerns the role of engagement behaviors – is there such a concept without any behavioral manifestations? Even though the multidimensionality is widely accepted (Brodie et al. 2011; Hollebeek, 2011a; Vivek et al. 2014a), examples of customer engagement tend to focus solely on its behavioral manifestations hence the tendency in the research to assume it inherently includes behavioral elements (van Doorn et al. 2010). Sashi (2012), for example, illustrates customer engagement in a cyclic form with customer advocacy as one the definite stages. Moreover, as noted earlier, Kumar and colleagues (2010) propose the concept of customer engagement value, which comprises the customer's lifetime value, referral value, influence value, and knowledge value. All these components assume behaviors (purchases, referrals, influencer behavior, and feedback), even though cognitions and/or emotions may also be present.

Customer engagement behaviors can be defined as customers' voluntary resource contributions that have a brand or firm focus but go beyond what is fundamental to transactions (Brodie et al. 2011; Van Doorn et al. 2010). Alternatively, they could be seen as behavioral manifestations of a favorable attitude toward a brand or firm that goes beyond the transaction (van Doorn et al. 2010; Verhoef et al. 2010). The latter definition is disputed because it is not universally agreed that such behaviors are only positive in valence (e.g., Kumar et al. 2010). My discussion reflects both perspectives. Two primary types of customer engagement behavior have been identified in the research: customer involvement in product development and innovation, and customer communication and interaction concerning the focal firm or brand (Jaakkola and Alexander 2014; Kumar et al. 2010). Jaakkola and Alexander (2014) categorize the types of engagement behavior as augmenting the offering, developing the offering, influencing other consumers, and mobilizing other consumers.

Throughout this dissertation, customer engagement behaviors are perceived as realized interaction with an object. It is argued that cognitions (thoughts) and emotions (feelings) play a significant role in customer engagement, but as Hollebeek and colleagues (2016) point out, interaction is required to integrate the

resources. However, it should not be assumed that behavior has to be public or visible to others – reading and listening are also included. For example, anyone listening to a podcast produced by a company manifests customer engagement behavior, which reflects not only resource integration (effort, knowledge) but also customer learning (Hollebeek et al. 2016). It does not reflect customer knowledge sharing, however, if the thoughts are not communicated to anyone.

2.3.2 Public vs. private customer-engagement behaviors

Even if customer engagement behaviors are assumed to reflect interactive experiences with the focal company (Brodie et al. 2011), or to occur for self-definitional reasons (Ahearne et al. 2005), examples and conceptualizations vary in terms of whether they are public and can be seen by others, or private and not visible to anyone. This distinction is important given that private and public behaviors arguably have different effects on later behaviors (Kristofferson et al. 2014), and occur for different reasons (c.f., Berger and Heath 2007; Berger and Ward 2010). Typically, however, customer engagement behaviors are thought to be public. Jaakkola and Alexander (2014) identified four behavioral categories: improving products, co-developing products, influencing other consumers, and mobilizing other consumers. All of these behavioral manifestations of customer engagement are public because it is assumed that other people are either influenced by or are a part of it.

Nevertheless, many examples and conceptualizations of customer engagement include private behaviors – no one is influenced except the person concerned as a result of the behavior because it is not seen by anyone. In social media, for example, reading other peoples' posts is private behavior even though the context also calls for public behaviors (posting). Cheung and colleagues (2011) base their definition of customer engagement in an online social platform on Schaufeli and colleagues' definition of work engagement (2002): a concept incorporating the three distinct constructs of vigor, absorption, and dedication. Vigor refers to the level of energy and mental resilience when engaging with an object. Hollebeek and colleagues' (2014) model of consumer brand engagement includes a similar behavioral construct they call activation, defined as a "consumer's level of energy, effort and time spent on a brand in a particular consumer/brand interaction" (ibid., p. 154). This reflects a behavioral as opposed to a cognitive or emotional dimension. According to the definition and the theoretical reasoning behind it, activation refers to the energy (c.f., Schaufeli et al. 2002) invested in consumer-brand-engagement behaviors. It could therefore be argued that activation or vigor refer to the way consumers engage with firms and brands. However, unlike Jaakkola and Alexander's (2014) definition, for example, nothing implies that customer engagement behaviors need to be visible by others.

It should be noted that the term 'interaction' in this context does not necessarily mean two-way oral interaction, and could refer to being 'in touch' with a brand through some medium (e.g., a product or web page, sales personnel or other people)

that has the agency to have an effect on the subject (Hollebeek et al. 2016). From the perspective of service-dominant logic, interactivity could be seen as “mutual or reciprocal action or influence” that facilitates exchange (Vargo and Lusch 2016, p. 9). The distinction between private and public customer-engagement behaviors also clarifies how such behaviors could relate to typically privately-consumed products and brands (e.g., hygiene and adult-themed products) (Hollebeek et al. 2014; Hollebeek et al. 2016).

2.3.3 Transactional vs. non-transactional customer-engagement behaviors

I propose another dimension of customer engagement behaviors in addition to the public and the private: transactional and non-transactional behaviors. Research is inconsistent in terms of whether or not customer engagement comprises purchases in addition to voluntary non-transactional behavior. Most researchers argue that only behavior that goes beyond what is fundamental to transactions can be regarded as customer engagement (Brodie et al. 2011; Van Doorn et al. 2010; Verhoef et al. 2010). However, another significant body of scholarship understands customer transactions as part of customer engagement because of their important role in allowing the customer to contribute to the firm (Gummerus et al. 2012; Kumar et al. 2010; Kumar and Pansari 2016). The underlying reasoning of Kumar and colleagues (2010) and Kumar and Pansari (2016) is that customer engagement should account for all the value customers generate for a company, and purchases undoubtedly create the most significant value-creating mechanism for most firms.

Drawing on these different views, I argue in this dissertation that customer engagement behaviors can relate to transactions but in a way that goes beyond the customer's required role. In other words, merely buying something for the given price at the given place does not indicate customer engagement (yet it obviously does not prevent it) because of the numerous situations in which customers do not make an “engaged” choice of brand. Consider, for example, monopolistic markets, price discounts, mundane purchases, and choosing from among equally unattractive options. However, when a customer goes beyond the required role as a customer – such as paying more than is required – the behavior could be considered engaged. This is in line with Hollebeek and colleagues' (2016) service-centered view of customer engagement: a customer's motivationally driven, volitional investment of focal operant and operand resources into brand interactions in service systems. Paying extra for a product, for instance, is a sign of the motivational and voluntary investment of focal operand resources (money).

Other research streams appear to support the idea of voluntary customer behavior deriving from a wish to help the organization. In particular, related to the literature on customer-company identification, organizational citizenship behavior is defined as “voluntary, outside of the customer's required role for service delivery” (Bove et al. 2009, p. 698), and tipping is mentioned as an example. Natter and Kaufmann (2015) identify tipping, donations, gift giving and PWYW prices as voluntary market payments, which they argue stem from customers' pro-social or strategic

motivations. All these accounts support the service-dominant view of customer engagement, and the fact that it stems from motivation, is voluntary and can be considered extra-role as opposed to in-role behavior.

2.3.4 Framework

Figure 1 summarizes the dimensions of customer engagement behaviors as discussed above. The dimensions on which such behaviors are investigated here are *social visibility* and *transaction focus*. Social visibility refers to whether it is the customer's engagement behaviors or their products that are visible to others. These 'others' may be a large audience of people as in the case of online reviews, in which the product of the behavior (i.e., the review) remains visible after the behavior stops, or they may be single persons who hear or see the behavior. Examples of this include oral WOM referrals directed to a friend or a sales representative to whom a customer provides product-development suggestions. No physical evidence of these communications remains when the behavior stops, but the point is that the person engaging in it had to consider what kinds of personal consequences it would have given that other people would witness it. These consequences are considered to be primarily identity-related: when one is publicly seen to engage in customer engagement behaviors one signals to others that there is some kind of relationship with the brand or the firm, as does public consumption in general (Belk 1988; Berger and Heath 2007).

The latter dimension, customer-engagement focus, refers to whether or not the behavior focuses on transactions. The literature is not unanimous on this, as described above. However, certain transaction-related behaviors may certainly be volitional and highly motivated, and result from interaction with the brand or the firm: hence it is argued that behavior related to transactions but beyond the customer's required role is also regarded as manifesting customer engagement behavior. Such behaviors may be private or public. Online payments, for example, may include participatory elements such as PWYW pricing, and they may be non-visible to others than the person making the payment (Kim et al. 2013). Tipping, on the other hand, is considered high in social signals because of its (usually) visible nature (Azar 2004).

Social visibility	Public	<i>Examples:</i> - Tipping - Visible PWYW payments	<i>Examples:</i> - WOM referrals - Participating in testing a new product
	Private	<i>Examples:</i> - Private donations - Anonymous gifts	<i>Examples:</i> - Reading comments in social media - Browsing an online community
		Transactional (direct spending)	Non-transactional (beyond spending)
Transaction focus			

Figure 1. Dimensions and examples of customer engagement behaviors

In the light of the above discussion I broaden the definition of customer engagement behaviors put forward by Brodie and colleagues (2011), van Doorn and colleagues (2010), and Verhoef and colleagues (2010), and integrate it with the theory of customer organizational citizenship, and service literature (Bove et al. 2009). I therefore define customer engagement behaviors as *brand- or firm-focused behaviors that go beyond the customer's required role for service delivery*. This definition allows the behaviors to be private or public, and transactional or non-transactional, as implied in previous literature either through theoretical reasoning or with practical examples.

3. RESEARCH METHODS

This chapter introduces the ontological and epistemological perspectives of the dissertations as well as the research methodologies used.

3.1 Ontological and epistemological perspectives

Whether relationship marketing constitutes a distinct theory or paradigm is a matter for debate given the variety of schools of thought that are represented in the literature – the most notable being the Industrial Marketing and Purchasing group (IMP), the Nordic school and the Anglo-Australian approach (Palmer et al. 2005). All these approaches have a different analytical basis and they view the world from different perspectives. The literature on customer engagement could be argued to derive from interactive marketing, which is based on the IMP group's work (Brodie et al. 1997): the focus is on interactive relationships between buyer and seller, which are regarded as continuous, mutually adaptive, interdependent, and reciprocal. This view differs from database marketing, for instance, which assumes unidirectional communication patterns (from firm to individual), and value propositions based on customer information but from the firm's standpoint (Brodie et al. 1997; Berry 1995). In line with the interactive-marketing view, the literature on customer engagement focuses on customers' unique experiences of value and their role in value co-creation (Brodie et al. 2011), as well as on the role of customer engagement in creating unique customer experiences in the spirit of service-dominant logic (Hollebeek et al. 2016). This view differs from the idea of one superior value proposition per customer.

Thus, I adopt the premises of critical realism here (Bhaskar 2008): there is a material reality that is independent of the human mind, but genuine knowledge about the world cannot be known with full certainty and all claims must be critically evaluated (Bhaskar 2008; Easton 2002). Critical realism deviates from the positivistic view, which sees the world as a "closed system" consisting of enduring laws and structures that can be revealed as long as the phenomena are reduced to observable facts and small enough objects (Tsang and Kwan 1999). Thus, although I use quantitative methods as well as behavioral, 'objective' measures (supported with 'subjective' survey data) in this dissertation, I acknowledge that these measures are context-dependent, and that even if the context-dependencies were

somehow eliminated, the subjective realisms of the participants and the consumers under study would change over time and over different consumption situations. Moreover, in line with the fundamental propositions of service-dominant logic and their alignment with customer engagement, the latter should be seen as contingent on focal context-specific characteristics in service systems, and manifestations of it may vary across contextual contingencies (Hollebeek et al. 2016). Therefore, I can only make inferences concerning systems of the material world and their causal relationships, as Bhaskar (2008) suggests. According to this reasoning, research hypotheses can be supported or rejected, but not confirmed.

From the epistemological as well as the methodological perspective, I believe that using quantitative, and particularly behavioral measures yields valid and reliable knowledge about a phenomenon that is subject to unconscious decisions, and to behavior that might differ from what one would like to do or what one thinks one does. Online-community participation, for example, comprises series of small events among a stream of a number of different events, and memorizing them in accordance with a variety of purchase or service-usage decisions is difficult. In the case of transactional customer-engagement behavior, such as participatory pricing decisions, behavioral measures give reliable information on something that is value-laden and sensitive. Numerous pricing studies have shown, for instance, that the situation and the way of asking about a person's willingness to pay significantly affect the results (c.f., Wertenbrock and Skiera 2002), hence studying pricing decisions in real purchasing situations diminishes the effect of the survey method on consumer responses. However, it must be acknowledged that how the individuals concerned view the behaviors and the meanings they attach to them remains largely unknown.

3.2 Measures of customer engagement

Customer engagement takes multiple forms and happens in many different arenas. Crowdsourcing initiatives (e.g., Djelassi and Decoopman 2013; Sawhney et al. 2005), online community platforms (e.g., Kristofferson et al. 2014; Thompson and Sinha 2008; Wiertz and de Ruyter 2007), and customer/community involvement schemes (e.g., Bettencourt 1997; Jaakkola and Alexander 2014), for example, involve behaviors that could be used as proxies of customer engagement behaviors. It should be noted, however, that customer engagement does not always constitute a theoretical framework in the literature, but the variables that are used could be categorized as customer engagement behaviors as proposed by Brodie and colleagues (2011), for example.

Researchers have also developed several measurement scales concerning different aspects of engagement such as customer engagement (Kumar and Pansari 2016), consumer-brand engagement in social media (Hollebeek et al. 2014), personal and social-interactive engagement (Calder et al. 2009), and online-brand-community engagement (Baldus et al. 2015). However, given that the purpose of

this research is to investigate the relationship between single acts of customer engagement and purchase behavior, general scales of customer engagement are not utilized, and instead, behaviors that could be argued to represent customer engagement are used as research measures.

Given the role of online communities and social media in increasing interest in and the relevance of customer engagement as a concept, postings, comments and other kinds of interactive inputs made online are probably the most frequently used measures of engagement. Facebook likes (Kristofferson et al. 214) and postings to an online community (Thompson and Sinha 2008) could be considered examples of engagement measures. Paid price is an obvious measure of transactional customer-engagement behavior. Gneezy and colleagues (2010), for example, measured the paid PWYW price in the context of charitable giving. Both of these measures could be said to represent either transactional or non-transactional customer-engagement behaviors. Moreover, given the popularity of social-media- and online-community-related research within the engagement realm (e.g., Baldus et al. 2015; Calder et al. 2009; Hollebeek et al. 2014), the present findings should be more easily comparable with previous research.

The measures of customer engagement behaviors used in the essays comprising this dissertation, and the contexts in which they appear, are discussed in more detail below.

3.2.1 Chosen measure 1: Online community activity

There has been a significant increase in research on consumer-driven, brand- or consumption-focused communication in the past two decades as the internet, online communities and social media have given consumers an easy, fast and inexpensive way to interact with each other (e.g., Kaplan and Haenlein 2010; Kozinets 2002). Kozinets (1999) defines communities of consumption as “affiliative groups whose online interactions are based upon shared enthusiasm for, and knowledge of, a specific consumption activity or related group of activities”. Rather than focusing on a consumption activity, brand communities are based on a shared interest in and admiration for a specific brand (Muñiz and O’Guinn 2001), and on the customer’s experience with the brand, the marketer, the product or other customers (McAlexander et al. 2002). In general, online communities fall into two distinct types, consumer-initiated and company-initiated (Jang et al. 2008). The former are unofficial communities that are built voluntarily by consumers, whereas the latter are created by companies, usually in order to initiate a conversation with customers and to create a channel for accessing feedback and disseminating marketing messages.

In the customer-engagement context, community participation, or activity, is basic consumer behavior. This refers to rating, reviewing, commenting and posting, for example, and is seen as the foundation on which shared knowledge is built within online communities (Wiertz and de Ruyter 2007). On the other hand, browsing could be identified as silent online community behavior, which in online

communities means consuming content produced by others (Casaló et al. 2010; Cotte et al. 2006). Browsing is generally defined as a type of search behavior characterized by the user actively scanning an (online) environment in either a goal-directed or a non-goal-directed manner (Chang and Rice 1993). These two behavioral categories represent quiet and communicative memberships (Hammond 2000), or interactive and non-interactive community behaviors (Burnett 2000), but are referred to here as public and private customer-engagement behaviors. Note that in the present research, neither of these behaviors is assumed to represent “more intense” or “higher” customer engagement as such. Moreover, valence is not accounted for: behaviors that are either positive or negative in tone are both regarded as customer engagement.

A substantial body of literature accentuates the importance of active online communities, but fewer studies consider how online-community activity affects individual participants. Researchers observing more direct effects suggest that committing to and participating in an online community increases customer visits to the sponsor’s retail outlet (Rishika et al., 2013), strengthens members’ intentions to use products offered by the sponsor (Casaló et al. 2010), and fosters the adoption of the new products it introduces (Sawhney et al. 2005; Thompson and Sinha, 2008). Consequences of online community activity found to be less directly related to a company’s performance include loyalty to both the community sponsor’s brand and the community (Algesheimer et al. 2005; Casaló et al. 2007; Jang et al., 2008), and oppositional loyalty to products from competing brands, which means actively avoiding competing brands in favor of the preferred brand (Muñiz and O’Guinn, 2001; Thompson and Sinha, 2008).

3.2.2 Chosen measure 2: Participatory pricing decisions

Despite the fact that extra-role behaviors among customers reflect voluntary actions that go beyond buying and promote the effective functioning of the organization (Ahearne et al. 2005; Bhattacharya and Sen 2003; Organ 1988), participatory pricing is rarely seen as extra-role behavior (c.f., Bove et al. 2009). It is true that pricing is inherent in transactions and is therefore in-role behavior. However, participatory pricing, and pay-what-you-want (PWYW) pricing in particular, include elements of extra-role behaviors in allowing customers to pay whatever they like and thereby support the seller with a voluntary payment.

Pay-what-you-want (PWYW) pricing models are classified as participative pricing mechanisms, in which the buyer is involved in determining the price. The most notable difference from other participative pricing mechanisms such as auctions and reversed auctions is that PWYW imposes no lower threshold that the price has to exceed and the seller has no formal role in determining the price. Hence, the seller must accept prices as low as zero (Kim et al. 2009). According to Kim and colleagues (ibid.), a PWYW price depends on two factors: the consumer’s internal reference price and the proportion of that price he or she is willing to discharge to the seller. Thus, the former factor reflects the customer’s evaluation of the product’s

worth, and the latter reflects his or her willingness to support the seller at his or her own cost, in other words the degree of extra-role behavior. Researchers have identified several factors that affect the proportion of the reference price a customer is willing to discharge to the seller, including price consciousness among consumers and a preference for fairness (Kunter 2015; Schons et al. 2014), and the seller's reputation (Kim et al. 2014).

PWYW pricing offers a good measure of transactional customer-engagement behavior. People who identify with a company are presumably more willing to pay more for PWYW-priced products. Indeed, there is evidence to suggest that consumers use PWYW prices as social-identity signals (Gneezy et al. 2012). Moreover, using the PWYW price as a continuous variable with actual and costly consequences for the consumer would serve useful research purposes. However, there is no clear threshold of when PWYW pricing could be considered fair, or as transactional customer-engagement behavior. At least three markers of transactional customer-engagement behavior have been identified. First, prices that exceed the normal sales price or other reference price cues signal a display of support for the particular company. For example, if a company puts the normal cost of a product at \$10 and a customer pays \$15 for it, he or she is said to be making a voluntary resource contribution in the spirit of customer engagement. Second, it could also be reasoned that paying any price exceeding zero amounts to transactional customer-engagement behavior because the customer is allowed to acquire the product for free. Therefore, any price beyond zero includes some kind of supportive element.

Finally, prices that are relatively high in comparison to other customers' paid prices presumably include a supportive and self-definitional element. Those who want to identify with the company are willing to pay more than others pay. Indeed, many studies show that consumers are incentivized by social visibility and recognition of their actions (Ariely et al. 2009; Neckermann and Frey 2007), and pay higher PWYW prices if they know what other customers paid (Jang and Chu 2012). Thus, in this research the degree of customer engagement is understood as a relative PWYW payment measure.

3.3 Data and analytical techniques

Three different empirical contexts were studied, and three different methods of quantitative analysis were applied in addressing the research questions, including both confirmatory (deduction, Essays I and IV) and exploratory (induction, Essay II) methods. Thus, retrodution, in other words data and method triangulation, was in evidence (Downward and Mearman 2007). The approach supports the making of inferences concerning mechanisms that are capable of producing certain events, which is different from using only induction or deduction to develop specific claims from general premises, or general premises from specific claims. The advantage of mixing methods and data is that it enables mechanisms that are connected to the

same set of phenomena to be identified, perspectives from different methods to be complemented, and limitations related to single methods to be alleviated (Burton and Obel 2011; Downward and Mearman 2007). In all cases the context represents those in which acts of customer engagement can be observed.

Social visibility	Public	<i>Essay III</i> (sales value) <i>Essay IV</i> (purchase value)	<i>Essay I</i> (purchase intention) <i>Essay II</i> (purchase value)
	Private	<i>Essay III</i> (sales value) <i>Essay IV</i> (purchase value)	<i>Essay I</i> (purchase intention)
		Transactional (direct spending)	Non-transactional (beyond spending)
Transaction focus			

Figure 2. The essays and respective dependent variables set in the theoretical framework

Figure 2 sets each of the essays and their respective dependent variables within the theoretical framework. The contexts of each empirical essay (I, II and IV) are discussed in more detail in the following sub-sections.

3.3.1 Survey data of a travel agency’s online-community members

The data examined in Essay I was collected via an online survey of members of a European travel agency’s social networking site (Facebook). At the time of the survey the community had over 81,000 members, and it published content produced by the company as well as its members. Thus, the community represents a typical online brand community as described by Muñiz and O’Guinn (2001), for instance. The survey was posted twice and yielded 1,162 usable responses (persons responding several times were excluded). Both customers and non-customers were qualified to participate. Given that the exact number of people exposed to the survey is unknown, it is not possible to calculate the response rate. Non-response bias was investigated by comparing early and late responses, and given that no mean differences emerged it was assumed that non-response bias did not affect the

results. The demographics of the respondents resembled the aggregate demographics of the community as provided by Facebook.

Structural equation modeling (SEM) was used to analyze the data. SEM is a family of covariance-based statistical techniques used to analyze relationships between latent variables that cannot be measured directly, such as consumer motivations and attitudes. The variables are measured using multiple different indicators (survey items), which are believed to capture the essence of an unobservable latent variable better than only one indicator (Steenkamp and Baumgartner 2000). The indicators are drawn from previous studies that had validated them as a suitable measurement scale for a particular latent construct. In addition, SEM accounts for measurement error, which is considered a benefit (Steenkamp and Baumgartner 2000). According to Kline (2005), SEM is particularly suitable for testing a theory, and the researcher should have strong theoretical reasoning for testing a particular model. Thus, it is not well suited to exploratory research or predictive modeling.

Statistically, SEM is based on two techniques: confirmatory factor analysis (CFA) of latent variables and a regression analysis of observed variables (Iacobucci 2009). In practice, the first step in the process is to test the validity of the measurement model and then the fit of the structural model. The purpose of a CFA is to see how well the measured indicators capture the construct of interest, and to make sure that none of them load on multiple different constructs (Steenkamp and Baumgartner 2000). Thus, the latent variables should be discrete. There are multiple ways of evaluating the validity of the measurement model: item loadings are assessed to evaluate convergent validity, and the internal consistency of each construct is evaluated via tests of composite reliability (CR) and average variance extracted (AVE) (Fornell and Larcker 1981). Testing for the discriminant validity of the measurement model involves comparing the square roots of the AVE of each construct to the absolute value of the standardized correlation of the given construct with any other construct in the model (the so-called Fornell and Larcker procedure). Finally, a variety of indices are used to test the fit between the data and the measurement model, normative levels of acceptance being provided in the literature (Kline 2005). The second stage of SEM involves estimating the regression coefficients of the latent constructs as well as the *R*-squares of the endogenous factors. The maximum likelihood method was used to evaluate the structural model in Essay I on account of its consistent approach to parameter-estimation problems and the suitability of the data to the requirements of the method (Kline 2005).

3.3.2 Log data of an online gaming affiliate's customers

The data analyzed in Essay II was gathered from an affiliate website that markets games of various gaming companies and hosts an online community. The affiliate website is compensated for the purchases consumers make through it. The games include poker and other card games. The business model of the affiliate website is independent of the games consumers choose to play: each time a customer plays a game, the affiliate receives a commission in the form of a fixed share of the amount

the consumer spends on the game. However, the affiliate refunds a share of its own commission back to the consumer, which could be considered an economic incentive for consumers to play via the affiliate. Given the perfect correlation between consumer spending and the refund, we use the refund as a proxy for customer spending.

The community is a traditional online forum organized around discussion threads that consumers typically initiate and sustain by themselves. Residing at the affiliate's website and mostly concerning game playing in general, the community includes elements of both online brand communities (Muñiz and O'Guinn 2001) and communities of consumption (Kozinets 1999). However, it is rare for consumer-led communities not tied to any company to make it possible to study the relationship between community activity and service spending as closely as the current one does.

The data covers active customers' ($N = 4,475$) monthly service spending (game-playing in euros inferred from awarded refunds) and community activity (number of posts) during the 58 months the community had been operating at the time of the study. This resulted in 34,209 observations. Customers were considered active if they had posted, played, or both during the previous ten months of the operation of the service. The number of observed time points differs per customer because of the differential deployment of the service. To improve our understanding of the customers, we sent an online survey to a random sample of 3,900 of them. We received a total of 396 responses, representing a response rate of 10.2 percent. Of the respondents, 187 were present in the log data (i.e., were considered active). Thus, we only analyzed these responses. The results showed that the vast majority of the customers were male (99.5%) and their average age was 29 years. According to the affiliate company, the demographics of the survey respondents were in line with the demographics of their customers in general.

The data was analyzed from two different approaches: first, on different levels of analysis (month, individual) using simple and partial correlations, and second, given that the confirmatory analysis provided highly inconsistent results on the different levels of analysis, an exploratory approach was applied to further investigate the behavioral log data simultaneously on the multiple levels. To do this we standardized the service-spending and community-activity variables for each individual's individual month. Individual averages were calculated for both variables to account for total service spending and community activity. The exploratory, data-driven analysis started with the building of a complex regression model to predict the service spending of each individual in each month based on community activity (including lifetime in the service, standardized monthly and averaged community activity, and all possible interactions). A random intercept over individuals and a random slope for the lifetime effect of each individual were also included. Next, a forward model-selection method using the Bayesian information criterion (BIC) was used to find the model that best fitted the data. This procedure involves fitting all possible models and selecting the one with the lowest

BIC (Kadane and Lazar 2004). The starting point is a null-model that contains only a random intercept, and terms are added: if the additional term creates a decrease in BIC, it is added. The process is repeated until none of the remaining terms create any improvement in the model.

The analytical technique used represents computational modeling, in which a set of assumptions is specified to allow the computer to find the best fitting model that satisfies them (Kadane and Lazar 2004). As Burton and Obel (2011) point out, computational modeling should be used to complement other methods in the spirit of triangulation, primarily because such models tend to be high in internal validity but low in external validity. Burton and Obel (2011) also call for a clear theoretical purpose when researchers create computational models because otherwise they easily fall into the so-called “reality trap”. The model should be logical and should capture the essentials of the phenomenon without making it overly complicated. According to the premises of critical realism we do not claim a causal relationship based on the findings of the study, but use regression analysis to observe the activity of a mechanism in this particular setting (Ron 2002).

3.3.3 Experimental data on two PWYW offers

We conducted two field experiments to test the effect of social-identity salience on image-motivated PWYW decisions, one with a professional association that organizes seminars for its members and others who are interested ($N = 81$), and the other in conjunction with events in which business books were being sold ($N = 81$). In both of the studies, the participants were randomly assigned to either an anonymous or a socially visible PWYW payment condition. A control group was included in the second study, to which no mention was made about the social visibility of the payment. Care was taken after both studies to ensure that the payment decisions did not remain in any official records regarding the customers participating in the research.

The participants were then divided into two groups based on their social-identity salience, in other words the degree to which group membership is a major part of one's social identity (Tajfel 1972). The participants of the first study were divided depending on whether or not they were formal members of the organization, and in this setup the PWYW offer was given in conjunction with online registration. Those taking part in the second study differed in terms of how familiar they were with other participants, and they were given a book offer at the end of an event in the form of a printed leaflet. Thus, in both cases the payment decision was made without direct influence from other consumers. The participants of the first study were surveyed after each seminar, whereas those at the professional events were surveyed in conjunction with the payment decision. The average price paid for the seminar participation (Study 1) was 39.44 euros, whereas for the book (Study 2) it was 6.56 euros. In both cases the participants were given a (constant) reference-price cue (how much the product usually cost).

Experimentation is typically considered a positivist or logical-empiricist approach to deducing hypotheses from a theory and then testing the theory, so that each test gradually strengthens its confirmation (Easton 2002). However, in this work I do not see experiments as vehicles for confirming a theory as a universal law. According to Ron (2002), experiments can be seen as activities in which scientists manipulate a structured, closed entity. However, given that the world is considered an open entity here, experiments can be of help in making inferences about the reality and enabling observation of an activity of a mechanism. For such a purpose the scientist should seek situations that facilitate these observations. Field experiments are therefore considered valuable research setups. Statistically, the results were subjected to analyses of variance (ANOVA) because the dependent variable was continuous whereas the independent variables were categorical.

4. AN OVERVIEW OF THE FINDINGS

4.1 Essay I: Can we get from liking to buying? Behavioral differences in hedonic and utilitarian Facebook usage

The first essay discusses consumers' motivations for engaging with a company in its social-media community, in this case a Facebook page. The investigation concerns the effect of public and private customer engagement behaviors, namely browsing and participation, on purchase intentions, referral intentions, and membership-continuance intentions. Participation refers to customer engagement behaviors as described by Jaakkola and Alexander (2014): posts or comments submitted to the community that can either influence or mobilize other customers (regardless of the number of people mobilized or influenced, the point is that the posts or comments *can* be seen by others). Thus, participation is a public behavior. Browsing, on the other hand, being a voluntary and non-transactional behavior that manifests a favorable attitude towards the company, represents private customer-engagement behavior. The motivations studied were utilitarian (task-related) and hedonic (enjoyment-related), as Babin and colleagues (1994) proposed.

According to the results, hedonic motivations indicate a higher propensity to participate in the community whereas utilitarian motivations relate to merely browsing the community page and not participating. However, the participating members did not show any intention to buy from the host company or refer it to others, whereas the browsers did. Both behaviors related positively to the intention to continue to be a member of the community.

The implications of the results should benefit research on customer engagement. If participation is considered a public customer-engagement behavior, we could say that it is based on the intention to seek enjoyment in the participation itself as opposed to seeking task-related benefits. On the other hand, the main motivation of those who engage in private customer-engagement behaviors (browsers) is to find purchase-related information, and they intend to buy. Similar evidence was reported by Cotte and colleagues (2006) but from the perspective of time-planning styles; utilitarian motivations relate positively with information-search behaviors but negatively with entertainment-related behaviors, for example. The opposite is true in the case of hedonic motivation. Information-search behaviors in particular relate to private customer-engagement behaviors, as suggested in this dissertation,

or to customer learning as Hollebeek and colleagues (2016) propose. Thus, Essay I provides initial evidence that public customer-engagement behaviors produce self-standing value for consumers, which might even diminish purchase intentions or act as a substitution.

4.2 Essay II: The danger of engagement: Behavioral observations of online community activity and service spending in the online gaming context

Essay II continues the discussion about the effect of public, non-transactional customer-engagement behaviors on purchase behavior. Again, online community participation was used as a measure of public customer-engagement behavior. Research indicates that customer engagement in online communities has positive effects on related businesses, and that, on an aggregated level, community activity and service spending are positively related (e.g., Algesheimer et al. 2005; Porter and Donthu 2008; Thompson and Sinha 2008). Hence, marketing efforts tend to focus on promoting the community activity of customers. However, research results retrieved on an aggregate level might not properly reflect the processes on the individual level. We argue that in contexts in which both service consumption and community activity require the same, competing (operant or operand) resources (e.g., time), the latter might substitute the former, at least in the short run. A substitution effect could emerge from reveling or habituation: customers partly satisfy their need for a service by habituating to it during engagement in a community without needing to buy or consume it (c.f., Dadds et al. 1997; Morewedge et al. 2010).

The results imply that, on the level of the entire community (vs. its individual members), the relationship between community activity (total number of posts) and service spending (total amount of money spent) is very strong, but on the individual level it is weak. Moreover, we observed that the effect of an individual's average community activity (i.e., the level of customer engagement, see Bowden (2009) on customer engagement over time was distinct from his or her monthly community activity. This means that the more active an individual was in the community, on average (compared to other individuals), the less money he or she spent on the service. On the other hand, during the months in which they were more active in the community (compared to their own average level), they also spent more money on the service. Finally, there was an interaction effect between these variables, which implies that when community activity increases among relatively active consumers, their service spending decreases.

Essay II reports empirical evidence implying that the aggregate positive relationship between service spending and community activity in an online gaming context does not correspond to the individual-level relationship. In other words, theories suggesting a positive relationship between public customer-engagement

behaviors and overall service spending are not telling the whole story: public customer-engagement behaviors are relative to other activities and increases in one's own engagement might result in decreases in consumption behaviors. Note that the result is highly contextual and might not apply to different kinds of products and settings. The finding in this particular context may be attributable to the so-called "reveling effect", which arguably means that public customer-engagement behaviors can produce better value than the actual service consumption and therefore be a substitute for it. Theoretically, the finding is in line with the observation of a non-significant relationship between participation and purchase intentions reported in Essay I.

4.3 Essay III: Pay-what-you-want pricing research: Review and propositions

It could be argued that voluntary payments constitute one category of customer engagement behaviors viewed as voluntary resource contributions (Natter and Kaufmann 2015). Thus, I define these voluntary and motivational behaviors that have a strong focus as transactional customer-engagement behaviors that correspond to Hollebeek and colleagues' (2016) notion of integrated operant and operand resources in customer engagement. Money is considered an operand resource, which allows customer engagement to occur in contexts such as pay-what-you-want pricing. Although perhaps seemingly irrational from the seller's perspective, research has shown that a PWYW price offer can generate either positive or negative sales value, and that there is a range of variables that have an effect on it (e.g., Kim et al. 2009). Therefore, Essay III reviews the existing literature on PWYW pricing and summarizes the key findings, identifies unresolved issues, and makes propositions for future research.

The profitability of a PWYW price offer is determined via two factors, average price paid and sales volume. Having conducted a literature review I identified four revenue-driver categories that could have an effect on either or both of these factors: consumer characteristics, the buyer-seller relationship, price-offer tactics, and exogenous factors. With regard to consumer characteristics, the empirically strongest support was for the positive effect of preference for fairness (Kim et al. 2013; Kim et al. 2009; Schons et al. 2014) and age (Kim et al. 2013; León et al. 2012), and for the negative effect of price consciousness (Kim et al. 2009; Schons et al. 2014). The evidence concerning buyer-seller relationships is diverse. Even though many assume that customer loyalty would increase paid PWYW prices, no strong relationship has been established (Kim et al. 2009; Riener and Traxler 2012; Schons et al. 2014). However, satisfaction with the seller (Kim et al. 2009; León et al. 2012; Schons et al. 2014) and the seller's reputation (Kim et al. 2013; Kim et al. 2009) seem to increase PWYW prices.

The most extensive evidence of the workings of PWYW offers relates to price-offer tactics. Most importantly, PWYW research aligns with the research on general reference pricing: externally provided reference-price cues (e.g., a claim about how much a product usually costs) have a strong positive impact on paid PWYW prices (Gwebu et al. 2011; Jang and Chu 2012; Kim et al. 2013; León et al. 2012). In addition, tactics that highlight the customer's social responsibility in determining the price often affect the price paid, but the effect is not consistent (Kim et al. 2013; Gneezy et al. 2012). Finally, as in almost any marketing phenomenon, exogenous factors (i.e., external causes) may also affect paid PWYW prices or sales volumes. Riener and Traxler (2012), for example, showed that the weather affected consumers' payment decisions, but other variables that do not relate to the offer, the seller or the buyer – such as competitors' actions – might also affect consumers' PWYW decisions.

With regard to the research on customer engagement, Essay III identifies factors that are expected to affect transactional behaviors. In particular, it seems that the effect of the customer relationship on the level of transactional customer-engagement behaviors is frequently overridden by the effect of price-offer tactics. Both Bowden (2009) and Maslowska and colleagues (2016) suggest that brand loyalty is a potential consequence of customer brand engagement, and that the two might have a reciprocal, two-way relationship. However, according to the literature review loyalty does not have strong explanatory power in the context of transactional customer-engagement behavior. Indeed, customers seem to hold strongly on to social norms (e.g., reference price cues, cues of others' behavior) when deciding on their level of transactional customer engagement. Essay IV investigates in more detail the effect of social norms and social recognition on paid PWYW prices.

4.4 Essay IV: Should pay-what-you-want price decisions be seen by others?

On the assumption that customer engagement is a behavioral manifestation of a favorable attitude toward a firm that goes beyond the transaction (van Doorn et al. 2010), it is likely that such customers would also be willing to manifest their engagement in the form of high PWYW payments – particularly if they have a close relationship with the seller and their payment decision is made public. As noted in the literature on pro-social behavior, if transactional customer-engagement behavior is made public, payment amounts will increase because consumers are incentivized by image motivation – the desire to be liked and well-regarded by others (Ariely et al. 2009; Lacetera and Macis 2010; Soetevent 2005). However, initial empirical evidence regarding consumers' PWYW payment decisions associated with social recognition is mixed (Gneezy et al. 2012; Gneezy et al. 2012; Kim et al. 2013). It is posited in this essay that social-identity salience determines

the functioning of image motivation in PWYW payments: it has been found, in accordance with social identity theory, that belonging to a group and thus being aware of the social consequences of one's decisions induces consumer behavior that is favorable to the group (Briley and Wyer 2002; Dholakia et al. 2004).

The results of the analysis show that social-identity salience determines the way in which image motivation affects PWYW prices: visible payments exceed anonymous payments only among consumers whose social identity is closely linked to the seller or the surrounding consumption community. Otherwise, image motivation does not affect the prices paid. It could be posited from this finding that making the behavior of salient group members visible to others induces transactional customer-engagement behavior such as fairly perceived PWYW price decisions that is favorable to the seller. This effect could be attributed to the need among consumers to maintain their social status in communities in which they have something to lose: in accordance with social identity theory, PWYW payments perceived as fair act as identity signals that differentiate in-group from out-group members (Berger and Ward 2010; White and Dahl 2007). As a result, high social-identity salience encourages high visible payments that will maintain the payer's social identity and avoid decreases in social status.

Given these findings, I argue that public customer-engagement behaviors have identity-related consequences, which is why consumers engage in them to varying degrees and in varying ways, as Gneezy and colleagues (2012) also showed in the case of consumers opting-out from PWYW-priced purchases, for example. Thus, identifying public and private customer-engagement behaviors and interpreting them from the perspective of social identity theory could shed light on phenomena such as non-public participation in online communities (i.e., lurking) (Nonnecke et al. 2006) and differing consumer behavior when a participatory payment is visible vs. not visible to others (Gneezy et al. 2012; Kim et al. 2014). It is thus concluded in Essay IV that social identities begin to play a more significant role in transactional customer-engagement behaviors when the behaviors are made public.

5. SUMMARY AND CONCLUSIONS

5.1 A summary of the findings

I have made a distinction in this dissertation between public and private as well as between non-transactional and transactional customer-engagement behaviors. Previous research has not considered the effects of these two types of behavior even if modern marketing is highly dependent on customer's voluntary participatory actions. The research questions and the respective findings fall into two categories: the effect of public and private non-transactional customer-engagement behaviors on one's own purchase behavior (RQ1, RQ2), and the difference between public and private transactional customer-engagement manifestations in terms of purchase value (RQ3, RQ4).

First, I show in Essays I and II that public customer-engagement behaviors could have more of a reversal effect on the same person's purchase or consumption behavior than is typically expected. It has been shown that, in general, social activity in the form of public customer-engagement behavior creates social capital for the focal brand or organization, which consequently also creates an opportunity to generate economic activity (e.g., Balasubramanian and Mahajan 2001). There is also evidence that other consumers are affected by customer engagement behaviors such as customer advocacy (Roy 2013). On the other hand, customer engagement has been found to have a positive effect on one's own purchase behavior but typically through mediators such as commitment and loyalty (Algesheimer et al. 2005; Casaló et al. 2007). However, when it comes to the direct relationship between public customer-engagement behavior and one's own purchase behavior, the association is not as straightforward. Essay I, for example, shows that the manifestation of customer engagement in terms of online community participation does not relate to purchase intentions. Moreover, it is suggested in Essay II that the relationship between individual online-community activity and service spending depends on the person's relative activity in the community: a further increase in activity decreases spending among those who are, on average, more active than others. Therefore, the assumption that customer engagement behavior results in increased purchasing, even over time, does not hold.

Second, Essays I, III and IV clarify the distinction between private and public customer-engagement behaviors. The literature identifies these two behaviors but

largely discusses them in the context of online communities (Burnett 2000; Hammond 2000). Moreover, the consequences of these behaviors or modes of engagement have not been considered. Essay I shows that “quiet membership”, which is considered private customer-engagement behavior, relates positively to purchase intentions whereas “communicative membership”, in other words public customer-engagement behavior, does not. It is argued that this could be attributed to the utilitarian and therefore more purchase-oriented mindset of browsers compared to participating members. Participating members, on the other hand, are motivated by hedonic (rather than utilitarian) concerns and find enjoyment in mere active participation. This phenomenon is similar to window-shopping: sometimes and for some consumers going shopping is a value-creating activity in itself, the purpose of which is not to find things to buy but to enjoy browsing through the stores and products (Babin et al. 1994).

Essay III points out how a number of factors affect transactional customer-engagement behavior in the form of PWYW payments. Among other things, the evidence is diverse with regard to how loyalty affects paid PWYW prices – sometimes it increases them, but not always (Kim et al. 2009; Kim et al. 2013). Moreover, both Riener and Traxler (2012) and Schons and colleagues (2014) found that, over time, the same individuals decreased the price they paid for the same item from the same seller. These findings imply that being identified or known by a seller does not necessarily increase voluntary resource contributions. Given the conflicting results reported in studies investigating the effect of payment anonymity (or visibility) on paid PWYW prices (Gneezy et al. 2012; Kim et al. 2013), it was decided to manipulate payment anonymity and to control for customers’ social-identity salience (Essay IV). The findings show that payment visibility increases PWYW payment amounts, but only if social-identity salience is high. This implies that the degree of transactional customer-engagement behavior is dependent on the relationship with the seller or the surrounding community, and manifested customer engagement will not be particularly high if there is no social reward. Thus, it seems that customer engagement is manifested partly for self-definitional reasons.

5.2 Theoretical implications

This research contributes to the literature through the creation of a **new taxonomy of customer engagement behaviors**, which is supported by existing theories and evidence on customer engagement. Based on the taxonomy, customer engagement behaviors are argued to be *brand- or firm-focused behaviors that go beyond the customer’s required role for service delivery*. This view is based on customer organizational citizenship and service literature (Bove et al. 2009) and departs from the existing definitions that do not consider the possibility of customer engagement behaviors to be transactional or private, but does not take a stance on whether or not the behaviors favor the focal firm – they can be negative

in tone or have negative consequences on the firm. This is the stance the more recent literature has also taken (Hollebeek and Chen 2014; Jaakkola and Alexander 2014; Kumar et al. 2010). The new definition also highlights the role of customer engagement in creating customer experiences and co-creation of value.

According to the spirit of service-dominant logic (Vargo and Lusch 2004, 2008), this research has identified a phenomenon related to **consumers' alternative ways of satisfying a particular need**. As such, these “methods” are rarely fully conscious – consumers are continuously making choices but the alternatives they rule out are not necessarily cognitively addressed. Discrete-choice models (McFadden 1980) predict the choice between two or more exclusive alternatives but, in the context of customer engagement, the choice is not completely discrete: a consumer may choose to engage in customer engagement behaviors and to consume a product, even simultaneously. The reason for such “substitution” of engagement and purchase-related activities is argued to lie in consumers' differential and changing value perceptions and habituation to or fatigue with a specific activity. I will elaborate these notions next.

Consumer-perceived value may emerge in a different way than anticipated, and value perceptions vary among consumers (Holt 1995; Muñiz and Schau 2005). Hedonic and utilitarian value experiences are one example of how consumers perceive the same things (e.g., shopping) differently (Babin et al. 1994; Hirschman and Holbrook 1982). Indeed, as stated in the literature on value co-creation it is the beneficiary who always uniquely and phenomenologically determines the value (Vargo and Lusch 2008). Thus, expecting customer engagement behavior necessarily to lead to commercial activity dismisses the possibility that such behavior offers superior value and suffices as it is. Therefore, I make the point that consumers might already **derive value from their engagement behaviors and therefore substitute actual purchases with engagement experiences**. However, this finding largely depends on contextual factors: for example, customer engagement cannot fully substitute consumption in monopolistic markets or in the case of utilitarian products. Indeed, as Hollebeek (2013) posits, it is likely to create more customer value (note, different from purchase value) in the case of hedonic product categories than in the case of utilitarian categories.

Another potential reason for the identified substitution of commercial activities with social activities apart from the differing value sources relates to habituation. A subject of discussion, particularly in the advertising literature is the “wearout” phenomenon, according to which overly repetitive advertising becomes decreasingly effective (Naik et al. 1998). Even so, repetitive advertising is considered important in creating awareness, preference and choice (D'Souza and Rao 1995). The possible negative effect of marketing efforts is less frequently considered, however, despite the evidence of such occurrences. Leckie and colleagues (2016) found a negative relationship between brand loyalty and the cognitive processing of a brand in the engagement context. Kristofferson and

colleagues (2014), in turn, report that public customer-engagement behavior (measured in Facebook likes) related to a non-profit cause led to lower donations than private engagement behavior. Zhu and colleagues (2012) further found that participation in eBay communities was negatively related to the number of listings and the amount of money spent.

It is suggested that the reason for the observed substitution of commercial activities with engagement activities is that engaging with other consumers in a specific consumption activity creates mental imagery of that activity, which could consequently satisfy the need to engage in it. Morewedge and colleagues (2010) identified this phenomenon with regard to the substitution of actual with the mental consumption of food. Hollebeek (2011b) offers further support, arguing that there is an “optimal point” of customer brand engagement, the surpassing of which could have negative effects from the marketer’s perspective. This research sheds light on this issue in showing that customer engagement behaviors could indeed have negative consequences because they may be value-creating and satisfying in themselves, and might give the person concerned the experience of the sought-after value in the actual service. In a similar vein, Higgins and Scholer (2009) suggest that general engagement with an object and its various sources of strength increases the value experienced from the object, making positive experiences more positive, and negative experiences more negative. It should be noted, however, that enjoyment or intrinsic value derived from customer engagement behaviors may strengthen customer engagement in general and the value retrieved from the relationship, which in the long run could have positive effects on the customer’s behavior from the firm’s perspective, such as positive WOM (Vivek et al. 2012).

Another theoretical implication is that **social-identity concerns lead to different consequences depending on the visibility and focus of the engagement behavior**. According to the social identity theory, people signal their desired and undesired identities through behaviors that either associate or disassociate them to a group (e.g., Berger and Heath 2007; White and Dahl 2007). With regard to transactional customer-engagement behaviors, significantly higher contributions can be expected if social recognition or approval is provided, which requires the behaviors to be public. Seeking social approval and social signaling are assumed to play a role in the case of non-transactional customer-engagement behaviors as well, but the consequent behaviors do not necessarily relate to increased purchasing. A similar implication has been suggested by Kristofferson and colleagues (2014): public non-transactional behaviors activate impression-management motives, which the positive halo of mere positive engagement satisfies. Thus, consumers easily engage in public customer engagement behaviors that favor the company but if the behavior requires monetary contribution, willingness to engage varies among consumers.

Moreover, I show in the context of customer engagement that public behaviors are not connected to purchase intentions, whereas private behaviors are positively related. On the other hand, public transactional customer-engagement behaviors

are higher among the ones whose social identity is more salient (vs. less salient) with the focal firm. I therefore conclude that **consumers create personal images and seek hedonic enjoyment from public behaviors to which they engage only if they find the focal firm attractive**. Identification with the firm is the key given that consumers want to engage publicly with firms that add something to or are aligned with their own public image. This is in line with the literature on customer-company identification, in which it is suggested that customer extra-role behaviors stem from a sense of connection between an individual and an organization (Ahearne et al. 2005; Bhattacharya and Sen 2003). Private non-transactional customer-engagement behaviors, on the other hand, may turn out to be more profitable from the company's perspective in that they are more closely linked to purchase behaviors and are more utilitarian and thus need-oriented, particularly if the customer has the chance to choose his or her behavior visibility. Visibility of customer engagement behaviors and social-identity concerns may also explain why consumers vary between online platforms with different audience sizes and thus different degrees of privacy (Stutzman et al. 2011).

5.3. Managerial implications

The findings have several implications for marketing practice. First, the effect of public customer-engagement behavior on *other* people should be highlighted. The literature is inconsistent in terms of the engagement effects companies seek in their marketing efforts, but according to this research they should be seeking network effects. Thus, as Jaakkola and Alexander (2014) propose, customer engagement behaviors influence and mobilize other consumers, although I show that they do not necessarily increase the likelihood of making a purchase in the person engaging in them. This raises the question of who should be the targets of companies in their public engagement efforts. Kumar and colleagues (2007) argue that customers whose referral value is high are different from those whose lifetime value is high. Moreover, as Schmitt and colleagues (2011) found, referred customers generate more profit than customers attracted via company-originated marketing, hence there are strong reasons to suggest that public engagement behaviors should be targeted at customers who have large networks but whose own lifetime value is low. These customers perceive the relationship with the company as valuable but are not expected to increase their purchasing. This finding may refer to purchase behavior in the short run rather than the long run, however: there is a large body of evidence indicating that customer engagement in general is related to loyalty, involvement and trust (e.g., Vivek et al. 2012; Masłowska et al. 2016), for example, and the current research does not contest that.

Second, I argue that customer engagement can decrease customer spending because the engagement behaviors create self-standing value and enjoyment as such. Hence, one does not need to buy a product to enjoy it. The present findings indicate that talking about the product already creates value: take, for example an

online community for Ferraris and imagine how many of its members actually own one. This creates an opportunity for new business models that originate from the act of engagement: the business is not built on selling physical products but on enabling consumers to engage with them or with the firms making them. Examples of such business models include museums, exhibitions, and fairs sponsored by powerful brands that customers pay to visit (e.g., the Guinness Storehouse in Dublin); shopping malls and retail outlets that provide entertainment and ways to pass the time to an increasing extent, thereby changing the logic of how and what people consume (c.f., the “experience economy” (Pine and Gilmore 1998); “retailtainment” (Ritzer 1999)) and exclusive information provided only in closed communities for which consumers pay (in money or otherwise) to belong; and finally, companies using their communities and other places of engagement to generate revenue through advertisements. Kim and colleagues (2013) similarly showed that increased time spent in interacting with a service could translate into a higher willingness to pay for it, and therefore propose a pricing model that initially subsidizes the service usage to encourage further consumption.

Third, when companies are expecting voluntary resource contributions from their customers, such as in the form of PWYW payments, the focus should be on the potential social benefits to the customer. It has been reported in a variety of studies that contributions to charities and other non-profit causes increase when the participants’ efforts and donations are publicly announced (Ariely et al. 2009; Lacetera and Macis 2010; Soeteven 2005). Moreover, as customer-company identification is essential for generating customer extra-role behaviors (Ahearne et al. 2005; Bhattacharya and Sen 2003), companies could expect such behaviors from customers who want to be publicly identified with them. Ahearne and colleagues (2005) found that in a B2B context a company representative creates reasons for identification, and based on this research I would add that a surrounding consumption community could also act as a marker of social identity that affects engagement behavior. Therefore, companies that have or are close to flourishing communities (be they loyal customers who know each other, highly integrated online communities, or groups in which people want to impress others) are able to benefit from public transactional customer-engagement behaviors. At the same time, however, the same customers who voluntarily and publicly contribute heavily may act differently if nobody is aware of the behavior.

5.2 Limitations and future research

The limitations of this work relate to the individual essays as well as to bringing them together. The respective limitations of each essay are presented in Part II, which follows, and hence I concentrate here on those related to bringing the four essays together. First, given the focus in the dissertation on customer engagement behaviors, the work lacks a unified measurement of customer engagement in general. Instead, I concentrate on behaviors that could be labeled as such. I cannot

argue that these behaviors primarily represent customer engagement as I have not measured the cognitive or emotional dimensions of the concept and I cannot link the behaviors to consumers' "deeper" feelings and attitudes about companies. Relying only on behavioral measures could, according to Jacoby and Chestnut (1978), result in the capturing only of the static outcome of a dynamic process. It is suggested in the literature on attitudinal and behavioral customer loyalty, for example, that a low relative attitude accompanied with high repeat patronage (i.e., spurious loyalty) may reflect situational exigencies that are susceptible to competitive actions and changes in the environment (Dick and Basu 1994). Future research should focus on measuring the cognitive and emotional dimensions of customer engagement, and linking them more closely to customer-engagement and purchase behaviors.

Second, I chose a limited number of different customer-engagement behaviors, and the literature has identified several others not included here (c.f., Jaakkola and Alexander 2014; van Doorn et al. 2010). It is possible that engagement through product development, for example, could have different effects on purchase behavior than engagement through online communities. Future studies could compare the effects of these different behaviors – thereby opening up a research avenue of high managerial relevance. In addition, there is a need for studies investigating how consumers perceive different customer engagement behaviors in relation to their identity. The different behaviors are probably thought to have different kinds of identity-related consequences, which is why consumers vary in their willingness to engage in them. The implications of these notions also extend to the division between public and private customer engagement: some behaviors have negative or risky identity consequences, as a result of which consumers avoid them or only wish to engage in them privately. Qualitative research would give valuable insights into the willingness of consumers to engage in particular engagement behaviors.

On the other hand, the concepts of computational social science and big data open up future research avenues within the present topic (Chang et al. 2013). As digital interactions between consumers and companies, as well as customers' interactions with digitalized services become increasingly detectable, more elaborate modeling of the relationship between customer engagement and purchase value (including purchase decisions and prices paid) will be possible (c.f., Kim et al. 2013). In addition, marketing automation and online content attribution (e.g., Heimbach et al. 2015; Xu et al. 2014) enable marketers to react to revealed and favorable customer-engagement behaviors. Thus, future research is not tied to purchase intentions or hypothetical purchase situations, and further investigation into actualized engagement and purchase behaviors is encouraged.

Essays III and IV I focus on so-called transactional customer-engagement behaviors, and the measure used is paid PWYW price. There may well be other kinds of transactional behaviors that differ from the dynamics of a PWYW price. Anybody buying a PWYW product has to choose the PWYW price they want to pay.

However gifts and donations are types of transactional behavior that are not expected from everyone who buys something from a firm (c.f., Natter and Kaufmann 2015). The degree of voluntariness of customer engagement behaviors is therefore expected to have an impact on who will exhibit them and how much they will contribute. Future research should empirically investigate the nature and effects of these behaviors, and evaluate how appropriate they are from the perspective of company performance.

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PART II: ESSAYS

Essay I

Essi Pöyry, Petri Parvinen and Tuuli Malmivaara (2013). Can we get from liking to buying? Behavioral differences in hedonic and utilitarian Facebook usage. *Electronic Commerce Research and Applications*, 12 (4), 224–235.

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Can we get from liking to buying? Behavioral differences in hedonic and utilitarian Facebook usage

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ABSTRACT

Companies' Facebook pages have emerged as a commonly used marketing channel and their importance as a sales channel is likely to increase. Details about consumers' underlying motivations to use these pages need to be linked to their effect on the host company's business. This study distinguishes between consumers' hedonic and utilitarian motivations for using company-hosted Facebook pages and relates them to two types of community usage behavior: browsing and participation. The effects on variables closely linked to business performance are examined. Analysis of data collected from 1162 members of a travel agency's Facebook page reveals that hedonic motivations indicate a higher propensity to participate in the community whereas utilitarian motivations relate more strongly to merely browsing the community page. The participating members, however, do not show intentions to buy from the host company or refer it to others, while the browsers do. For practitioners, the finding that hedonic community participants are needed to maintain the community, but that they are unlikely to profit the company, is crucial.

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1. Introduction

Social commerce is predicted to be the next large and disruptive phenomenon in business in terms of redefining the customer relationship (Wesson 2010). This phenomenon has evolved over time, and is currently generally defined as *commerce activities mediated by social media* (Curry and Ping 2011). Companies are integrating social shopping tools such as recommender and review systems into their online stores (Stephen and Toubia 2010), and are increasingly using social networking services for commerce-related activities, or are planning to do so in the near future (Wesson 2010). The Internet abounds with social networking sites such as Facebook, Twitter, LinkedIn and Pinterest, for example. The power of such online networks lies in the fact that they, unlike the typically organized web in general, are organized around their users (Mislove et al. 2007), thus making it possible to utilize user interconnectedness in order to reach large audiences at a relatively low cost. This potential has aroused a great deal of interest in social media, and especially in Facebook as a marketing tool: 76 percent of companies in 2011 reported that they planned to strengthen their presence on Facebook (Socialmediaaminer.com 2011). Although there is no denying the popularity of many other social networking

sites, Facebook is currently the most widely used, with over one billion registered users globally (The Wall Street Journal 2013). As digital social interaction lies in the heart of social commerce, Facebook will undoubtedly be one of the most prominent tools to conduct social commerce activities.

However, despite the undeniable commercial potential of social networking sites like Facebook, no sound theories exist that would enhance understanding of what motivates consumers to interact with companies in social media environments. Their motivations and reasons for belonging and participating in traditional brand communities are fairly well documented (e.g., Algesheimer et al. 2005, Ridings and Gefen 2004, Wang and Fesenmaier 2003), but social networking sites represent a different kind of environment in which the consumer can choose to interact with multiple companies within one site, with relatively little effort. Thus, a consumer interacting with a company on a social networking site, such as Facebook, might not be as committed to it as a consumer who joins a discussion forum-based brand community located on a separate site, for example. Furthermore, as social networking sites are expected to represent the future of electronic commerce in the form of social commerce (Curry and Ping 2011), it is necessary to know what drives the business in those environments.

The current research widely adopts the view that consumption behavior includes both utilitarian and hedonic dimensions. Utilitarian behavior is defined as goal-oriented and rational, concerned with effectiveness and instrumental value, whereas hedonic behavior implies seeking fun, play, enjoyment and experiences

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(Babin et al. 1994, Batra and Ahtola 1990, Dhar and Wertenbroch 2000, Voss et al. 2003). Both dimensions have been found to explain traditional consumer behavior (Arnold and Reynolds 2003, Babin et al. 1994), as well as, more recently, online consumer behavior (Cotte et al. 2006, Hartman et al. 2006, Mäenpää et al. 2006). There is a wide recognition among researchers of the utilitarian value of online communities for consumers (Bateman et al. 2010, Casaló et al. 2010), but their hedonic value has received somewhat less attention (c.f., Sanchez-Franco and Rondon-Cataluña 2010). However, as online communities are known to speak to consumers' both informational as well as social needs (Kozinets 1999, Ridings and Gefen 2004), the way social networking sites are organized around their users highlights the social, and thereby probably more experiential, aspect of their use. The dichotomy between hedonic and utilitarian provides, therefore, new knowledge within the social network context.

The aim in the current study is to tackle these challenges by developing a model for consumer behavior on company-hosted Facebook community pages. In particular, we examine the relationship between the members' hedonic and utilitarian motivations for using the community and their usage behavior. We seek answers to the following research question: How are users' hedonic and utilitarian motivations for using companies' Facebook community pages reflected in their usage behavior? We differentiate between two types of behavior, browsing and participation (Casaló et al. 2010, Cotte et al. 2006, Novak et al. 2000), which are currently the most prominent usage behaviors in Facebook. Along the ideology of social commerce, the usage behavior 'electronic shopping' (Cotte et al. 2006) will probably become more common in Facebook in the future, but, at the moment, that activity is still extremely limited and scarce.

To complete the model and to increase our understanding about the possibility of conducting business transactions in Facebook, we also explore the outcomes of the usage behavior in terms of purchase and referral intentions as well as membership continuance intentions. Although these indicators do not necessarily mean that actual purchasing will take place, they do appear to possess predictive power (Jamieson and Bass 1989). We explore these outcomes for three reasons. Firstly, understanding only motivations and behavior is inadequate for practitioners who are interested in the economic value of their marketing initiatives. Linking behavioral actions to even attitudinal outcomes will give a more in-depth understanding of consumer behavior in the context of Facebook community pages and insight into the type of behavior that should be encouraged in order to achieve a positive impact on sales. Secondly, research supports the interconnected link between these attitudinal factors and company performance (e.g., Luo and Homberg 2007, Zeithaml et al. 1996), and while there are also mixed results and doubt towards using these metrics (e.g., Chandon et al. 2005, Morgan and Rego 2006), their combined effect is bound to predict business performance better than only one metric or no metric at all. Thirdly, company-hosted online communities are usually open to everyone and, thus, there are oftentimes also non-customers in the community. When it comes to purchase intentions, they reflect users' *future* purchases, thus capturing the potential value of community members who might currently be non-buyers.

This article provides a basis on which to study hedonic and utilitarian consumer behavior within the novel context of social commerce mediated by social media. Given that social media-related activities are steadily gaining in terms of the proportion of all time spent online (Nielsen 2011), there is a clear need for research that would enhance understanding of both hedonic and utilitarian drivers of consumer activity in commercial social media environments. Neither dimension alone is sufficient to explain and capture the complex phenomenon of such consumer behavior.

2. Theoretical background

2.1. Hedonic and utilitarian web consumption

There is ample evidence that hedonic and utilitarian motivations affect consumption behavior (Arnold and Reynolds 2003, Babin et al. 1994, Batra and Ahtola 1990, Dhar and Wertenbroch 2000, Holbrook and Hirschman 1982). It is further suggested that utilitarian motivations relate to goal-oriented and rational behavior, whereas hedonic motivations are concerned with fun, playfulness and enjoyment (Babin et al. 1994, Batra and Ahtola 1991). Holbrook and Hirschman (1982) explicitly refer to hedonic and utilitarian consumption motivations, claiming that the traditional view of consumption as an objective act, focused on gaining maximum utility value, is likely to be inadequate in terms of capturing the wide spectrum of consumption motives. Batra and Ahtola (1990) subsequently found that consumers derived value from consumption bi-dimensionally, enjoying both instrumental (utilitarian) and experiential (hedonic) benefits.

A recent research stream has focused on the hedonic and utilitarian dimensions of web consumption (e.g. Cotte et al. 2006, Hartman et al. 2006, Kim et al. 2012, López and Ruiz 2011), and it can be divided by two prominent ideas: hedonic and/or utilitarian value is created in different usage activities and by different information system types. According to the first view, web consumption incorporates a multitude of behaviors (browsing, searching, chatting, shopping, etc.) that can be seen as inherently practical, objective and goal-directed, or subjective and experiential (Cotte et al. 2006, Hartman et al. 2006). According to the second view, web environments (news sites, discussion forums, video services, etc.) in themselves, or in their features (security, accessibility, quickness, etc.), may be hedonic or utilitarian, or a mixture of both (Bernardo et al. 2012, Kim et al. 2012, van der Heijden 2004).

However, regardless of whether we look at the online activities or different information systems and their features, we can see that the hedonic or utilitarian value of whatever object is determined by the degree of utility or enjoyment it provides for the user. Thus, both the nature of the context as well as the motivation to use a website will determine the kind of usage behavior in which the user engages (Cotte et al. 2006, van der Heijden 2004).

2.2. Online brand communities

Internet technology allows for easy information sharing and communication beyond geographical and time limits. The absence of such limits sets online communities apart from traditional geographically bounded communities (Bagozzi and Dholakia 2002, Kozinets 2002), as they exist entirely within a computer-mediated environment located in cyberspace (Koh and Kim 2003). Online communities usually depend on voluntary actions on the part of their members, and are built around shared interests (Bagozzi and Dholakia 2002). Shared interests are the defining feature of a voluntary community and a prerequisite for its existence (Koh and Kim 2003), and, by connecting through the shared interests and practices, the members create value in the community (Schau et al. 2009, Seraj 2012).

Online communities vary, communities of consumption being a distinct type (Kozinets 1999). Kozinets (1999) defines communities of consumption as 'affiliative groups whose online interactions are based upon shared enthusiasm for, and knowledge of, a specific consumption activity or related group of activities'. Brand communities are similar and are also related to consumption, but instead of focusing only on the consumption activity, they are based on a shared interest in and admiration for a specific brand (Muñiz and

O'Guinn 2001) and on the customer experience with the brand, marketer, product and other customers (McAlexander et al. 2002).

Online brand communities fall into two distinct types. Reflecting the member-initiated and organization-sponsored types of virtual community Porter (2004) identified, Jang et al. (2008) categorize online brand communities as consumer-initiated and company-initiated. The former are unofficial communities that are built voluntarily by consumers, whereas the latter are created by companies, usually in order to initiate a conversation with customers and to create a channel for accessing feedback and disseminating marketing messages. Social networking sites, a distinct case of online communities, are organized around their users but can still be company- or consumer-initiated (Mislove et al. 2007). Brand communities in themselves can affect the behavior of their members in many ways (c.f., Muñiz and O'Guinn 2001, Kozinets 2002) and it has been suggested that the way a brand community is hosted (consumers vs. companies) moderates the effects the community has on its members' behavior (Muñiz and O'Guinn 2001) and brand loyalty (Jang et al. 2008).

Facebook pages are an example of a social network-based online brand community. They have certain features that categorize them as online communities, but also features that set them apart from traditional online communities. They are similar to private user profiles, but are meant for public organizations and other bodies. Users can join and interact with the pages by 'liking' them. 'Liking' indicates the user's wish belong to the community and receive messages posted to the page directly to his/her 'newsfeed' – a continuously updating stream of content created in the user's network. Consequently, users can interact with the community without separately going to the actual community page. Even though interaction is easy and fast, each bit of content competes with multiple other updates, messages, videos, photos and comments, and the extent of given attention to each bit decreases.

Companies use Facebook pages to communicate to and with consumers, and often they create a large proportion of the page content by themselves. As a result, the pages bear some resemblance to blogs, or even traditional company websites. Unlike blogs and websites, however, Facebook pages allow also member-initiated communication, thereby giving members the opportunity to create content on the page. Furthermore, what makes companies' Facebook pages recognizable as communities is that the members share a common interest, which is why they 'liked' the page in the first place. Therefore, despite certain differences from traditional online communities, it would seem appropriate for the purposes of this study to define such pages as company-initiated online communities. We acknowledge the existence of consumer-initiated brand community pages on Facebook, but such communities fall beyond the scope of the current study.

3. Research model and hypotheses

The proposed research model is based on the theoretical background discussed above. The model explores the relationships between hedonic and utilitarian motivations in the use of company-hosted Facebook pages, community usage behaviors, intentions to buy from and refer to the host company and continue as a member in the community.

3.1. Hedonic and utilitarian motivations for using company-hosted Facebook community pages

Although previous research findings indicate the presence of both hedonic and utilitarian dimensions in web usage behavior in general, very few attempts have been made to model both types of motivation for using online brand communities. Many models of

online brand community behavior (e.g., Casaló et al. 2010) and technology acceptance (Davis 1989) include the dimension of perceived usefulness, which by definition indicates an underlying utilitarian dimension and is therefore closely related to utilitarian motivations for engaging in online shopping, for example (Childers et al. 2001). The perceived usefulness of a technological application or an online brand community has been found to have a positive effect on their use (Casaló et al. 2010, Davis 1989). However, the more experiential dimension and the enjoyment value of online communities have received little attention so far.

We broadly categorize the motivations for using company-hosted Facebook community pages as hedonic and utilitarian. In line with definitions put forward in previous research (Babin et al. 1994, Childers et al. 2001, Cotte et al. 2006, Holbrook and Hirschman 1982), we suggest that users with utilitarian motivations at a given time seek to achieve a certain goal through the community, such as finding useful information before making a purchase decision. Hedonic motivations, on the other hand, refer to the search for fun and entertainment from the community experience itself. Further, we would expect utilitarian motivations for using a community to be related to obtaining useful information on the object of interest, for example, and making consumption-related decisions in a more efficient manner. Hedonic motivations, on the other hand, are likely to be related to finding a good way to spend time, wanting to be entertained and having fun while visiting the community.

It should be kept in mind that these motivational dimensions are not mutually exclusive or fixed, and may co-exist and change depending on the user's situation and needs (Babin et al. 1994, Cotte et al. 2006). A consumer aiming to complete a task at a given time visits a certain community with this need in mind, but in another situation he/she might visit the same community in order to pass time and to be entertained. However, previous research findings indicate that consumers usually have a tendency to lean more towards one end of the hedonic vs. utilitarian motivation spectrum than the other, depending on their inherent time-planning style (Cotte et al. 2006).

3.2. Community usage behavior

We based our investigation into the behavioral patterns of consumers in company-hosted Facebook pages on the literature on online consumer behavior and online communities. The Internet in itself allows for relatively varied usage behaviors, which can roughly be categorized as information search, exploratory browsing, entertainment and shopping (Cotte et al. 2006). Online communities usually show a more limited set of behaviors, however, depending on the technical and functional platform. The literature on online communities identifies two main types of community membership based on the members' behavior. 'Quiet membership' usually refers to members who read posts by others but rarely post anything themselves, whereas 'communicative membership' refers to those who take a more active approach by interacting with the community (Hammond 2000). Similarly, Burnett (2000) categorizes online community behaviors as interactive and non-interactive.

As online communities exist exclusively online, they are only able to function through the production and consumption of content by the members. They have been found to be valuable sources of information for consumers (Bickart and Schindler 2001, Jepsen 2006), particularly of word-of-mouth (WOM) information (Brown et al. 2003, Dwyer 2007, Hennig-Thurau and Walsh 2004). Information has a core role in classic consumer decision-making theories (e.g. Engel and Blackwell 1982), and information obtained through WOM is acknowledged as being especially influential in decision-making (Brown and Reingen 1987, Engel et al. 1969).

Research results on WOM in the online context (eWOM) suggest that a similar effect is evident in online environments and communities (Chevalier and Mayzlin 2006, Hennig-Thurau and Walsh 2004, Jepsen 2006), further highlighting the importance of content.

Consuming content created by others is how members of online communities both access and transfer informational and social value (Bateman et al. 2010, Welsler et al. 2007). Content is consumed through reading posts or viewing videos and images added by other community members (Bateman 2010), thus representing non-interactive community behavior (Burnett 2000). As the user interface of a Facebook page does not support any directed search activities, a user has to browse the page in order to access content and information. The term *browsing* has multiple meanings depending on the context, but it is generally defined as a type of search behavior characterized by the user actively scanning an environment when moving through it. It can be either goal-directed or non-goal-directed, planned or unplanned (Chang and Rice 1993). In the context of a Facebook community page, we define browsing as scanning and monitoring, either directly on the actual page or, more often, through the user's 'newsfeed' view.

Producing content for a community means *participating* in the community, and it represents interactive, contributive community usage behavior (Burnett 2000, Casaló et al. 2010). Wiertz and de Ruyter (2007) describe participation as the foundation of building shared knowledge within company-hosted online communities. Users of Facebook community pages participate in the community by generating content, such as posting comments on other users' posts, posting questions related to the host company's services or the community topic in general, as well as posting product reviews and experiences.

3.3. Hypotheses

The proposed research model derives from the literature on usage behavior in online communities. Building on the theory of web usage proposed by Cotte et al. (2006) in particular, we suggest that users' hedonic/utilitarian motivations determine their usage behaviors. The motivations are based on the values or benefits that consumers seek from the consumption (Babin et al. 1994) and, therefore, consumers' behavior reflects their values and ideals.

For the purpose of this study, we define motivation as a cause to an action (Eccles and Wigfield 2002). Intrinsic motivation theories (e.g., Ryan and Deci 2000) and interest theories (e.g., Schiefele 1999) link the concepts of motivation and value. The value that is placed on an activity itself, versus its outcomes, and the attribution of personal importance to an activity determine the kind of activity that an individual engages him or herself in. Therefore, we can link hedonic and utilitarian motivations to different usage behaviors. The behaviors, on the other hand, expose the individual to various stimuli that might lead to intentions of other actions. Consequently, motivations generate behaviors that predispose to future behaviors. The motivational mindset determines how new stimuli is perceived and whether and what kind of behavioral intentions it creates.

By linking the usage behaviors to performance and community loyalty outcomes, we can provide understanding about the possibilities of conducting actual business in Facebook. These kinds of models have been previously presented by Casaló et al. (2010) and Algesheimer et al. (2005) but in different contexts and without the perspective of usage motivations. The link between online community members' behavioral intentions and subsequent actual behaviors has been shown by Algesheimer et al. (2005), which is a finding that we base our model to and rationalize the commercial interest of the topic.

Van der Heijden (2004) extends the traditional technology acceptance model by suggesting that perceived enjoyment might

influence users' intentions to use hedonic information systems, such as online communities. This idea relates closely to findings indicating that pleasure-oriented consumers may engage in interaction with a web environment just for the sake of the interaction (Childers et al. 2001, Kozinets 1999). Indeed, as Dholakia et al. (2004) discovered, the enjoyment value of an online brand community has a positive effect on participation behavior in the form of engaging in conversations with other group members. In addition, Cotte et al. (2006) found that web users seeking hedonic benefits from their usage were less concerned with the time they spent than users seeking utilitarian benefits, and were thus more likely to exhibit recreational usage behaviors. Thus, some members may consider participating in the community – such as by engaging in meaningful conversations with other members – a good way to pass their time.

Online browsing behavior has often been associated with seeking sensory stimulation and experiences from web use, consistent with the flow theory (Cotte et al. 2006, Moe 2003, Novak et al. 2003, Pace 2004). According to the theory, consumers sometimes experience 'flow', a state of consciousness when they are deeply involved in an enjoyable activity (Csikszentmihalyi 1975). In online environments, flow resembles exploratory browsing (Cotte et al. 2006, Pace 2004), which can be curiosity-based, variety-seeking or risk-taking, and those consumers explore new sites and click on unfamiliar links to find something new and interesting regardless of time and effort (Cotte et al. 2006, Novak et al. 2000). All of the characteristics of exploratory browsing relate to the features of hedonic motivations as hedonic motivations include seeking of play, fantasy and experiences, for example (Dhar and Wertenbroch 2000, Voss et al. 2003). Additionally, there is evidence that consumers sometimes like obtaining information about something they are interested in as an end in itself, not necessarily for current purchase-related needs (Bloch et al. 1989), and that they enjoy the process (Mathwick and Rigdon 2004). Users browsing a Facebook community page are exposed to sensory stimulation through multimedia content, new ideas, and information related to their area of interest. In the light of these arguments, we propose the following:

Hypothesis 1 (*The Hedonic Motivations and Participation Hypothesis*). Hedonic motivations are positively related to participation behavior.

Hypothesis 2 (*The Hedonic Motivations and Browsing Hypothesis*). Hedonic motivations are positively related to browsing behavior.

Utilitarian motivations for engaging in a particular type of behavior usually concern completing a task in an efficient, timely manner (Babin et al. 1994, Cotte et al. 2006). Accordingly, utilitarian consumers who are motivated to use an online community are not likely to want to engage in time-consuming activities – such as writing posts or comments – if it is not required, and are rather more concerned with finding content that suits their purposes (Dholakia et al. 2004, Kozinets 1999). In the context of general web usage, Cotte et al. (2006) found that utilitarian motivations had a strong positive relationship with search behavior. Bateman et al. (2010), on the other hand, discovered that the level of a member's continuance commitment positively affected thread-related reading behavior in online communities but had no effect on posting. Continuance commitment refers to the user's perception of the cost/benefit ratio of engaging in such behavior. According to Bateman et al. (2010), users seeking instrumental value from the community will only engage in behaviors of the most direct value to them. However, users may also browse in order to build up their knowledge of a subject of interest for future use (Bloch et al.

1986). Browsing the community page could therefore reflect utilitarian motivations even if the user is not currently looking for a specific piece of information (Moe 2003). We therefore posit the following:

Hypothesis 3 (*The Utilitarian Motivations and Participation Hypothesis*). Utilitarian motivations are negatively related to participation behavior.

Hypothesis 4 (*The Utilitarian Motivations and Browsing Hypothesis*). Utilitarian motivations are positively related to browsing behavior.

Jang et al. (2008) studied the effects of online brand community commitment on brand loyalty, and discovered a positive effect. Brand loyalty, in turn, has been found to have a positive effect on intentions to purchase the brand in question (e.g. Baldinger and Robinson 1996). Commitment to a community is often reflected in the behavior of its members, and active participation in community activities is considered a strong indicator of such commitment (Casaló et al. 2010, Jang et al. 2008). Thus, it appears that participating in a company-hosted Facebook brand community may be an indication of the member's affective commitment and loyalty to the brand, which is considered as an antecedent of consumer referral intent, i.e. saying good things about the company (Zeithaml et al. 1996) and purchase intention as proposed by the customer lifetime value model (e.g., Malthouse and Blattberg 2005). Indeed, there is evidence that these types of emotional ties have a positive effect on intentions to purchase and use the host-company's products (Algesheimer et al. 2005, Bagozzi and Dholakia 2006). Casaló et al. (2010), for example, found that contributing to an online travel community was a strong predictor of the intention to use the host company's products. Alongside the argument that participation behavior exhibits affective commitment towards the brand and the community, community engagement has been seen to relate positively with the intention to continue one's membership in the community (Algesheimer et al. 2005). We argue that this is the case particularly in Facebook, where most of the activity is exploratory browsing, and participation behavior shows extraordinary wants to engage with the community. Hence, we propose:

Hypothesis 5 (*The Participation Effects Hypotheses*). Participation behavior is positively related to (a) purchase intentions and (b) referral intentions.

Hypothesis 6 (*The Participation and Membership Continuance Hypothesis*). Participation behavior is positively related to membership continuance intentions.

Park et al. (2007) found in their study on online consumer reviews that purchase intentions were positively affected by both the quantity and quality of the reviews consumers read, reflecting the importance of information on consumer decisions. Similarly, previous research (e.g. Kozinets 2002, Sen and Lerman 2007) has shown that information obtained in an online social network affects the consumer's decision-making process. Consumers browsing an online community tend to encounter substantial amounts of information, and as Kim et al. (2004) report, fulfillment of the information needs of the members may have a positive effect on brand loyalty and purchase intentions. Visitors to company-hosted Facebook community pages encounter, in addition to posts by other members, a variety of marketing messages and other information from the host company. For utilitarian consumers, obtaining information through browsing a Facebook community page

enables the members to fulfill their information needs related to a purchase decision. In other words, the more the user browses a particular community page, the more likely he/she is to be exposed to information and marketing messages that may be useful. Useful or interesting information, on the other hand, will sometimes be forwarded to other consumers as consumers are motivated to help other consumers and enhance their own self-worth in their word-of-mouth behavior (Hennig-Thurau and Walsh 2004). This reflects the idea of online communities as information environments in which users can situate themselves in order to keep a lookout for information related to their areas of interest and to communicate the information to other consumers (Burnett 2000).

Strict information search is concerned with effectiveness and efficiency while exploratory browsing is non-directed sensory-seeking web behavior that has resemblance to both information search and seeking entertainment (Cotte et al. 2006, Novak et al. 2000). Mere information search activity is about finding the desired information as fast as possible and then moving onto the next task while browsers let themselves get distracted if something interesting comes up. Even while hedonically motivated browsing is not directly purchase oriented, Facebook visitors are subjected to marketing messages and positive word-of-mouth and are entertained by the browsing. The browsing activity realizes the general hedonic motivations into specific purchase intentions, which is what most Facebook marketers aim for.

It can be suggested that hedonic motivations not only stimulate the browsing of the pages but also create a positive predisposition for suitable marketing messages, which further stimulates purchase intentions. The effect can be suggested to be similar to Van der Heijden's (2004) account of a positive relationship between perceived enjoyment and the intent to use hedonic information systems. Facebook offers a lot of new stimuli constantly emerging to one's newsfeed. These kinds of information systems encourage users to prolonged use: in contrast to most work-related information systems, for example, social networks aim to get the user to continue usage both in short- and long-term. When browsing is repeated, the purchase related needs can be different at different times of browsing. Sooner or later, the user will visit the Facebook community with more acute purchase-related needs in mind, which will lead to purchase intentions. We believe that browsing Facebook also constantly offers new ideas and experiences to the users, which gets them coming back time after time. In practice, this translates in membership continuance intention. In the light of the above arguments, we posit following:

Hypothesis 7 (*The Browsing Effects Hypotheses*). Browsing behavior is positively related to (a) purchase intentions and (b) referral intentions.

Hypothesis 8 (*The Browsing and Membership Continuance Hypothesis*). Browsing behavior is positively related to membership continuance intentions.

Fig. 1 sets the hypotheses within the research model.

4. Analysis and results

4.1. Data collection

Data was collected from members of a Facebook community of a large European travel agency with a widely known brand in its home country and an extensive customer base. The company is mainly known for its package holidays to popular destinations in Europe and other parts of the world. It was one of the first

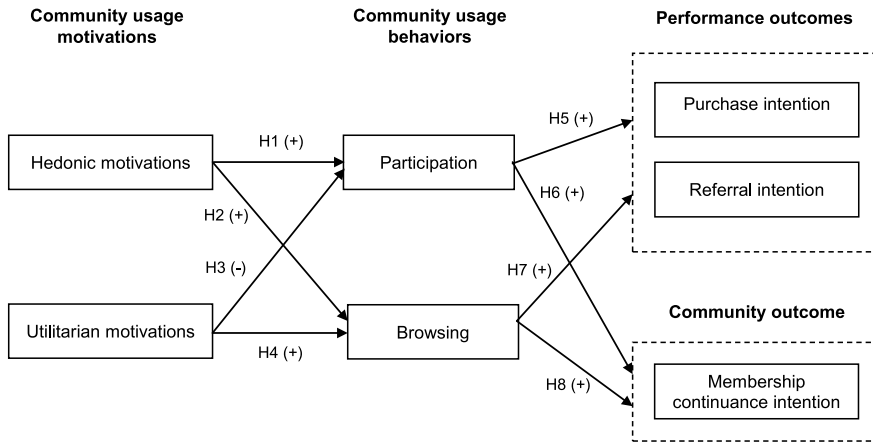


Fig. 1. Research framework.

companies in the travel industry of its home country to utilize Facebook in its marketing.

The research context was considered appropriate given the travel industry represents a large sector of global e-commerce. It has gone through a dramatic structural change as the digital technology has enabled the sales function to expand online (Sanches-Franco and Rondan-Cataluña 2010), which in turn has made search and price comparison of travel services much easier for consumers. From the perspective of partitioning hedonic and utilitarian information search, the versatile nature of leisure travel offers a fruitful empirical arena. In past research, holiday resorts have been found to reflect both hedonic and utilitarian dimensions (Batra and Ahtola 1990, Voss et al. 2003) and leisure travel can indeed be considered an optimal dialogue between hedonic and utilitarian. Hedonic benefits are central to travel services but their utilitarian dimensions, such as time consuming nature and high price, are inevitable. Furthermore, hedonic and utilitarian motivations are not fully dependent on the product or service in question – consumer's personality and context affect the formation of the motivations as well (Babin et al. 1994, Hartman et al. 2006). Therefore, even though travel services might lean more towards the hedonic end of the hedonic-utilitarian continuum, we argue that travel industry still offers generalizability to other consumer service contexts.

In the travel context, the hedonic vs. utilitarian dichotomy has been widely used to study various details of the online travel purchasing process, for example the formation of cognitions, emotional responses and attitudes during web browsing (López and Ruiz 2011), e-service quality (Bernardo et al. 2012), the effect of shopping orientations on online travel shopping (Jensen 2012), customer-manager value perception differentials (Nasution and Mavondo 2008) and the role of interactivity (Yoo et al. 2010). A distinct stream of literature has also focused on the experiential nature of hedonic vs. utilitarian travel offerings (Hosany and Gilbert 2010, Kompola and Gartner 2013). In this article, the focus is on the hedonic vs. utilitarian motivations and usage behaviors of online travel communities.

The case page was chosen for two main reasons. Firstly, it is an example of how companies use Facebook pages: it is a pure brand page rather than a mere interest group. A pure brand page here refers to a page of which the users are primarily fans of the brand. The content is created both by the host company and the page members. The host company's posts are usually travel tips, promotional offers and items related to various marketing campaigns,

whereas members post questions, offer reviews of their holidays and comment on the host company's and other members' posts. Secondly, the host company represents a mainstream and popular brand in its home country. The page has over 81,000 fans (by February 2012), which is a high number given the size of the country's travel industry. We therefore felt justified in limiting the data to information gathered from the fans of this page, and we believe that the results of the study are generalizable to the wider context of Facebook use in the travel industry.

We collected the data by means of a web survey carried out in August 2011. The survey was first pretested on 21 university students in order to ensure its functionality, after which some minor changes were made to the wording. The final survey went out as a public web link that was posted on the Facebook page twice, the second posting a week after the first one. The purpose of the second posting was to remind the members about the survey. As an incentive, the respondents were provided an opportunity to enter a draw of two travel gift cards worth of 100 euros. The survey attracted 1183 responses all together, and, after removing duplicates, 1162 individual responses were accepted for analysis. No exact response rate could be calculated because it was impossible to estimate the number of users exposed to the survey link. Facebook pages tend to be viewed through the user's newsfeed view, and the actual page may not be visited on a regular basis. Thus, some members may have missed the survey links if they had chose not to receive community updates on their newsfeed view. Moreover, a large part of the community members may simply have overlooked the links or did not visit Facebook during the times when the survey invitation was posted.

To test whether there was a difference between those who responded for the different survey postings, we compared the means of the outcome items between these groups (group 1: $n = 545$; group 2: $n = 617$). According to a one-way ANOVA, the means of two out of eight outcome items ('It is likely that I buy a holiday trip from the community host in the near future' and 'I intend to buy service offered in this community in the near future') differed somewhat between the two survey groups ($F = 5.31$, $p = .021$; $F = 4.55$, $p = .033$, accordingly). The means of the first survey cohort respondents to the aforementioned items were 5.99 and 5.53, while the means of the latter respondents were 5.82 and 5.35. The means of all the other six outcome items did not differ on a statistically significant level between the groups. In order to test for non-response bias we analyzed the mean scores on the same

Table 1
Number of purchases by sex.

Number of purchases during past 5 years	Female	Male	Total
None	17.7%	2.7%	20.4%
1	22.8%	4.2%	27.1%
2–3	27.1%	4.0%	31.1%
4–5	11.2%	1.9%	13.2%
6–7	3.6%	.7%	4.3%
7–8	1.2%	.3%	1.4%
More than 8	1.8%	.7%	2.5%
Total	965	165	1130
	85.4%	14.6%	100.0%

survey items of the early versus the late respondents (Armstrong and Overton 1977). We differentiated between the early and late respondents in both of the groups. The one-way ANOVA did not reveal any significant differences at the .05 level.

Of the respondents, 85% were women, and only 15% were men, a ratio that is somewhat in line with the demographics of the population (members of the company's Facebook community page); 75% of the community members were women at the time of the survey. The average age of the respondents was 41.1 years, with a standard deviation of 11.4. According to the statistics provided by Facebook, the average age of the members of the community in question falls between 35 and 44 years. This is also the biggest age cohort. A closer analysis of the community member demographics is not enabled by Facebook as it only provides aggregate numbers about the sex and age of the community members.

Community members were asked about their previous purchasing history with the host company. A clear majority (80%) had made one purchase or more within the previous five years, but interestingly, 20% of the respondents reported that they had not bought anything from the company during that time. The largest cohort (30% of the respondents) comprised customers who had

made a purchase on two or three occasions within the time period, whereas 26% had only made one purchase. Table 1 reports the number of purchases by the sex of the respondents. Due to missing data, 32 responses are missing from the table. The two largest cohorts are the women who had bought one to three times during the past five years from the hosting company.

4.2. Measurement

We based the measurement model on a careful literature review, choosing the items from measurement scales validated in previous research on hedonic and utilitarian web consumption and online community usage behavior. However, given the lack of similar studies in the context of Facebook community pages, we had to adapt the items to fit the context. Specifically, we asked the participants to respond regarding their typical manner of going about the studied community, which enabled us to draw conclusions about the attitudinal and behavioral patterns of engaging in a Facebook community. All of the items were formulated to fit a Likert-type (1–7) scale. The items for hedonic and utilitarian motivations were adapted from Hartman et al. (2006) and Babin et al. (1994), the items on browsing were derived from the exploratory browsing items developed by Novak et al. (2000), and the items on participation were derived from Casaló et al. (2010). The scale for purchase intention was based on two sources, Casaló et al. (2010) on the intention to use community products, and Park et al. (2007) for purchase intentions. Referral intention is based on Zeithaml et al. (1996) albeit the original construct is called loyalty. Finally, membership continuance intention is based on Algesheimer et al. (2005). The final items are presented in Table 2.

Amos 19 software was used in conducting a confirmatory factor analysis to test measurement validity. The first step was to evaluate convergent validity by inspecting the individual item loadings:

Table 2
Measurement scales.

Construct	CR	AVE	Loading ^a	Item ^a	Based on
Hedonic motivations	.852	.616	.900	I enjoy passing the time in the community ²	Babin et al. (1994) ¹ and Hartman et al. (2006) ²
			.938	Using the community is truly a joy ¹	
			.903	Compared to the other things I could have done, being in the community is truly enjoyable ¹	
			.837	I enjoy using the community for its own sake, not just for the travel information I find ¹	
Utilitarian motivations	.786	.589	.883	Success in the community is finding what I'm looking for	Hartman et al. (2006)
			.870	The community helps me with travel planning	
			.816	I like to get in and out the community with no time wasted	
Participation	.868	.647	.911	I participate actively in the community activities (for example by posting to the page or commenting other's posts)	Casaló et al. (2010)
			.956	I use to contribute to the community	
			.920	I usually provide useful travel information to other community members	
			.796	I post messages and responses in the community with great excitement and frequency	
Browsing	.800	.616	.859	I like to browse the community to see what's new (either directly on the community page or through newsfeed)	Novak et al. (2000)
			.926	I like to browse the community for ideas	
Purchase intention	.775	.590	.714	I intend to search for trips available in this community in the near future ³	Casaló et al. (2010) ³ and Park et al. (2007) ⁴
			.874	It is likely that I buy a holiday trip from the community host ⁴	
			.810	I intend to buy services offered in this community in the near future ³	
Referral intention	.876	.721	.873	I intend to say positive things about the company to other people	Zeithaml et al. (1996)
			.975	I plan to recommend the company to other people	
			.889	I will encourage my friends to do business with the company	
Membership continuance intention	.664	.530	.815	It would be hard for me to leave this community	Algesheimer et al. (2005)
			.934	I intend to spend more time in this community than in other similar communities	

^a All loadings are significant at $p < .001$.

^a All items were measured with a 1–7 Likert-type scale (1 = completely disagree, 7 = completely agree).

Table 3
Measurement information and correlation matrix.

Construct	Mean	SD	1	2	3	4	5	6	7
1. Hedonic motivations	3.97	1.53	.785						
2. Utilitarian motivations	4.76	1.35	.727	.767					
3. Participation	2.23	1.39	.540	.417	.805				
4. Browsing	5.27	1.44	.617	.762	.375	.785			
5. Purchase intention	5.82	1.10	.332	.369	.185	.325	.768		
6. Referral intention	5.64	1.39	.259	.277	.161	.268	.599	.849	
7. Membership continuance intention	3.33	1.68	.688	.549	.567	.479	.367	.233	.728

Square-root of AVE on the diagonal on bold; correlations off-diagonal.

all the items loaded well over .60 for the construct they were intended to represent, thereby exceeding the suggested threshold value (Fornell and Larcker 1981). Next, we evaluated the internal consistency of the individual constructs by means of composite validity (CR) and average variance extracted (AVE): the values of both for all items were above the threshold – over .70 for CR and over .50 for AVE, indicating good internal consistency for the measurement model. One exception is membership continuance intention, for which CR is .664. This is not alerting as the value is very close to the recommended threshold and the construct has already been validated by Algesheimer et al. (2005).

To prove discriminant validity of the model, we used the Fornell and Larcker procedure (1981) and compared the square root of AVE for a given construct (presented on the diagonal on bold in Table 3) to the absolute value of the standardized correlation of the given construct with any other construct in the analysis. All of the square roots of AVE exceed the respective correlation, which proves good discriminant validity. Summary statistics for the measurement model are presented in Table 3.

We evaluated several fit indicators in order to assess how well the model fitted the data. Overall, the model fit was good: $\chi^2(168) = 651.188$, $p < .001$. The comparative fit index (CFI) was .972, indicating a satisfactory fit. The Tucker-Lewis index (TLI) was also satisfactory (.964). Finally, the normed fit index (NFI) showed a good fit with a value of .964 (threshold > 0.90); (Kline 2005, 137–145).

When controlling for age and sex, the demographic variables did not have a significant effect on most of the endogenous variables of the model (participation, browsing, purchase intention, referral intention, and membership continuance intention). However, sex had a weak effect on purchase intention ($-.06$, $p < .05$) and on referral intention ($-.06$, $p < .05$). Women had higher pur-

chase intentions and referral intentions than men. Age, on the other hand, had a weak effect on membership continuance intention ($-.05$, $p < .05$). The older members of the community had lower membership continuance intentions than the younger members. Generally, however, age and sex do not seem to explain the variances in the results.

Having assessed the measurement model we constructed a structural equation model (SEM) in order to test the hypotheses. We used the maximum likelihood method to evaluate the structural model: seven out of ten hypotheses turned out to be significant and in line with our expectations. Fig. 2 presents the structural coefficients. The results of the structural model indicate that both hedonic and utilitarian motivations play a part in determining the behavior of members of a company-hosted Facebook community page. We found a strong positive relationship (.51, $p < .001$) between hedonic motivations and participation, and a weaker yet positive relationship between hedonic motivations and browsing (.18, $p < .001$), therefore confirming The Hedonic Motivations and Participation Hypothesis (Hypothesis 1) and The Hedonic Motivations and Browsing Hypothesis (Hypothesis 2). Utilitarian motivations and browsing relate strongly with each other (.65, $p < .001$), as hypothesized in The Utilitarian Motivations and Browsing Hypothesis (Hypothesis 4), but there was no significant relationship between utilitarian motivations and participation, and therefore The Utilitarian Motivations and Participation Hypothesis (H3) had to be rejected. The results also supported The Participation Effects Hypotheses (H5), browsing being positively (.29, $p < .01$) related to the intention to purchase. Both H5a (purchase intentions) and H5b (referral intentions) had to be rejected as there was no significant relationship between participation and purchase intentions and referral intentions. However, those who participate in the Facebook pages seem still to be loyal

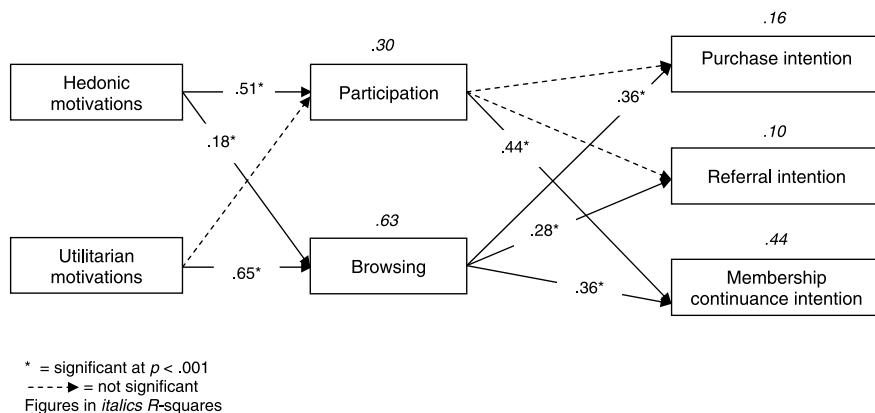


Fig. 2. Structural coefficients.

towards the community as there is a strong and positive relationship between participation and membership continuance intentions (.44, $p < .001$). The Participation and Membership Continuance Hypothesis (H6) is therefore accepted. Browsing, on the other hand, related positively to each outcome measure; purchase intentions (.36, $p < .001$), referral intentions (.28, $p < .001$) and membership continuance intentions (.36, $p < .001$). Thus, The Browsing Effects Hypotheses (H7a, H7b) and The Browsing and Membership Continuance Hypothesis (H8) are accepted.

R-squares of the endogenous constructs show that hedonic and utilitarian motivations explain 63% of the variance in browsing behavior, while, for participation, 30% of its variance is explained by the motivations. The behaviors, on the other hand, explain 44% of the variance in membership continuance intentions construct, while the R-squares for purchase intentions and referral intentions are 16% and 10%, respectively. The results of the structural model are presented in Fig. 2.

5. Discussion

The results of this study offer several interesting insights into consumer behavior on company-hosted Facebook community pages. First, there appears to be a clear distinction between behaviors related to utilitarian and hedonic motivations for using the community page. Hedonic motivations turned out to have a strong and significant relationship with participation behavior and a much weaker relationship with browsing behavior, whereas utilitarian motivations were very strongly related to browsing behavior. This finding offers further validation to the claim that online communities have strong instrumental value to users (Bateman et al. 2010, Sanchez-Franco and Rondan-Cataluña 2010).

The effect of utilitarian motivations on participation remains a mystery, however. The quite low proportion of respondents who reported participating in the community (over 91% of the responses to all the items related to participation fell between 1 and 4) may be one explanation for the non-significant relationship. Despite the lack of a significant relationship in this case, however, the motivation-related findings provide support for the theoretical notion that online consumption behavior is shaped by utilitarian and hedonic motivations (e.g., Babin et al. 1994, Childers et al. 2001, Cotte et al. 2006, Hartman et al. 2006) and highlight the importance of distinguishing between these two motivational domains in the context of online brand communities. Cotte et al.'s (2006) study, in particular, offers similar findings to ours, which validates the strong relationship between hedonic motivations and participation, and utilitarian motivations and browsing. In the studied context, hedonic motivations seem to lead consumers to re-live their past travel experiences or to dream of future travels as they relate strongly with participation, i.e. actual and visible doing in the community. Those consumers want to enjoy themselves and the participation behavior provides them joy and fulfillment. Utilitarian consumers are, on the other hand, more concerned of upcoming purchases and wish to receive or find useful information by browsing the community.

The second major finding is the non-significant relationship between participation and purchase and referral intentions. At the same time, however, participation relates strongly to membership continuance intention. This was partly against our expectations as most marketing literature celebrates the positive effect that online community participation has on business performance. For instance, Casaló et al. (2010) found that active participation was a strong indicator of the intention to use community host's products in the setting of an online travel community. It has also been shown that active participation in an online community reflects a stronger commitment to it, and, eventually, stronger

brand loyalty (e.g., Jang et al. 2008), further indicating the importance of participation behavior in online brand communities. As we cannot provide support for either purchase intention or referral intention – close constructs to those used in the aforementioned studies – the present study shows that the business performance effect of participation is dubious in Facebook communities and definitely something that travel companies should not rely on. On the other hand, we provide support for the engagement effect that participation in the form of membership continuance intention has (Algesheimer et al. 2005).

Our findings reflect those of Sanchez-Franco and Rondan-Cataluña (2010) in demonstrating that a travel community's users with higher purchase involvement were more concerned with its instrumental value than users with low purchase involvement who derived more satisfaction from its hedonic aspects. By definition, hedonic web usage implies that feelings of enjoyment derive from the experience itself, as opposed to deriving value from accomplishing pre-set goals (Babin et al. 1994, Cotte et al. 2006, Hartman et al. 2006, Holbrook and Hirschman 1982). Indeed, as suggested in previous research, mere interaction with a community or web environment may be a source of enjoyment for a consumer without further goals to accomplish (Childers et al. 2001, Kozinets 1999). It would seem logical from these arguments that participation had non-significant relationships with purchase and referral intention given that hedonic motivations exhibited a significant connection to participation behavior whereas utilitarian motivations did not. Those with utilitarian motivations may be more likely to seek value from what they achieve through their use of the community, such as meeting information needs through browsing (Kim et al. 2004). On the other hand, community users leaning more towards hedonic motivations may find the enjoyment of participation a rewarding end state in itself, and consider the value of their participation to their purchase-related decisions secondary. This is reflected in the strong and positive relationship between participation and membership continuance intention. Indeed, it may be that participation affects purchase and referral intentions in a less direct manner given suggestions that contributing to brand communities is positively related to brand loyalty (Algesheimer et al. 2005, Bagozzi and Dholakia 2006).

Another possible explanation for the non-significant relationship between participation and purchase and referral intentions is that Facebook users may have generally lower levels of commitment to the community pages of which they are members than members of more traditional online brand communities. Low commitment could result from the relative easiness of being a member of multiple community pages simultaneously. It is no longer necessary to visit a community on its own separate website because updates from communities are easily retrievable from a single site, Facebook, through its newsfeed view. Further, the relative easiness of such actions could weaken the effect of browsing on purchase and referral intentions through information overload, which is suggested to have a negative effect on the ability to comprehend and utilize information (e.g. Lee and Lee 2004). As the number of their memberships of Facebook community pages increases, users will also be exposed to an increasing amount of information.

6. Managerial implications and limitations

While offering valuable theoretical insights into consumer behavior within the study context, the findings also reveal some managerial challenges. In particular, the non-significant relationships between participation, purchase intention and referral intention is problematic in implying that focusing on participating members appears not to be the best strategy in terms of a possible

direct sales impact. This could be considered an alien notion, given that the possibility of actively including customers in the marketing process has been widely celebrated as representing the revolutionary power of web 2.0 and social media (Wesson 2010), and indeed the new holy grail of marketing. Our results rather imply that focusing on providing useful and relevant information on their Facebook pages might actually be a more effective strategy for companies to enhance performance outcomes. It may be that consumers use Facebook pages in much the same way as they use company websites – as sources of relevant information on an area of interest. They may ‘berry pick’ through the different Facebook pages they ‘like’, constantly seeking the best offers, the most engaging sites and the most entertaining content.

However, the relevance of browsing and information may be more pronounced in the context of experience and credence goods (Mittra et al. 1999), such as travel, compared to search goods that are easier to evaluate before making a purchase. Furthermore, users participating in the community are valuable to companies in terms of generating content through which other users seeking information can then browse. High-quality user-generated content will promote the development of a more multifaceted and interesting company-hosted social media environment, which in turn is likely to contribute to a more positive company image. Companies should, therefore, try to get the extremely hedonic consumers to produce exciting content to the community, which helps the browsers to stay active and continue as members in the community.

On the whole, however, the results contribute to the discussion on the return of social media investments in highlighting the difficulty of explicitly determining the effectiveness of marketing activities within social networking sites. Company-hosted Facebook community pages appear to have the same problem as websites in general – they may have many visitors, but converting them into paying customers is difficult. An additional challenge is that in most cases users cannot buy products directly through the company's Facebook page, which complicates the buying process. Thus, if a web shopping option exists, it should be integrated as far as possible into the Facebook page, at least enabling a smooth and convenient transition to the point of purchase and thereby facilitating actual e-selling.

We acknowledge the limitations of the current study, which relate to both the research method as well as the context. The concept of company-hosted Facebook pages is fairly new, and no validated scales exist for measuring consumer behavior in this context. Thus, we derived the survey questionnaire from measurement scales representing consumer behavior in more traditional online brand communities, and online in general. Perhaps, then, current measurements are not entirely sufficient for capturing the behavioral patterns that are unique to and inherent in social networking sites like Facebook. Future research could address this issue through the development of operational measures of consumer behavior in such environments. This would advance the academic objectives to build a solid theoretical understanding of the phenomenon. Further, we acknowledge the potential limiting effect of the self-completed survey on external validity.

The retrospective way of studying motivations, behaviors and intentions provides its own challenges. Participants might respond based on their ideals, not the reality, which creates a response bias. Furthermore, a human being has only limited abilities to identify and report his or her ‘true’ motivations and values as they might be reflected only in their actions – not explicitly beforehand or afterwards. One solution for this problem would be to study consumers' actions online while they browse and participate. This could be done by tracking consumers' online activities and linking them back to their purchases. Alternatively,

the study could be conducted by intervening consumers' Internet usage and immediately surveying them regarding that specific usage occasion. Naturally, studying real purchases and referrals would add to our knowledge regarding the usage motivations' and behaviors' effect on actual business outcomes. This would also help validate Facebook and similar communities as viable sources of commerce.

The study was conducted using data gathered from a single Facebook community page representing travel sector, thus limiting its generalizability. Validation of the model would require testing it on other Facebook community pages within and outside the chosen industry. Nevertheless, given that the page in question presumably represents a fairly common type of company-hosted Facebook community page, and the brand itself is well known and popular within the core target market, the findings are likely to represent the travel sector fairly well. Further, the strong pioneering position of the travel sector within e-commerce implies that the model may also have usability value for other service sectors with a strong e-commerce orientation. Further investigations are needed in order to determine the applicability of the model to other contexts.

7. Conclusions

The findings reported in this research paper produce an understanding of consumer behavior in company-hosted social network environments. We investigated hedonic and utilitarian motivations for using company-hosted Facebook community pages in relation to page usage behavior, and the effects of different usage behavior patterns on purchase intention, referral intention and membership continuance intention. We measured usage behavior with two constructs: browsing and participation. Despite its limitations, the study offers valuable theoretical and managerial insights. Firstly, it shows the relevance of both hedonic and utilitarian motivations for using company-hosted Facebook pages. Secondly, it successfully examined the links between the behavioral patterns of browsing and participation, and users' loyalty intentions towards the host company. Browsing turned out to have a positive effect on purchase and referral intention while participation did not exhibit a significant relationship with these outcome measures. The finding indicates that marketers should ensure that high-quality information is to be found on the page. However, participation is not without value to marketers using Facebook community pages, and the interplay between different usage motivations and behaviors seems to be the key in creating sustainable company-hosted online communities in Facebook and the like. Furthermore, the quality and amount of user-generated content in community pages, and their effect on consumers' purchase decision-making processes represent an interesting area for future research.

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Essay II

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**The Danger of Engagement: Behavioral Observations of Online Community Activity and
Service Spending in the Online Gaming Context**

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The Danger of Engagement: Behavioral Observations of Online Community Activity and Service Spending in the Online Gaming Context

Abstract

Research indicates that customer engagement in online communities has positive effects on related businesses, and that, on an aggregated level, community activity and service spending are positively related. Therefore, marketing efforts tend to focus on promoting the community activity of customers. However, aggregates might not properly reflect processes at the individual level. We argue that in contexts in which both service consumption and community activity deplete resources, the latter might actually *substitute* the former. Substitution effects could emerge from reveling: customers partly satisfy their need for a service by habituating to it during engagement in communities without actually consuming it. The present study reports empirical evidence of the so called reveling effect in the online gaming context and suggests that theories motivating a positive relationship between engagement and service spending are oversimplified; for the relatively inactive community members an increase in engagement leads to increased spending, but for the already active members *increasing engagement decreases spending*. For marketers, it is important to know that increases in engagement might not lead to increased spending for the already engaged individual.

Keywords: Engagement, Online community activity, Online service spending, Reveling effect, Substitution

Introduction

Marketers hold the firm belief that customer engagement in the form of an individual's participation in and connection with an organization's offerings and its activities [54] is the key to building profitable customer relationships [52,53]. This idea is supported by research demonstrating a relationship between online engagement and important measures of business outcomes such as customer and brand loyalty [2,29,32,44,51], increased willingness to pay [30], and new product success [46,51]. By and large, the field of online marketing and sales has adopted the practice of encouraging and facilitating customer engagement in consumption communities by focusing on consumers' physical, cognitive, and emotional presence in the community – factors thought to embody online engagement [13]. In line with this ideology, researchers have actively studied ways in which contributions to online communities can be encouraged [20,56].

Despite the extensive interest in online engagement, often operationalized as online community activity [1,2,30,31,45,56], no research thus far has investigated the relationship between online community activity and related online service revenues based on objective longitudinal data. Most existing studies cover single points of time and behavioral intentions [2,10,29,44], or examine the effects of online engagement on revenues at the *aggregated* service or product level [31,46,51]. In other words, research results generally suggest that the *total* engagement (measured in terms of the total number of posts to a community, for example) is positively related to the *overall* revenues of a service. Although knowledge of such a positive aggregate relationship is clearly of value, the theoretical implications may be misleading in that the average effects might not properly describe the underlying behavior of individual consumers [28].

Although it is intuitive to believe that aggregate-level effects reflect similar effects at the individual level, this is not necessarily so. In fact, reverse effects at different levels of analysis may easily occur. In statistics, the so-called Simpson's Paradox illustrates this: combining different groups or levels of data might result in a different conclusion than if the groups were inspected separately [28,55]. Thus, current research has a gap in its ability to conclude whether an increase in an individual's online community activity would also lead to an increase in his or her own service spending and subsequent revenues. Exploring the individual-level effect that can be 'hidden' behind aggregate-level effects is of importance since some earlier research has also found mixed and sometimes even negative outcomes of community engagement behaviors [1,57].

Addressing this gap in the literature, the present study analyzes the community activity (measured by a total of 209,528 posts to an online forum) and related online service spending revenues of 4,475 consumers over a period of 58 months. The community in question is an online game affiliate that provides access to numerous online game sites and hosts an online community for the players. The context is ideal in that it measures service consumption (playing the affiliated games) in a uniform and reliable way, and accounts for the overall consumption of game playing, not just playing at one specific service provider's site.

From a theoretical perspective the individual-level effects are considered from the perspective of habituation theory, which posits that mental imagery of an activity might habituate a person to the stimuli of the actual activity [17,39,57]. In the field of marketing, this phenomenon has been documented in the context of hedonic consumption and shopping, for example [3,35]. Consequently, we propose a *reveling hypothesis* positing that online engagement can satisfy the need to consume a related service and thus reduce the likelihood of buying it.

These results are of relevance to marketers who tend to encourage customers generating the highest revenue also to be active in their online communities and to become so-called “insiders” [32]. The findings are also relevant to societal actors seeking to diminish or prevent excessive or problematic game playing by providing alternative, substitutive activities.

Theoretical Background and Hypotheses

Online communities vary in terms of how closely they are linked to some consumption activity. Marketing research focuses primarily on communities that have evolved or created around the consumption of a particular product, service or experience. Kozinets [33] defines these consumption-oriented online communities as *“a specific subgroup of virtual communities that explicitly center upon consumption-related interests. [These communities are] affiliative groups whose online interactions are based upon shared enthusiasm for, and knowledge of, and specific consumption activity or related group of activities.”*

Online service businesses roughly dichotomize observable consumer behavior toward online communities into *community activity* (e.g., posting comments on discussion forums) and *service spending* (buying and using a service relevant to the online community). Kozinets [33] suggests categorizing online community members based on these activities, and identifies the following four types of customers: insiders, tourists, devotees, and minglers. *Insiders* score highly on both service spending and community activity, and are considered an ideal online customer group in that they produce both economic and social value for the community, whereas *tourists*, who are passive in terms of both service spending and community activity, represent the other end of the spectrum. Between these two extremes are *devotees* (high service spending, low community activity) and *minglers* (low service spending, high community activity). This taxonomy

facilitates understanding of the different behaviors that result from the introduction of an online community into an online service.

A substantial body of literature accentuates the importance of online communities particularly in the business-to-consumer context as several empirical studies have shown positive associations between online engagement and the business outcomes of related companies. By and large, the studies can be categorized in terms of how abstract and long-term effects are examined. Studies observing more direct effects have revealed that committing to and participating in an online community increases customer visits to the community sponsor's retail outlet [45], increases members' intention to use products offered by the community sponsor [10], and fosters the adoption of new products introduced by the sponsor [46,51]. Product-related electronic word-of-mouth has also been seen to have a significant impact on the audience's purchase decisions [14, 43, 48] indicating a positive relationship between an active online community and a related consumption activity.

More subjective or higher-level consequences of online community activity have frequently been seen to be loyalty to both the community sponsor's brand and the community itself [2,11,29,31], and also oppositional loyalty toward products from competing brands [40,51]. A high level of activity in online communities has also been seen to increase the sense of affinity within the community, which is argued to create value to the key stakeholders of the sponsor [2,4,5]. Community activity also plays a role in maintaining the community's social appeal and long-term sustainability [31,44]. These findings support the common acknowledgement of active communities acting not only as a source of direct economic benefit to the community sponsor but also as a source of social capital possibly translating to later financial rewards [2,5].

All these accounts attest to the importance of driving overall consumer activity in online communities to foster customer relationships and increase their profitability. In line with the evidence listed above, Hypothesis 1_A posits that, on the aggregate service level (totaling the community activity and service spending for each month), community activity is positively related to service spending:

H_{1A}: On the aggregate level, total community activity and service spending are positively related.

However, theories that explain the relationship between online community activity and service spending on the individual level may paint a different picture. For an individual there are obvious resource constraints (most noticeably time) that set an upper bound on the activities in which he or she can engage [6]. According to DeSherpa [18], people assess the benefits of competing behaviors based on the time allocated to them. All decisions are thereby susceptible to monetary and temporal limitations. Given that consuming any kind of commodity requires a certain amount of temporal allocation [18], people are forced to make trade-offs between different, substitute, activities.

In the case of online service consumption that is time-consuming, such as playing games, watching movies and TV shows, or recreational online shopping, the decision to consume the service (e.g., playing a game) or to contribute to an online community (e.g., talking about games) is bounded by temporal limitations. This implies that driving one type of behavior might suppress competing behaviors. In such cases, community activity and service spending would be negatively related. Indeed, with regard to services in which both service consumption and

community activity drain the same resource, it seems reasonable to assume a trade-off between the two.

In addition to the evident temporal trade-off, there are psychological reasons why online community activity and service spending might not be positively related on the individual level. It has been found that mental imagery of an action can engender habituation to the actual stimulus of that action [17,39]. Morewedge, Huh and Vosgerau [39] for example observed that thinking about eating candy decreased the amount of candy people ate. Similarly, Moore [38] shows that producing word-of-mouth content about a hedonic experiential service decreases a person's emotional impact attached to the service and dampens his evaluations and intentions towards it. Similar types of substitution have been witnessed not only in consumption behavior but also in social behaviors: Cummings, Butler and Kraut [16] describe how, for some tasks, online interactions substitute face-to-face interaction.

On the other hand, it is known that products and services create different kinds of value among different consumers, and that consumer-perceived value may emerge in a different way than anticipated [26,41]. As an example, consumers with a high hedonic orientation to a specific service might find satisfaction not just via consuming the service but also via engaging with it in another manner [3,15]. Window-shopping and explorative browsing of online stores are examples of activities that expose the consumer to images of products, but the mere browsing might satisfy the need to buy something. This is attributed to the inherent, hedonic pleasure of browsing that some consumers experience [3,42] and it is based on the multisensory, emotional aspect of the activity [25]. As such, these emotions are naturally subjective and depend on each consumer's personal value attached to an activity. Therefore, same kind of value can be created

via different activities as the value perception depends on the consumer's own subjective experience.

When applied to online consumption communities, it is argued that engaging with other consumers with regard to a specific consumption activity would create mental imagery of that activity, which could consequently satisfy the need to engage in it. This is said to happen because an individual is habituated to the emotional consequences of the imaged activity, which reduces the effect of the stimuli of the actual activity [17]. Moreover, consumers can substitute 'actual' consumption activities because there are alternative ways to experience similar emotional, hedonic value [25]. Indeed, research about online communities has also shown mixed evidence about the effect of individual-level community participation on selling and buying behaviors: participating to eBay communities did not affect how many bids an individual placed or how much revenue he or she earned but it decreased the number of listings they put and the amount of money they spent on the service indicating changed value preferences as a consequence of participating to an online community [1,57].

In the light of these arguments, the present study argues that both habituation and hedonic consumption could give rise to a *reveling effect*: experiencing a service by discussing it will decrease the need to consume and spend money on it. Hence, in the case of online services in which both community activity and service consumption deplete the same temporal resource, it is not likely that there will be a strong positive relationship between consumption and community activity *on the level of the individual customer*, that is, active consumers do not necessarily spend more money. This contradicts the effects hypothesized on the service level. This leads us to hypothesize the following:

H₁₁: On the individual level, the positive relationship between community activity and service spending does not hold.

The idea that a relationship on the aggregate level might not always properly reflect individual-level relationships may well be counter-intuitive but is easy to explain. For example, suppose, in an online gaming context, that individual customers differ in the time they devote to online games. Customers distribute the time devoted to online gaming between playing games (service spending) and contributing to community discussions regarding the games (community activity). In such a case it is very likely to find that those individuals who on average spend much time playing games, also, on average, are active in the community. These are individuals who spend lot of their time on gaming-related activities. Thus, if we would look at the total time spent on playing games for each individual, and the total number of contributions to the community forums, these are likely to have a positive relationship. However, once we look *within* customers (e.g., over multiple points in time), we might notice a totally different phenomenon: If an individual spends a lot of time on the community forum – in a specified time frame – then he or she might spend less time on playing games. Thus, within individuals an increase in community activity might lead to a decrease in consumption.

The above example serves to highlight the fact that different levels of aggregation might paint a different picture – an effect well known in statistics as the Simpson Paradox [50,55]. Previously, Simpson's Paradox has been recorded in for example medical and social science statistics, and to avoid false interpretations of causal relationships, its existence is important to acknowledge [55]. For example, it is well known that richer states tend to vote more Democratic candidates while poorer states have a tendency to vote more Republican candidates. However,

within the state, this pattern is reversed: rich people within the state often vote Republican, while poor people within the state are more likely to vote for Democrats. So, at the state level, a high income leads to a tendency to vote the Democratic Party, while at the individual level a high income leads to a tendency to vote the Republican Party [21]. The impression of a paradox is due to a false causal interpretation of statistical data – the relationships found at the different levels of analysis are not necessarily mutually exclusive.

Therefore, a full understanding of the relationship between community activity and service spending requires examination at multiple levels of analysis, both across individuals (aggregate level) and for each individual over time (individual level). We first adapt a confirmatory method to evaluate the two stated hypotheses that are derived from the existing literature. However, second, a more exploratory method of data analysis is used to interpret the first behavioral observations of the intricate relationship between service spending and community activity on different levels of analysis. Our dataset provides the unique opportunity to quantify the relationship between service spending and community activity both within and between customers.

Method

Empirical context

The aim of this paper is to investigate the relationship between service spending and community activity in the context of online gaming. The business in question is an affiliate website. In a typical affiliate business model, online merchants (often called affiliate partners) pay a consideration to the affiliate website for directing customer traffic and actions to their own websites, and the consideration is typically based on leads or purchases [35]. Online shopping

(for items such as clothes, electronics, and books) is a typical context in which affiliate models are used, but online entertainment firms offering games and movies, for example, often apply the same logic. Notably, affiliate websites are not involved in the production process of the service as their sole purpose being to market their principals' products and services [19].

Banner advertising has traditionally accounted for most affiliate marketing online [19], although affiliate websites have recently started to generate sales to their affiliate partners through other, more engaging tactics than advertisement visibility and repetition. Popular bloggers, for example, engage with their readers and act as credible information sources [27], monetizing their popularity by linking purchases at online merchants' websites to their posts [36].

Some affiliate websites market the online services of their affiliate partners by offering their members both social interaction through forums and message boards, and also explicit economic benefits. The business under scrutiny is a European online game affiliate website that hosts a popular community based on gaming, and gives access to various online game sites that operate the game-playing services. This particular website is compensated for the service purchases consumers make through it. Different forms of poker and other similar card games are the most popular, but there are tens of different kinds of game-site partners, and hundreds of options ranging from casino to purely recreational games available. Some games are played for high-score rankings, some for bets, and others for points.

Data

From the perspective of the studied affiliate, the business model is the same for every game site and for every type of game: all partnered game sites charge the community members a per-game service fee, which is independent of the mechanics of the game (e.g., how players are

rewarded for wins – in monetary or other terms). The affiliate website is awarded a commission for generating these service fees. It operates a refund system for its community members, who receive a partial refund of the service fee they have paid for playing: this is seen as a community-membership benefit or discount. The refund is a fixed proportion of the service fee, and community membership is free.¹ This setup enables the affiliate to accurately monitor its members' service spending (i.e., there is a perfect correlation between the refund amount and the money spent on playing).

The research data thus comprises information about service spending, detailing the monthly refunds an individual player receives. However, it also contains a measure of community activity by including the interactions of individual customers on the online forum of the affiliate website. The dataset in question includes log data on the behavior of active players aggregated at the monthly level. Thus, for each player it reveals the start date of using the service, their lifetime in the service, their monthly community activity, and their monthly spending.

In sum, service spending and community activity are operationalized as follows:

- *Service spending*: Service spending is recorded each month, for each player, by looking at the dollar value of his or her refund.
- *Community activity*: Community activity is recorded each month, for each player, by looking at the number of messages posted that month to the online community. Thus, community activity is used as an operationalization of customer engagement.

¹ The observed refunds, R , are a linear function of the actual spending, S , of individuals: $R = 1/b * S$, where S is a constant and $b > 1$.

The research data describes the behavior of 4,475 active members of the affiliate website. Members were considered active if they had posted, played, or performed both activities during the previous ten months of operation of the site. All other customer IDs were discarded. The data covers a total of 34,209 observations collected during a 58-month period. The number of observed time points differs per member because some of them had been using the affiliate website since its inception – thus producing 58 community activity-service spending observation pairs – whereas others joined the service later.

To augment and better understand the composition of the behavior log data containing the monthly service-spending and community-activity figures of the players, an online survey was sent to a random sample of 3,900 members of the affiliate service a few months after the collection of the behavioral log data. A total of 396 responses were collected, representing an overall response rate of 10.2 percent. Of the 396 respondents 187 were also present in the log data and were considered active (see above). According to estimations based on these survey results, of the total set of 4,475 players included in this study about 99.5 percent were male (186 out of 187) and the average age was 28.68 years ($S.E = .461$). Table 1 provides summaries of both the behavioral data as well as the accompanying survey data.

INSERT TABLE 1 HERE

Results

Confirmatory analysis

In order to test H_{1A} , the relationship between service spending and community activity was examined on the aggregated level for each of the 58 months in question: Figure 1 (left panel)

shows a plot of the summed number of posts and summed refunds (thus total service spending and total community activity) per month. Thus, each dot in the left panel of Figure 1 represents the total service spending and community activity in a single month of measurement.

Aggregating in this way produces a very strong positive correlation between service spending and community activity at the service level: $r^A_{ca} = .91, p < .01$. This finding seems to confirm H_{1A}: there is indeed a positive relationship between overall monthly community activity and monthly service spending. However, when controlling for the number of people using the service each month we cannot find a correlation between service spending and community activity: $r^{Ave}_{ca} = -.10, p > .05$. This latter analysis indicates that H_{1A} might *seem* to hold, but is explained almost in full by a common cause: over time the size of the affiliate platform changes, impacting both community activity and service spending.

Figure 1 (right panel) shows the same data, this time aggregated over time instead of individuals. Thus, here each dot represents one of the 4,475 subjects, and shows their total community activity (the summed number of posts over the months they used the service) and total service spending (the summed refunds). Aggregating in this way considerably weakens the relationship between service spending and community activity, $r^I_{ca} = .25, p < .01$. Furthermore, judged from the plot (Figure 1, right panel), the relationship between community activity and service spending at the level of the individual is not well represented by a linear measure of association.

INSERT FIGURE 1 HERE

We conclude that although there appears to be a strong relationship between community activity and service spending on the aggregate level (corresponding to H_{1A}), this relationship is explained in full by the number of active people in the service. Furthermore, the relationship between service spending and community activity is much less clear on the individual level (H_{1I}). Thus, we adopt a more exploratory approach for the further analysis of the behavioral log data.

Exploratory analysis

Given the evidence that different conclusions about the relationship between service spending and community activity would indeed be drawn depending on the aggregation level, the next step was to further explore the relationship using a multilevel model. The scores were standardized at the lowest level of analysis because of the lack of correspondence in range between service spending and community activity (the refunds ranged from zero to 33,660, and the monthly number of posts from one to 458). This produced two new variables: A_{ij} , representing standardized community activity for individual i at month j , and C_{ij} , standardized service spending. Thus, we treat individuals and individual-month pairs as two different levels in the analysis. The average level of community activity over months for each individual, \bar{A}_i , was then computed for each individual in order to examine both the *average* and *monthly* within-individual effects of community activity on service spending.

Given that current theories – most of which focus on aggregation at the level of the service or consider only a single point in time – do not give enough guidelines to specify a model that would predict service spending from monthly activity with possible varying effects over time, the decision was made to take an exploratory approach to the data analysis. The analysis started by building a complex model to predict service spending of each individual in each month, C_{ij} ,

based on community activity including both lifetime T_{ij} – a counter of the number of months that individual i was active –, A_{ij} , and \bar{A}_i , and all their possible (up to three-way) interactions. We included a random intercept over individuals ($\mu_i \sim N(0, \sigma_\mu^2)$) and a random slope for the lifetime effect of each individual ($B_i \sim N(0, \sigma_B^2)$) to account for possible individual differences.

To summarize, the considered parameters were:

- C_{ij} = Standardized service spending for individual i at month j
- A_{ij} = Standardized community activity for individual i in month j (or ‘within-individual community activity’)
- \bar{A}_i = Average level of community activity over months in the service for individual i (or ‘average-individual community activity’)
- T_{ij} = Lifetime (number of active months) in the service for individual i
- μ_i = Random intercept for individual i
- B_i = Random slope for the lifetime effect for individual i

Subsequently, an exploratory, data-driven, approach was adopted to further examine the relationship between community activity and service spending. Starting from the complex model including all predictors, their interactions, and the two random terms, forward model selection (using the BIC criterion) identified the best fitting model given the dataset. This procedure involved (automatically) fitting all the possible models using `lmer` (in [R]), and using the `dredge` function from the `MuMIn` package for automatic model selection (here, the model with the lowest BIC is automatically selected). In this procedure all separate terms of the model (both fixed and random) are added to a null-model (containing only a random intercept) one-by-one,

and only if the addition creates a decrease in BIC the term is added to the model. Since the space of all possible models and paths is large, we here only present a detailed discussion of the model that was eventually selected by this automatic procedure. The selected model was:

$$C_{ij} = B_1 \bar{A}_i + B_2 A_{ij} + B_3 \bar{A}_i A_{ij} + \mu_i + B_i T_{ij}, \quad (1)$$

in which B_1 is the coefficient for the fixed effect of average-individual community activity on service spending, B_2 is the coefficient for the within-individual fixed effect, B_3 is the coefficient for the interaction between average-individual community activity and within-individual community activity, and μ_i and B_i are the random intercept and a random slope of lifetime T_{ij} , respectively. Inclusion of the main effect of lifetime turned out to not decrease the model's BIC and was thus not included in the final model. The absence of this main effect indicates that the number of active months does not affect a person's consumption patterns: people do not change their consumption patterns structurally as they are active on the affiliate platform for a longer period of time. The representation of the model in Equation 1 omits the fact that the intercepts and the slopes are allowed to correlate in the selected model.

Table 2 presents the estimated coefficients (both the fixed effects as well as the variances of the random effects) for the selected model (see Equation 1). It is clear from these estimates that the variance of the random slope of T_{ij} is very small (.001) indicating a small variance of activity in the service for a given individual. More strikingly however, it is clear that the effect of the average service spending of an individual, \bar{A}_i (-.107, $p < .05$), is distinct from the effect of monthly individual variations in service spending, A_{ij} (.154, $p < .001$). This means that the more active an individual was in the community on average (compared to other individuals), the *less* money he or she spent on the service. On the other hand, for a given individual the estimated

main effect of activity is positive: during the months that the players were more active in the community (compared to their own average level of community activity), they also spent more money on the service. This signifies the intricate relationship between community activity and service spending.

INSERT TABLE 2 HERE

Finally, there was also significant interaction between average-individual community activity and within-individual community activity (B_3) ($-.032, p < .05$). This interaction term implies that the effect of within-individual community activity on service spending changes as the average-individual-level community activity changes: when community activity increases for proportionally active community members, his or her service spending decreases. To check for possible multicollinearity due to the continuous interaction term, we regressed individual activity and average activity onto the interaction. We find that $r^2 = .54$, and the variance inflation factor is $VIF = 2.17$, which is not considered too high.

To facilitate the interpretation of this interaction, community activity and service spending of fifteen individuals were simulated based on the selected model. Figure 2 presents the resulting simulated relationship, with a fitted regression line for each (hypothetical) individual. In this figure the individual dots indicate single observations (at the average-individual level), while the symbols distinguish individual consumers. It is clear that those individuals who are on average inactive in the community spent money on the service more heavily when their community activity increased: it seems that these individuals sometimes devoted more time to playing games (distributed over community activity and service spending), and sometimes less.

INSERT FIGURE 2 HERE

However, among those who were *on average* very active in the community – who first of all can clearly be seen to spend less money on the service than those who were, on average, moderately active – there was even less of a tendency to spend money on the service in the months in which they were especially active in the community.² This is in line with a possible substitution effect: Individuals who only spend a small proportion of their time on online games can become overall more active (spending more money on the service and contributing more to the community). Their overall inactivity implies that substitution does not yet occur. However, those players that are very active, and thus spend a lot of time on online games, *need* to substitute spending and community activity: For these highly active individuals increased community activity decreases service spending.

To illustrate further the relationship between community activity and service spending as described by the model in Equation (1) Figure 3 shows, in separate panels, the simulated outcomes for the most and least active users. The left panel shows the (modeled) relationship between community activity and service spending for those who are generally inactive for different months (each dot represents a month). In the months that inactive players (left panel) are, compared to their own average, active, they have a tendency to also spend more. Hence, the behavior of these generally inactive players between months can be described as either *passive* (not active in the community nor spending) or *engaged* (both active in the community as well as spending). For players that are generally active on average (right panel) the behavior is different:

² The simulation included players with a large range of different activity levels, the aim being to illustrate more clearly the patterns that were observed in the dataset.

these players exhibit substitution in the sense that they have months in which they are active in the community, or months in which they spend a lot, but the two seem to trade each other off. Note that the months have no particular ordering in time: there was no systematic lifetime effect.

INSERT FIGURE 3 HERE

Causality and Alternative Explanations

The exploratory analysis presented above describes the relationship between community activity and service spending for individuals in different months. While the “reversal” of the relationship when comparing active and inactive community members is intriguing, we have to be careful drawing causal (e.g., increases in community activity *causes* a decrease in spending) conclusions based on the observational data analyzed here. In this section we first run a number of tests (e.g. Panel Unit Root and Granger Causality tests [7,23]) to further examine the possible causal relationship between community activity and service spending. However, we do not think these statistical tests provide definite answers based on the currently available data. Hence, we further discuss possible alternative explanations and give suggestions for the further study of the possible causal effects of community activity on service spending.³

We first examine, both for community activity as well as for service spending, whether these are possibly non-stationary, which would negatively affect the reported estimates based on the model described in Equation (1). To do so we use a panel unit-root test as provided by the `purtest` function in the `plm` package. We select all customers of whom we have 15 complete observations (e.g., 15 months of usage of the service), and subsequently run the panel unit root

³ Please note that as an online supplement to this paper the data is available to readers. We invite readers to conduct alternative exploratory analysis of the relationship between community activity and service spending.

tests using a Hadri test. For the standardized community activity variable – as used in the previous section – we reject the null-hypothesis, $p < .001$, and accept the alternative hypothesis that the process is stationary. Similarly for the service spending variable, $p < .001$. Thus, there is no reason to assume either process is non-stationary.

Next, to examine the possible causality between community activity and service spending, we continue with the same complete dataset and average over individuals. We now have two time series of 15 data points each denoting the average spending and community activity for different months of service usage. Using the `VARselect` function in the `vars` package we determine the optimal lag to be 2, and using the `granger.test` function in the `MSBVAR` package we find a p -value for the Granger causality test of community activity on service spending of *.176*, and of service spending on community activity of *.821*. In both cases the null-hypothesis is not rejected, and thus we cannot conclude that either community activity or service spending “Granger causes” the other. We have to note however that the Granger causation analysis in this case is extremely sensitive to the choice of lag, and to the number of months included in the analysis. If we include all 58 months, despite the fact that in the latter months the estimation is based on very small numbers of observations, we arrive at the same conclusion as before. For different lag lengths conclusions vary: in extreme cases either service spending Granger causes community activity or vice-versa. Hence, we do not believe that the current analysis (and the current observational method) provides sufficient evidence to draw causal conclusions.

Although it is appealing to think causally in our specific setting, future research should focus both on estimating the possible causality between community activity and service spending, as well as investigating the possible shared causes that the two might have. It is likely – and this is

also illustrated by the preferred model described in Eq. (1) – that community activity and service spending relate differently for different consumers. Also, these relationships might change over time, be subject to shared causes such as the available free time of consumers, and their causality might even reverse for different individuals. One could well imagine a situation in which increased community activity leads to higher overall engagement with the service and more spending. However, increased spending might in time lead to a depletion of monetary resources, which might then decrease both spending as well as community activity when consumers find their utility elsewhere. Therefore, we would like to encourage future studies to continue examining, over time, the relationship between community activity and service spending. Ideally, we would manipulate community activity by encouragement, or by blocking, to see the causal effects on spending.

Discussion

This paper examined the relationship between online community activity and related online service spending. We have shown that the common idea that an increase in community activity is related to an increase in service spending on the aggregate service level indeed holds. In other words, the more popular an online consumption community is, the more popular is the consumption activity itself. However, upon closer scrutiny it was concluded that the finding was almost totally attributable to the number of active consumers rather than a positive relationship between community activity and service spending within consumers.

The next step was to explore the relationship between service spending and community activity on the individual customer level. Here, a more complex picture arose: at first sight, the relationship between average community activity and service spending was negative.

Importantly however, the average- and within-individual community activity effects interacted, so that the within-individual relationship turned out positive for inactive members, and negative for the extremely active members.

Next, we discuss the theoretical as well as the managerial and societal implications of the findings.

Theoretical Implications

The results presented here carry several theoretical implications. First of all, the aggregate-level finding implies that there is a virtuous cycle between overall community activity and service spending: the more people interact with each other and create word-of-mouth about a specific service in online communities, the more strongly are other people attracted not only to the community but also to the service, and vice versa. This is in line with research that indicates that community activity in general increases the community's social appeal and its long-term sustainability [31,44] and that positive participation experiences increase members' willingness to recommend the community to other people [56]. Support for this effect can also be found from research that shows that consulting electronic word-of-mouth increases the reader's likelihood to buy the product in question more than using other information sources [48] and that both quality and quantity in electronic word-of-mouth messages have a positive effect on the purchase intentions of the message audience [43]. It seems that popular online communities and related consumption activities benefit each other by attracting new members and customers, but if the trend starts fading both activities suffer.

However, these research results do not take into account how community activity affects one's *own* consumption decisions (individual-level effect), and some research has even found that the effect can be reverse – writing about one's own hedonic experiences dampens his or her

want to relive the experience again [38]. Indeed, individual-level findings partly contradict with the aggregate-level findings; In the language of Kozinets [32], “insiders” might not even exist in the case of time-consuming online services such as online games and related consumption communities. Those who either spend a lot of money on online services or are very active in online communities substitute the two activities. This substitution might be driven solely by time constraints [6], or it might be driven by more elaborate psychological processes.

First, we propose that the findings embody a *reveling effect*, which means that other forms of engaging with a consumption activity can substitute consuming the service. This is in line with the psychological literature suggesting that mental images of an action (e.g., eating) can engender habituation to the actual stimulus of that action (e.g., food) [17,39]. Applied to online consumption communities, the implication is that communicating with other consumers regarding a specific consumption activity creates mental imagery of the activity, which consequently can satisfy the need to practice it. This happens because the individual becomes habituated to the emotional consequences of the imaged activity, which reduces the effect of the stimuli on the actual activity [17]. This finding carries significant consequences for marketing given the frequent assumption in the literature that conscious mental imagery intensifies the desire for the imaged good or activity. It should be kept in mind, however, that the current finding does not account for unconscious exposure to sensory stimuli, which might have differential effects on consumer behavior compared to conscious exposure [34].

On the other hand, it is known that products and services offer different kinds of value to different consumers, and that consumer value might emerge differently than companies expect [26,40]. Consumers with a high hedonic orientation to a specific service [3,15], in particular, could obtain satisfaction not just from consuming the service but also from engaging with it in

different ways. It is also acknowledged in the marketing literature that consumer collectives elude much of the marketer's control, and are a useful source of unanticipated consumer value [47]. According to the results of the present study, consumers may find more value in an online community than in the related service, and therefore substitute service consumption and spending with community activity. This is true particularly for the consumers who are proportionally very active in an online community: active community participation satisfies ones needs regarding the consumption activity that the community focuses on. Previous research suggesting that consumption communities create inherent value for consumers [47] is therefore supported, but a critical light is shed on assumption that active community participation would directly lead to positive outcomes from the marketer's perspective. We show that the proportional activity level in an online community should be considered when inspecting the relationship between online community activity and online service spending.

To be able to examine the psychological mechanisms that lead to our behavioral observations, more research will be needed. However, the results of this research do demonstrate the sharp divide between results obtained on the aggregate level as opposed to the individual level, thereby questioning the numerous theories and models about consumer behavior that are based on aggregated data. This concern is finding its way into the marketing literature [28], and one contribution of the present study is to give a concrete example of how the false interpretation of homogeneity among individuals might lead to wrong interpretations. Although the exact relationship between online community activity and service spending – and its potential generalization to other contexts – needs more scrutiny, the current findings complement the existing, and probably too simplistic, notion that increased community activity leads to increased service spending.

Managerial Implications

The findings presented here have two clear-cut implications for managers of an online service and/or online community. First of all, we question the current trend of stimulating online community activity without a clear understanding of how the increased community activity affects consumers' commitments to other activities. Although these campaigns might result in a larger pool of potential customers, decision makers should not confuse this potential indirect effect with the direct effect of stimulating community activity. The effects of campaigns to increase community activity should thus be evaluated not merely on their own merits, but also in terms of the individual-level behaviors that follow (or do not follow). In a context in which time sets constraints on service consumption and community activities, increasing the level of one activity may have the undesirable effect of decreasing the contribution of the other valuable function. It may be that firms are better off launching campaigns to broaden their customer base rather than encouraging existing, high-revenue customers to engage in more community activity. In any case, marketers should analyze the propensity of their customers to start substituting before launching a wide online engagement campaign. If it turns out that consumers find more value in the community activity than in the service consumption, it would be advisable to revise the business model in order to align the sources of consumer value.

Second, decision makers are probably well advised to segment customers based on their community activity and their service spending. Despite the evidence presented here of a trade-off between the two, it might still be the case that those high in terms of community activity but low on service spending serve a useful purpose. These customers attract new customers by providing social proof about the service, and the content they create facilitates consumption of the service by others (on how community practices create value, see [47]). Thus campaigns should target

service and community users differently. Those directed at users of the service should focus on ease of use, or offer incentives to increase usage, whereas campaigns directed at community users should include content that creates value for other community members and new customers. Community users should be motivated to attract new customers by sharing community content, for example. Given the divide between customers who use the community and those who use the related service, a proportion of new customers should turn out to be ‘service users’. This type of segmentation based on community activity and service spending patterns will minimize substitution among individual customers, while maximizing the overall benefit to engaged customers.

In the light of the findings of this study, the following recommendations are offered to marketers finding themselves in settings in which there might logically be a trade-off between the consumption of a leisure-oriented service and online community engagement:

- *Monitor the service usage and online community behavior of new clients thoroughly.*

From the onset of service spending it should be the aim of the firm to segment customers into users of the service and users of the community, and – to safeguard revenue – to discourage substituting for those inclined to use the service but not the community.

- *Refrain from promotional campaigns aimed solely at increased community activity with the full current customer base.* Attracting new customers who become active in the community may add value, especially if they attract subsequent paying customers. Encouraging community members to strengthen their online activity might also

similarly add value. However, urging service users to become active in a community might be detrimental.

- *Refrain from evaluating promotional campaigns solely at the aggregate level.*

Although it is tempting to evaluate campaigns aimed at increasing community activity based on the number of posts or the time spent in a community, for example, such metrics might dilute the monetary value of the campaign and thereby adversely affect it.

Societal Implications

Given that the studied context is online gaming, certain ethical issues have to be addressed. Online game addiction problems have been a growing issue for years [12,22,24]. In terms of numbers, a majority of Western people have gambled at some point in time and, and depending on the definition of the disorder and the method of the study, it is estimated that 0.5–3 percent of people in Western countries exhibit disordered game-related money-spending behaviors [37,49]. The service under investigation might encourage some people to play games in an uncontrolled, compulsive or pathological way, and as the game playing studied here costs money, there is a danger that excessive playing will lead to financial problems among the members.

The results of this study show that consumers may substitute online community activity for game playing and that being active in an online community might not necessarily lead to increased game playing – it might even decrease it. Although such an outcome might be undesirable for the sponsor of an online game community, it may well be good news for societal actors aiming to reduce the amount of problematic behavior and to mitigate its negative consequences to individuals and society. The documented reveling effect obviously does not take

the individual away from the computer, but merely shifts the focus from one activity to another (which could still be compulsive), but it is nevertheless clear that participation in online communities is usually free and game playing is not. Therefore, the study findings imply that allowing people to immerse themselves in game playing by talking about it online might reduce the total amount of money they spend. This, indeed, was witnessed in the present study particularly for the relatively active members of the studied community.

It should also be pointed out that the data does not reveal whether or not the studied individuals had problems with game playing, and it is therefore impossible to know to what degree the consumers who were the most strongly inclined to problematic playing substituted community activity for playing. There is research evidence suggesting that normal repetitive behavior is more flexible than addictive behavior in that it allows the satisfactory substitution of alternative behaviors [9]. This would suggest that those without playing-related problems are most likely to be satisfied with substituted playing. Nevertheless, Bradley [9] recommends broadening the behavioral repertoire as a preventive measure: encouraging alternative satisfying activities and obtaining reinforcement from many sources could provide protection from addiction. With caution, therefore, societal actors are recommended to explore the possibilities of helping individuals with behavioral tendencies related to problem gambling, or preventing problems from occurring, by providing them with access to online game-playing communities and encouraging participatory behavior. However, given the multitude of reasons for problem gaming and pathological gambling, it is likely that different target groups will react differently to stimuli in the form of substitutive activities [8].

Limitations and Future Research

This study has some evident shortcomings concerning the data and the context. First of all, it is likely that the consumption behavior in question magnifies the effects identified in the paper. In the case of online gaming, there is an almost direct relationship between spent time and spent money, and it could be that the pay-per-use business model further encourages some customers to substitute community activity for service consumption; Community activity might not only be perceived more valuable than game playing as average community activity increases but the substitution also saves money. This is not the case with all online services. It is also impossible on the basis of this study to draw conclusions about products and services the usage of which does not have the same temporal limitations on other simultaneous activities as for example games have.

More importantly, this study falls short of fully accounting for the importance of the allocation of time towards both community activity and spending for individual customers. It was not possible to relate the actual time spent on the service and time spent in the community, and thus proxies of these activities (refunds and posts) had to be relied on. There is not necessarily a linear relationship between money and time spent, even in online games: people who spend the most time playing do not necessarily spend the most money. On the intuitive level it is also possible that time consumption per unit (community activity or service spending) decreases over large numbers of units. This effect is plausible for many services in which learning and training, in one way or another, have an effect on consumption activities, and thus money spent per unit of time may increase over the lifetime of the service.

Finally, we have been unable to decisively demonstrate the possible *causal* relationship(s) between community activity and service spending at different levels. As noted in the results

section, the direction of the effect might reverse between customers or within a customer's lifetime in the service. We would thus like to encourage experimental methods, in which community activity is actively manipulated, to further understand the effects of community activity on service spending.

To conclude, many of the identified phenomena would benefit from a combination of qualitative and quantitative analysis. What determines the kind of consumer or community member a new entrant becomes? What characterizes the sociology and psychology of the early, formative encounters? How do community identity and interpersonal relationships influence the observed dynamics? And perhaps the most interesting for online businesses at large, what drives the satisfaction that people get from 'reveling' in communities, and what kind of reveling is the consumption-substituting kind?

Conclusion

The results presented in this paper imply that online community activity may not always increase revenues, and might, in some situations, even be harmful from the perspective of service spending and revenue generation. Although the findings point to an aggregate-level positive relationship between online community activity and service spending, they also show that – contrary to commonly held belief – this straightforward positive relationship does not hold on the individual level. A high average community activity level often implies low service spending, and, for those who are highly active on average, *increases in their personal community activity level relate to decreases service spending*.

We propose that a reveling effect might explain our observations; Consumers become habituated to the consumption activity in online discussions, and, as opposed to the actual service consumption, online discussions generate superior value to some consumers. It must be admitted,

however, that generalization outside the context of hedonic time-consuming online services is unknown, and that the causal direction of the observed relationship remains uncertain. However, given the theoretical basis of the observed effects, similar patterns might also be found in other consumption contexts.

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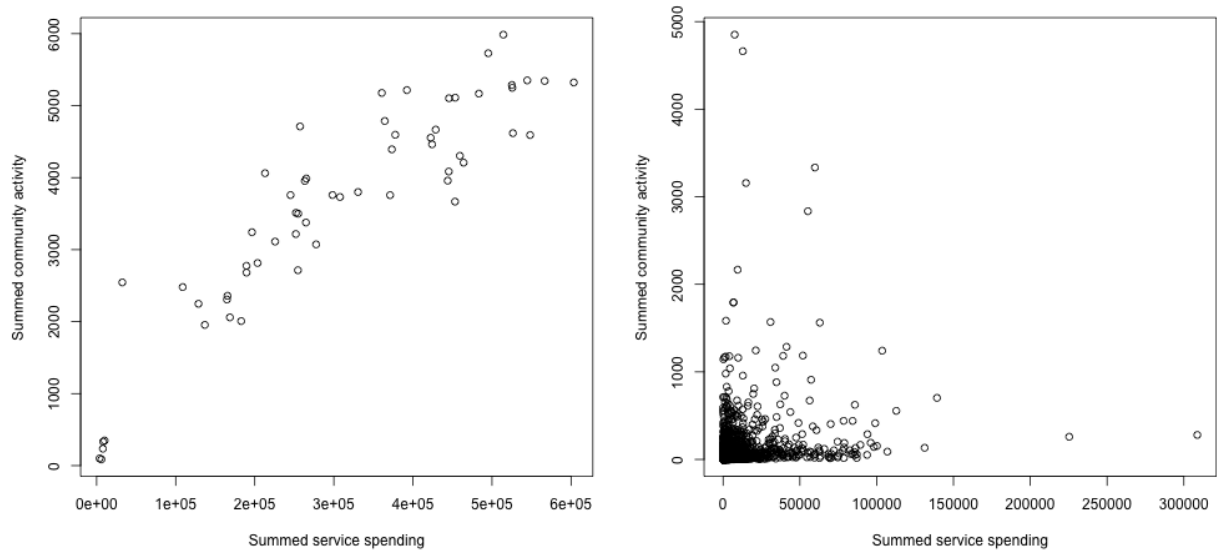


Figure 1: *Scatterplots of the relationship between service spending and community activity on the aggregate (left panel) and individual level (right panel).*

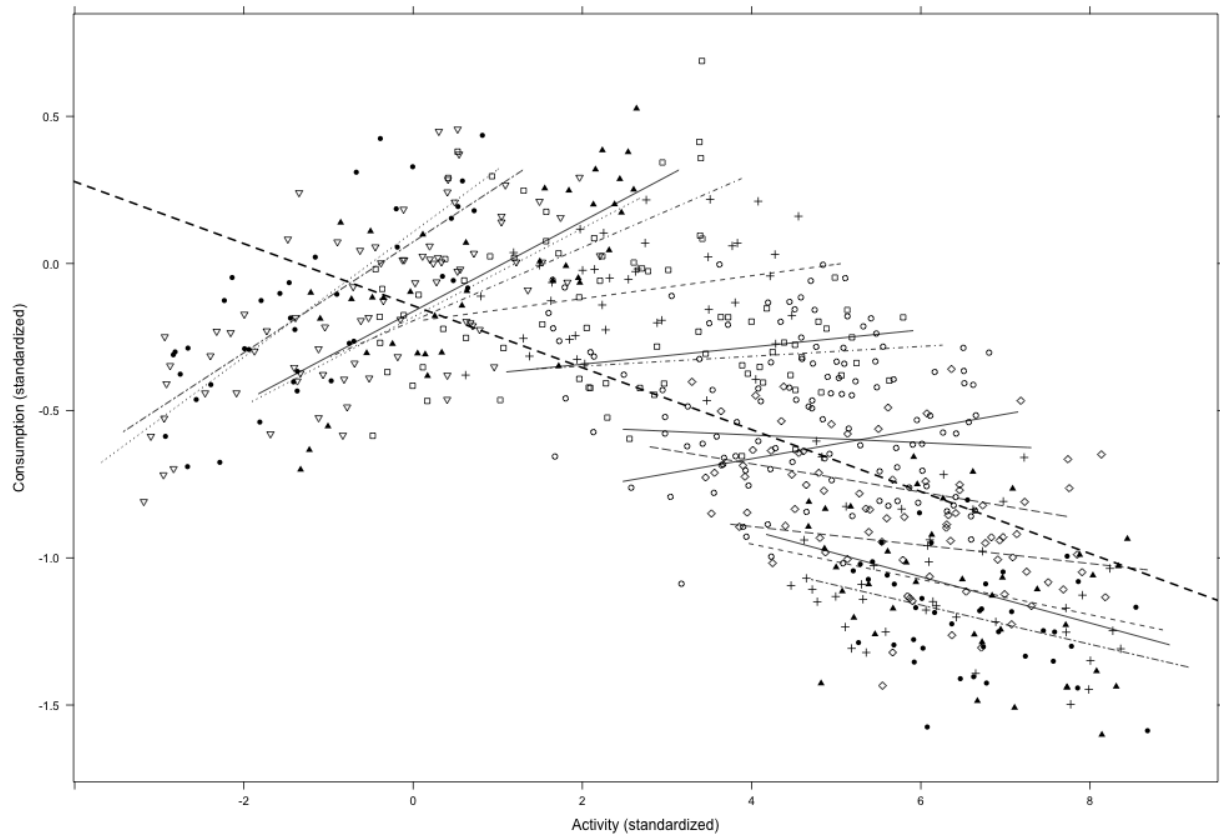


Figure 2: *Simulated relationships between community activity and service spending for fifteen community members, based on the selected model (See Equation 1). Each symbol represents a player, while distinct observations (dots) represent a player-month pair. The solid line(s) represent the within individual effect of activity on spending, while the dashed black line presents the between individual effect of activity on spending.*

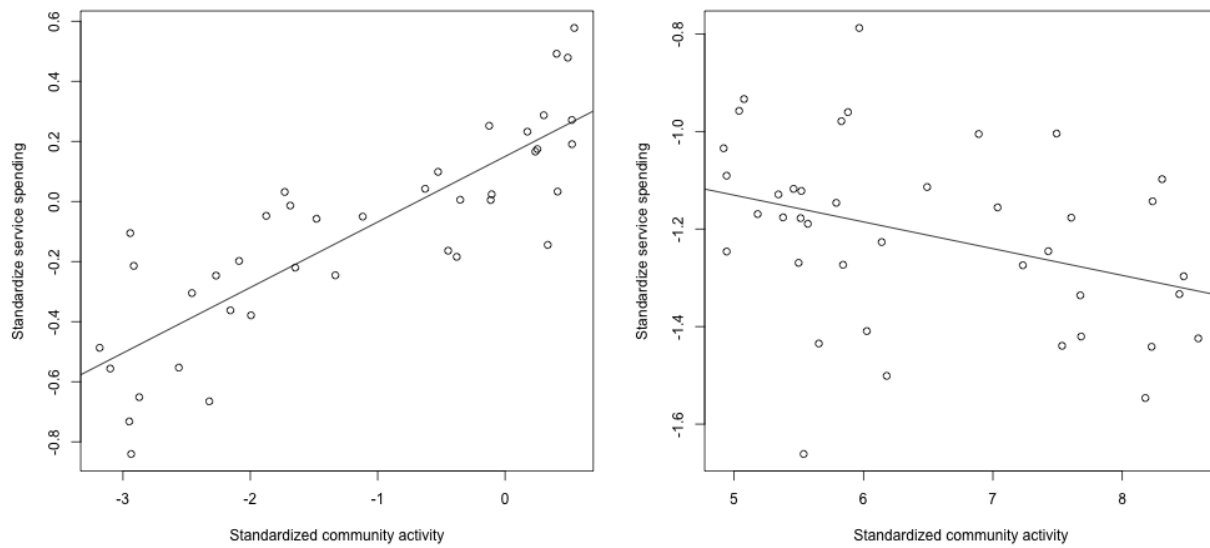


Figure 3: *Clarification of the simulated relationships between community activity and service spending. The left panel shows the relationship for those who are, on average, inactive: in their active months these players tend to both spend as well as engage in the community. The right panel shows the pattern for extremely active players: extremely active players seem to, between months, trade-off spending and community activity.*

Table 1: *Descriptive statistics of the datasets and the relationships of the variables with the average community activity and service spending of individuals. Reported mean service spending and community activity are first averaged within individuals and subsequently averaged over individuals. In the table n.s. indicates that there is no significant difference (in the case of categorical variables) or relationship (Pearson r) at the $\alpha = .05$ level between the measurement and the average service spending or community activity of individuals.*

Measurement	Percentage /Mean (standard error)	Service spending		Community activity	
Average service spending*	396.14 (11.98)				
Average community activity*	3.32 (.08)				
Gender ($N=187$)**	99.5 (.005)	<i>n.s.</i>		<i>n.s.</i>	
Age ($N=187$)**	28.68 (.46)	$r_{xy}=-.16$	$p=.028$	$r_{xy}=-.09$	<i>n.s.</i>
Satisfaction with the service (measured in the survey on a 7- point scale) ($N=187$)**	5.07 (.09)	$r_{xy}=-.08$	<i>n.s.</i>	$r_{xy}=.16$	$p=.025$
Number of affiliate accounts (at other providers) ($N=187$)**	2.97 (.13)	$r_{xy}=.02$	<i>n.s.</i>	$r_{xy}=.01$	<i>n.s.</i>
Number of active months ($N=4475$)	15.69 (.23)	$r_{xy}=.13$	$p<.001$	$r_{xy}=.23$	$p<.001$

* The average service spending and average community activity are based on the full behavioral log data composed of 34,209 total observations (of 4,475 players).

** The relationships presented here are based on the small subset of players ($N=187$) who were present both in the behavioral logs as well as filled out the survey.

Table 2: *An overview of the model coefficients of the selected model predicting service spending based on average and monthly community activity.*

Fixed-effects					
Variable	Coefficient	S.E.	t-value	p-value	
Intercept	-.062	.013	4.84	< .05	
Average-individual community activity	-.107	.022	4.94	<.05	
Within-individual community activity	.154	.007	21.33	<.001	
Average-individual community activity * Within-individual community activity	-.032	.004	7.10	<.05	
Random effects					
Variance Term	Variance	Covariance			
Individual (intercept)	.485				
Lifetime (slope)	.001	-.441			
Residual variance	.462				

Essay III

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PAY-WHAT-YOU-WANT PRICING RESEARCH: REVIEW AND PROPOSITIONS

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Keywords: Pay-what-you-want, pricing, profitability, revenue drivers.

ABSTRACT

A pricing method “pay-what-you-want” (PWYW) has raised interest among academics but results regarding its use remain ambiguous. Thus, there is a need to better understand the determinants of profitable use of PWYW. This paper reviews PWYW pricing research, summarizes its key findings, identifies unresolved issues, and offers future research propositions.

INTRODUCTION

Pay-what-you-want (PWYW) is a pricing method in which a customer is granted the right to fully decide what he or she wants to pay for a product (Kim, Natter and Spann 2009). In other words, the customer can acquire a product sold with PWYW for whatever price, even for free, and the seller cannot reject the price after it has been set. The profitability of business using PWYW is determined via two factors, average price and sales volume. Research has shown that both of the factors can be influenced when PWYW pricing is introduced: compared to usual fixed pricing scheme there is evidence of increased average prices (Kim, Natter and Spann 2009), decreased average prices (Gneezy et al. 2010; Kim, Natter and Spann 2009; Schons et al. 2014), increased sales volume (Gneezy et al. 2010; Kim, Natter and Spann 2009; Riener and Traxler 2012) as well as decreased sales volume (Gneezy et al. 2012; Kim, Natter and Spann 2009). Also, there is evidence of differential average prices (Kim, Kaufmann and Stegemann 2013; León, Noguera and Tena-Sánchez 2012) and sales volumes (Riener and Traxler 2012) when manipulating a PWYW price offering and when considering consumer-related or other exogenous factors.

Thus, from the business performance perspective, whether or not PWYW pricing should be used is a challenging decision, and, if it is introduced, the framing of the offering is a central managerial task. The mixed research evidence is however unable to give a coherent picture of the revenue drivers of PWYW pricing and the conditions under which it is most likely to produce a favorable outcome for the seller. Therefore, the purpose of this paper is to review the current PWYW pricing research, provide a synthesis of the key findings and discuss the most suitable contexts and purposes for its use.

As a result, the paper presents a cohesive framework that systematically examines the studied revenue drivers of PWYW pricing. Four main categories of revenue

drivers are identified: consumer characteristics (e.g., price consciousness), buyer-seller relationship (e.g., customer satisfaction), price offer tactics (e.g., reference price cues) and exogenous factors (e.g., weather induced mood). All of these factors are expected to have an influence on both mean prices as well as sales volume when a product is sold with PWYW. Based on the literature review and the conceptual framework, gaps in the literature are identified and the paper is concluded with propositions for future research.

REVENUE DRIVERS OF PAY-WHAT-YOU-WANT PRICING

Pay-what-you-want (PWYW) pricing models are classified as participative pricing mechanisms that utilize buyers' participation in determining the price. Kim, Natter, and Spann (2009) define PWYW as a participative pricing mechanism in which buyers decide the price of the goods offered under PWYW conditions by the seller. The most notable difference to other consumer-driven participative pricing mechanisms (e.g., name-your-own-price, NYOP) is that, in PWYW, there is no lower threshold that the price has to exceed. Hence, the seller must accept prices as low as zero.

To formally review the existing literature, the most comprehensive academic research databases (Google Scholar, ProQuest ABI Inform, EBSCO Business Source, Wiley Online Library) were used to search articles including keywords "pay what you want", "pay as you want" or "pay as you wish". As a result of the search, ten articles were accepted for a detailed review of the studied effects and their key findings. The criteria for choosing the sampled studies were that the articles had to concern PWYW pricing (not NYOP pricing), they had to been published in a peer-reviewed academic journal, they had to involve empirical data and they had to use formal statistical methods to analyze their data. Table 1 summarizes the research contexts, studied effects and key findings of the sample studies.

Table 1. Overview of PWYW pricing research

Sample study	Study context	Effects studied	Key findings
Gneezy et al. 2010	Souvenir photo (at a roller coaster)	Pricing mechanism, charitable contribution → % price increase, % sales volume increase, % sales value increase, % profit increase	PWYW increased sales volume but decreased paid prices; Charitable contribution increased PWYW prices paid but decreased sales volume; Charitable contribution + PWYW price increased profits while PWYW without charitable contribution decreased profits compared to fixed pricing; Pricing method did not cannibalize other products sold.

Gneezy et al. 2012	1) Souvenir photo (at a tour boat), 2) buffet restaurant*	1) Pricing mechanism, fixed price level → % price increase, % sales volume increase, % sales value increase; 2) Payment anonymity, information about others' price decisions → PWYW price paid	1) PWYW decreased sales volume but increased sales value compared to low regular price. No difference to high regular price; 2) Uninformed anonymous payments higher than uninformed observed payments.
Jang & Chu (2012)	1) Music album, mobile phone, coffee (hypothetical purchase), 2) coffee	1) Cost information, information about others' price decisions → PWYW price stated, 2) Information about others' price decisions → PWYW price paid	Providing cost information increased PWYW prices particularly if costs were considered low. Information about others' price decisions increased PWYW price paid if the information was norm-consistent.
Johnson & Cui 2013	Concert ticket (hypothetical purchase)	No reference price cue, minimum price, maximum price, suggested price → PWYW price stated	Minimum and maximum price levels decreased PWYW price stated compared to using no reference price cue; Suggested price increased PWYW price stated if the suggested price was close to respondent's reference price point.
Kim, Kaufmann & Stegemann 2013	1) Cinema ticket, DVD, digital album, flight ticket, hotel room, rental car, opera ticket, wine bottle (hypothetical purchases), 2) Restaurant, 3) Cafeteria	1) Social distance, product value, reference price cue, seller reputation, sales promotion, price consciousness, preference for fairness, age, gender → PWYW price stated; 2 & 3) Reference price cue, social distance, product value, loyalty, satisfaction, price consciousness, preference for fairness, importance of social approval, income, gender → PWYW price paid	1) Social distance and high product value decreased while external reference price cue and age increased stated PWYW prices; 2 & 3) High product value decreased while external reference price cue, reputation, loyalty, preference for fairness, importance of social approval, and income increased paid PWYW prices; Men paid higher PWYW prices than women.
Kim, Natter & Spann 2009	Buffet restaurant, cinema ticket, hot beverage	Pricing mechanism → % price increase, % sales volume increase, % sales value increase; Preference for fairness, altruism, satisfaction, loyalty, price consciousness, income → PWYW price paid	Mean prices decreased in two contexts but increased in one compared to fixed pricing; Sales volume increased in one context; Sales value increased in one context; Preference for fairness and satisfaction increased and price consciousness decreased PWYW price paid.
Kunter 2015	Sauna, museum, zoo	Satisfaction, preference for fairness, income, feelings of guilt, feelings of shame, getting a bargain, satisfying the provider, reference price → PWYW price paid	Preference for fairness, satisfaction, income and feelings of guilt increased PWYW price paid.
León, Noguera & Tena-Sánchez 2012	Holiday packages	Reference price cue, satisfaction, age → PWYW price paid	Reference price cue, satisfaction and age increased PWYW price paid.

Riener & Traxler 2012	Buffet restaurant*	Duration of price offer, time of year, weather → PWYW price paid, number of customers	Duration of the offer decreased PWYW price paid but increased number of customers; Sunshine in the autumn and winter increased PWYW price paid.
Schmidt, Spann & Zeithammer, 2014	Fictitious product with only monetary value set (hypothetical purchase)	Cost information, product value, pricing mechanism → PWYW price paid	Cost information and product value increased while number of transactions decreased PWYW price paid. The availability of a fixed price seller decreased PWYW price paid.
Schons et al. 2014	Iced coffee	Number of transactions, reference price, preference for fairness, price consciousness, satisfaction, loyalty intention → PWYW price paid, change in PWYW price paid	Number of transactions decreased PWYW price paid before reaching stagnation. Reference price and preference for fairness increased PWYW price paid.

Notes: * Same company

As the past research illustrates, success in PWYW pricing depends primarily on two factors: whether a seller is able to generate average prices above the regular fixed price level and whether he or she is able to attract more customers than usually. Next, predictors of a higher PWYW price as well as predictors of a higher sales volume due to PWYW pricing are discussed in more detail.

Predictors of a Higher Price

According to the classic economic theory, customers should be selfish and exploit the opportunity of being able to set a price in economic transactions and pay zero. However, this is seldom the case. PWYW pricing studies have revealed that free-riding – paying a price of zero – is rare and in nearly all cases PWYW payments are, on average, significantly different from zero (e.g., Kim, Natter and Spann 2009; Schmidt, Spann and Zeithammer 2014; Schons et al. 2013). Interestingly, Kim et al. (2009) observed that *none* of over 600 customers paid a price of zero for a buffet lunch, movie ticket or a hot beverage. In the latter case the researchers even found that the average PWYW price was over ten percent higher than the regular (non-disclosed) fixed price. Schons et al. (2013) found very similar results in their study as only one percent of the customers paid nothing for iced coffee sold under PWYW conditions. However, not all studies have reached as unambiguous results. For example, León, Noguera and Tena-Sánchez (2012) found that over 40 percent of customers did not pay anything for holiday packages offered with PWYW.

When setting a PWYW price, a consumer must be able to determine the product value in monetary terms. According to Kim, Natter and Spann (2009), a PWYW price paid depends on two factors: 1) consumer's internal reference price and, 2) the proportion of that reference price he is willing to discharge to the seller. Thus, the concept of reference price is central in PWYW pricing. Consumers' reference prices are subject to influence, and external reference price cues anchor consumers' price perceptions and also facilitate the price setting process – given

that the price cue is plausible (Gwebu et al. 2011; Mazumdar, Raj, and Sinha 2005). Indeed, most PWYW research shows that a correctly set reference price cue has a strong positive effect on consumers' PWYW price decisions (e.g., Kim, Kaufmann and Stegemann 2013; León, Noguera and Tena-Sánchez 2012). The second part of PWYW price formation – the proportion of the reference price the customer is willing to give away – is more complex to determine. Research has found several factors that influence it. For example, consumers' price consciousness and preference for fairness (Kunter 2015; Schons et al. 2014) and seller reputation (Kim, Kaufmann and Stegemann 2013) have been identified to be influential.

Predictors of Higher Sales Volume

Past literature has witnessed positive sales revenues, profits and even abnormal profits. For example, Gneezy et al. (2010) found that selling souvenir photos with PWYW instead of a fixed price increased sales revenues. In Riener and Traxler's (2012) study it was shown that even though PWYW payments in a buffet restaurant slowly decreased over time, the average number of customers increased steadily from the beginning of the price offer resulting in a higher valued business. In both of the cases the seller has benefitted of increased number of customers or increased number of purchases per customer even though average payments may have been lower to their usual level.

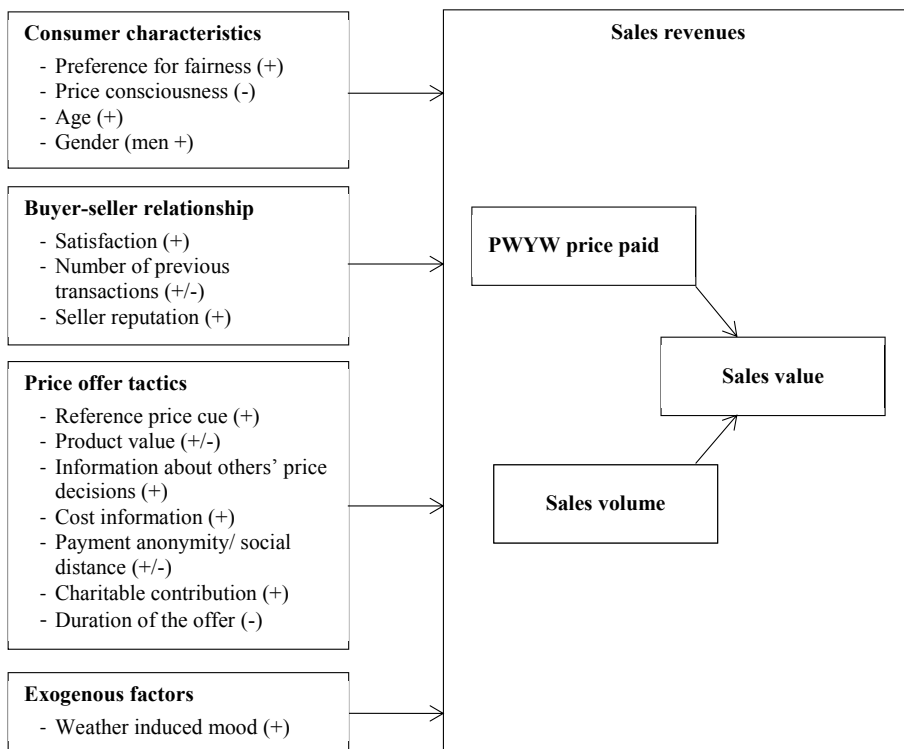
Schmidt, Spann, and Zeithammer (2014) argue that there are two primary reasons why PWYW pricing can be an attractive pricing strategy from the demand perspective. Firstly, it may increase sales volume thanks to the marketing effect (word-of-mouth, media attention) of the special pricing mechanism. This was the case Kim, Natter and Spann's (2009) lunch restaurant study, for example. Secondly, Schmidt, Spann and Zeithammer (2014) propose that PWYW pricing functions as a competitive strategy against sellers with fixed prices. However, competitors' fixed prices will most likely form an upper bound for the PWYW prices and thus firms using PWYW pricing may suffer from a small reference price range particularly in contexts with high price transparency. Interestingly, however, there is evidence of PWYW pricing not cannibalizing the sales of other products sold in conjunction with a PWYW-priced product indicating that customers do not consider PWYW as a regular price discount scheme (Gneezy et al. 2010; Meredith and Maki 2001).

Overall, the reviewed studies differ on their key revenue driver: average price or sales volume. Contexts that reached either of the goal can roughly be divided into two: businesses that were able to elicit higher prices than usually through attracting fair-minded customers and influencing reference price perceptions (e.g., Gneezy et al. 2012; Jang and Chu 2012) and businesses that were able to reach a large number of people and sell a large number of products with a low marginal cost (e.g., Kim, Natter and Spann 2009; Riener and Traxler 2012). Next, a conceptual framework for the review of PWYW research is proposed.

CONCEPTUAL FRAMEWORK

As a result of the literature review, a conceptual framework for the review of PWYW research is presented. The framework is based on four categories of sales revenue drivers: consumer characteristics, buyer-seller relationship, price offer tactics, and other exogenous factors. The detailed variables under each category are variables that have been found to significantly influence PWYW price paid, sales volume, or both. The list of variables is not exhaustive since there are several variables that have not yet been investigated in academic research, and it is also lacking the variables that have not been found to have a statistically significant effect on the sales value of a PWYW offer.

Figure 1. Conceptual framework for the review of pay-what-you-want research



Next, each revenue driver category is discussed in more detail.

Consumer Characteristics

As expected, research supports the idea that consumers differ in how much they are willing to pay for a product when it is sold with a PWYW price. The most often studied consumer characteristics are preference for fairness, price consciousness, altruistic tendencies, age, gender, and income. Empirically strongest support has been found for the positive effect of preference for fairness (Kim, Kaufmann and Stegemann 2013; Kim, Natter and Spann 2009; Schons et al. 2014), age (Kim, Kaufmann and Stegemann 2013; León, Noguera and Tena-Sánchez 2012) and for the negative effect for price consciousness (Kim, Natter and Spann 2009; Schons et al. 2014). Furthermore, Kim, Kaufmann and Stegemann (2013) found that men paid higher PWYW prices than women. Nevertheless, the existing literature does not reveal a demographic, sociographic or a psychographic characteristic that would clearly set consumers apart when it comes to setting a PWYW price.

Buyer-Seller Relationship

The relationship that the buyer has with the seller is an often studied determinant of PWYW success. Some assume that loyal customers would patronize the seller and pay higher PWYW payments than first-timers (Kim, Natter and Spann 2009). However, another scenario is that PWYW pricing would be particularly risky for a company with a loyal customer base as implementing PWYW would jeopardize its current profitability (Schons et al. 2014). The theoretical reasoning for this question can be based on consumers' strategic behavior (hope for the seller to survive and perhaps continue the lucrative price offer) (Kim, Natter and Spann 2009; Schmidt, Spann and Zeithammer 2014) and, like in the context of tipping, on the buyer's fear of social judgment due to a low price if he or she is acquaintances with the seller (Conlin, Lynn and O'Donoghue 2003; Lynn and McCall 2000).

The evidence is diverse. On the one hand, Kim, Natter and Spann (2009) did not find in two of three field studies with companies with an existing customer base that customer loyalty would have had an impact on paid PWYW prices while in one of the studies, buffet restaurant, loyalty increased prices paid. Similarly, Kim, Kaufmann and Stegemann (2013) found that loyalty increased prices paid. Note, however, that these findings represent attitudinal loyalty, not necessarily behavioral loyalty. This is important since other studies have reported decreasing payments over same individuals – regardless of their attitudes towards the seller (Riener and Traxler 2012; Schons et al. 2014). On the other hand, Riener and Traxler (2012) showed that a sales offer using PWYW for a longer period of time increased sales volumes (either through new customers or through more frequent purchases by same customers), and, despite the decreasing mean payments, overall sales value increased over time.

Thus, strong customer relationships benefit companies if they decide to use PWYW pricing and the strategy seems to be more beneficial for companies operating in monopolistic markets than in markets with high transparency between competitors (Schmidt, Spann and Zeithammer 2014). This conclusion is further

supported by research that shows that satisfaction with the seller (Kim, Natter and Spann 2009; León, Noguera and Tena-Sánchez 2012; Schons et al. 2014) and seller reputation (Kim, Kaufmann and Stegemann 2013; Kim, Natter and Spann 2009) increase PWYW prices paid.

Price Offer Tactics

Research regarding price offer tactics and their influence on PWYW prices paid is probably the most abundant because of the easy controllability of how a PWYW price offer is presented. The most often studied variable regarding the price offer tactics is a reference price cue – how do consumers behave when the seller provides a cue of the normal price, suggested price, or average price paid by others? The PWYW research clearly aligns with general reference price research: externally provided reference price cues have a strong positive impact on the paid PWYW prices (Gwebu et al. 2011; Jang and Chu 2012; Kim, Kaufmann and Stegemann 2013; León, Noguera and Tena-Sánchez 2012; Mazumdar, Raj, and Sinha 2005). The only notable difference is Johnson and Cui's (2013) study that witnessed that providing no price cue at all produced higher payments than when a cue was provided, but the strong oppositional evidence makes one to doubt whether the price cue was set lower to the participants' reference price level. The possibility to steer consumers' PWYW prices upwards with price cues is further supported by findings that show that the higher the consumer's reference price is, the higher PWYW payments he or she is likely to make (Schons et al. 2014).

An interesting finding is, however, that while a high product value (measured in money or otherwise) increases PWYW prices paid in absolute terms, relatively higher payments are paid to less valuable products (Kim, Kaufmann and Stegemann 2013; Kim, Natter and Spann 2009). Therefore, if we assume the same contribution margin, PWYW pricing is more attractive to less valuable products. Indeed, the least successful example of the sampled studies with actual purchases can be found in the study investigating the sales of the most expensive product: holiday packages (León, Noguera and Tena-Sanchez 2012). Naturally, the risk related to PWYW pricing is intrinsically greater for more valuable products but it could also be that more valuable products attract a greater share of price conscious customers aiming to capitalize on the possibility to pay nothing or an extremely low price. This was the case with the holiday package sale study. To counter fight this effect, the provision of cost or investment information has been found to be an effective mean to increase PWYW prices paid (Jang and Chu 2012; Schmidt, Spann and Zeithammer 2014).

Another strategy to influence PWYW payments is to appeal to the social norms and social responsibility of the customers. Indeed, studies regarding generosity and anonymity posit that social distance decreases generosity intentions (Ariely, Bracha and Meier 2009; Aguiar Brañas-Garza and Miller 2008), which is thought to apply in PWYW situations as well. Kim, Natter and Spann (2009) speculate that the highest prices out of their three studies were witnessed at a delicatessen in which face-to-face interaction between salespersons and customers was particularly high. In the same study, customers' reported altruism was the highest,

which was argued to result from the strong presence and persona of the owner. Also, the small share of zero-paying customers in most PWYW studies could also be seen to support the assumption that social norms and social responsibility are at play in consumers' PWYW price decisions (Kim, Natter and Spann 2009; Gneezy et al. 2012; Riener and Traxler 2012).

However, research evidence remains ambiguous regarding this assumption: Kim, Kaufmann and Stegemann (2013) reported that social distance in a purchase setting decreased PWYW prices paid (hypothetical internet purchase vs. hypothetical personal purchase) but in a restaurant (real) anonymous payments did not differ from (real) observed payments. On the other hand, Gneezy et al. (2012) reported that, when no information about other customers' price decision was given in a restaurant, anonymous payments were *higher* than observed payments. Utilizing social responsibility could still be beneficial in a different way: Gneezy et al. (2010) found that donating a part of PWYW sales proceedings to a charity increased PWYW prices paid and sale profits.

Exogenous Factors

Finally, there are undoubtedly some other, exogenous factors that affect whether consumers want to buy a product that is sold with PWYW and how much they are willing to pay for it. Consider, for example, that you only have a 5 dollar bill in your wallet and you are offered to buy a 10 dollar lunch for whatever price. It is extremely likely that you pay 5 dollars because that is the amount of cash you have and it seems like a plausible price to pay. In a similar vein, Riener and Traxler (2012) found that higher PWYW payments were paid in a restaurant during autumn and winter months when the sun was shining. The researchers speculate that the effect was due to mood: consumers pay more when they are in a better mood.

RESEARCH PROPOSITIONS

Research about PWYW pricing is in its infancy – the earliest PWYW study that fulfills the search criteria of this review was published in 2009 in Journal of Marketing (Kim, Natter and Spann 2009). It is therefore inevitable that there are some distinct gaps in the current literature that need to be identified and filled as PWYW becomes increasingly popular in business practice. Moreover, PWYW can effectively be used as a vehicle to study consumers' value assessments and purchase desire, which highlights its importance to the marketing scholars; consumers' needs and wants are increasingly scattered, and similar needs can be realized in a variety of ways. Therefore, consumers' individual value assessments become more important for a seller to know – seemingly similar customers may assess the value of a product or a service dramatically different.

As the literature review revealed, most research is concentrated on the formation of the PWYW price and on the comparison of a fixed price scheme and PWYW price scheme. Significantly less attention has been focused on the antecedents of sales volume in PWYW-priced sales offers, probably due to the methodological

challenges related to reliable measurement of demand increase. Therefore, the main determinants of the sales volume of a PWYW sales offer remain unsolved. A distinct feature of PWYW sales offers seems to be that some consumers enjoy buying a product for which they can set the price while others prefer to buy a product for a fixed price (Schmidt, Spann and Zeithammer 2014). Also the social aspect of PWYW payments makes one to assume that buying a PWYW-priced product is not always as lucrative as it first seems due to the message the price sends to others (Gneezy et al. 2010). Both of these notions indicate that the more controllable the purchase situation is from the customers' perspective, the more likely she buys a PWYW-priced product. This idea is supported by the goal theoretic framework (Chandran and Morwitz 2005) that argues that perceived self-efficacy increases the purchase probability of a product sold with a participative pricing mechanism.

Proposition 1: Perceived self-efficacy has an impact on consumers' willingness to buy a product with PWYW price.

A striking notion of the existing PWYW research is that most field studies have been conducted in very similar settings: restaurants, cafés, and amusement parks, for example. This creates a gap in the literature as many of the real-life examples of PWYW have been conducted in online settings and for digital products – think for example Radiohead, a rock band that used PWYW for the sale of its digital album among the first ones in the world (Wired Magazine 2007) and Humble Bundle, an online game vendor continuously offering new online game bundles with PWYW (Newman 2010). There is no published research with field evidence of the effectiveness of PWYW in online settings or of the effects the digital purchase environment on PWYW prices. There are several aspects to consider: the anonymity of the payment, perceived product value (for most digital products variable cost approaches zero), ease of transaction, the global spread of the offering, and so forth. In general, research has shown that consumers approach online and offline purchasing differently, and the motivational mindset determines the way each channel is used (Rajamma, Paswan and Ganesh 2007). Therefore, it is also assumed that PWYW prices differ depending on the environment in which the purchase and the price decision are made.

Proposition 2: PWYW payments made online differ from PWYW payments made in physical environments.

Another limitation regarding the existing research contexts is that an average consumer is very familiar with most of the studied products and services, which decreases variation in reference prices (Mazumdar, Raj, and Sinha 2005). Completely new products or highly differentiated products would be an interesting future research avenue. It is expected that newness or uniqueness of a product would affect the paid prices, and the price decision would depend on the reference price anchors the seller sets. Besides the paid price, uniqueness could also affect the sales volume of the offer. As stated earlier, perceived self-efficacy is expected to have an impact on how likely a person buys a PWYW-priced product (Chandran and Morwitz 2005; Schmidt, Spann and Zeithammer 2014). Thus, if it

is difficult to retrieve a reference price or if the reference price is subject to large variation over time, a person could feel uncertain about the price and the purchase altogether.

Proposition 3: Uniqueness of a product has an impact on purchase probability of a PWYW offer and on PWYW price paid.

In regard to completely new products, PWYW could also be utilized as a mean to test new markets and to determine prices to new products. This is a completely untouched research area and would contribute to research regarding willingness-to-pay (WTP) (e.g., Wertenbroch and Skiera 2002) – how do consumers' hypothetical WTP prices differ from their actual PWYW payments? In particular, PWYW creates an opportunity to study consumers' differential WTPs and actual purchase behavior *simultaneously* and thereby contribute to the existing transaction data and survey data methods (Wertenbroch and Skiera, 2002).

Proposition 4: Consumers' WTP prices differ from actual PWYW prices paid.

Finally, as satisfaction has been seen to affect paid PWYW prices (Kim, Natter and Spann 2009; León, Noguera and Tena-Sánchez 2012; Schons et al. 2014), it would be interesting to study the effect of timing of the payment on PWYW prices. Based on expectation-confirmation theory and disappointment theory (Homburg, Koschate, and Hoyer 2005), it is a different kind of decision if the payment is made before versus after a product is purchased or a service is experienced – an idea that holds particularly for experience goods. Currently, it is not known which option would be more beneficial for the seller yet it is expected that satisfaction with the service moderates the effect.

Proposition 5: Timing of the payment in relation to product or service consumption has an impact on PWYW price paid.

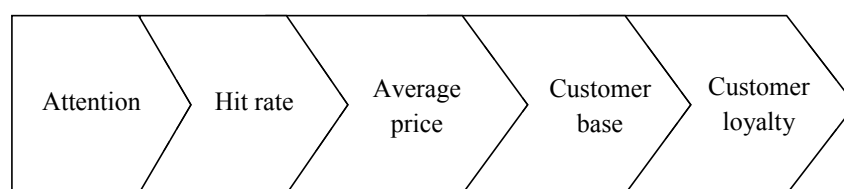
CONCLUSION

The amount of PWYW research has increased significantly during the past years indicating a need to better understand the logic of this new pricing mechanism. The current research evidence is however mixed in terms of how profitable the mechanism is: some report increased profits while others report terrible losses. There are multiple reasons for the outcomes of the studies and the current paper identifies four main categories of revenue drivers in PWYW pricing: consumer characteristics, buyer-seller relationship, price offer tactics, and other exogenous factors. All of these variables affect the factors that finally determine the sales value of the offering – paid PWYW prices, sales volume, or both. As a result of the literature review, five research propositions are offered for future research. The research propositions and PWYW research in general can advance our knowledge on several fronts – it can reveal new aspects about modern consumer behavior in the digital era but it can also be used as a research method to contribute to established theories about consumers' value perceptions and willingness to pay.

Also, the fact that PWYW pricing engages the customer in the determination of a key aspect of a product or a service allows for the study of new co-creative marketing strategies.

For managers, designing PWYW setups and using PWYW for improving business performance has become a distinct business capability. Using PWYW successfully is not easy, but can at best be very efficient; PWYW is versatile and flexible. The first areas of application are already well established – consumer services and digital products are at the forefront. Continuous use of PWYW is a reflection of a durable competitive advantage, which is different from using PWYW to generate attention and utilize novelty, both of which are useful purposes. From value creation perspective, a model of five value steps of PWYW pricing is proposed: PWYW can increase attention to the seller, hit rate, average price, customer base, and, finally, customer loyalty.

Figure 2. Model of five value steps of PWYW pricing



In theory, most profitable uses of PWYW aim to capture the value of all the steps, but the context in which PWYW is used determines its profitable use in practice.

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Essay IV

Essi Pöyry, Petri Parvinen and Maurits Kaptein. Should pay-what-you-want price decisions be seen by others? Non-published Essay. The full text of this essay is not included in the pdf file of the dissertation.

As companies are striving to deepen their customer relationships, customer engagement is a widely offered solution. Research on how expressing engagement affects the purchase behavior of the individual in question is however scarce. The findings of four individual essays suggest that customer engagement can create value that is not dependent on the ownership or usage of the sold product, which may even result in decreases in purchase value of an individual customer. Customer-engagement strategies should concentrate on the indirect value that non-buying customers generate, and on the social benefits customers expect from their engagement behaviors.



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