Does propensity to co-create value affect customer engagement? Case study of the banking industry in Poland

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Abstract:
This research investigates the relationship between propensity to co-create and the different forms of customer engagement (CE) namely purchases, references, social impact and feedback. This new construct propensity to co-create was conceptualized for this study to advance our understanding of the CE literature in a banking context. Data were collected from 201 banking customers in Poland. The findings reveal a strong relationship between propensity to co-create and customer feedback. Moreover, customer purchases are shown to be supported by Net Promoter Score (NPS) while customer feedback is not. Interestingly, the study indicates the lack of relationship between propensity to co-create and purchase behaviour.

1. Introduction

Customer engagement takes many forms and is stimulated by several factors (Pansari & Kumar, 2017). However, existing literature mainly illustrates the effects of engagement rather than its determinants. The determinants are behavioral (Vivek et al., 2012a) or relate to the company's characteristics (Verhoef et al., 2010). When looking at customer engagement as an area of value co-creation between the customer and the company, it is worth noting that propensity to cocreate can be an important engagement determinant as we demonstrate through this research. Additionally, by comparing the role of propensity to co-create in terms of different types of customer engagement, this paper advances our understanding of the customer engagement literature and also provides valuable managerial insights.

2. Theoretical background

Customers cooperate with companies in different ways, with different activities. Due to either an amateur or a professional nature of the cooperation, they act as customer information providers (CIP) or codevelopers (CDP) (Wang et al., 2020). Customers' opinions, likes, and dislikes help to improve the companies' offerings to attract and retain customers (Kumar, 2013). Customers express their ideas and other activities in the form of different activities, from less engaging (ideation and feedback), through progressively more engaging (designing, developing, testing, manufacturing, marketing, and selling). These seven steps mentioned are new product or service development (NPD/NSD) process components (Alam, 2006) and are disjunctive, which means a customer could be a designer but not necessarily an ideator. This determines the customer's participation level as it depends on the number of stages the customer participates in.

Regardless of the type of behavioral engagement in cooperation with the company (ideation, design, testing, etc.), customers engage in affective and normative ways (Maslowska et al., 2016). Both these forms of engagement, however, concern the belief that a given relationship is worth maintaining (normative) and that one would want to maintain it (affective). However, there is no definition of affective engagement in literature with regard to customer participation in the NPD/NSD (affective co-creator) process. We advance the theory that affective co-creation describes propensity to co-create value in terms of creating or co-creating a new offer. It can be used not only to identify customer co-creators, but also to evaluate the creative potential of customers not involved in the process of collaboration with the company.

Customer engagement includes customer behavior (Kumar, V. Pansari, 2016; Kumar, Aksoy, et al., 2010a; van Doorn et al., 2010) as well as cognitive and emotional elements (Hollebeek, 2013; Maslowska et al., 2016; So et al., 2016; Vivek et al., 2012b). This article investigates the behavioral approach first studied by Kumar et al. (2010). While this approach is rather simple and covers basic customer behavior, it is likely that this behavior can be influenced by propensity to co-create value.

Behavioral customer engagement has many identified antecedents. These include features related to customer attitudes towards the brand, i.e. involvement and commitment (Bowden, 2009; Maslowska et al., 2016; van Doorn et al., 2010; Vivek et al., 2012b), factors related to the enterprise, such as strategy marketing or enterprise resources (Pansari & Kumar, 2017; Reinartz et al., 2004; van Doorn et al., 2010) and contextual factors, e.g. related to the company's macro-environment (van Doorn et al., 2010).
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3. Research model and hypotheses development

Antecedents analysis shows that there are no factors related to propensity to co-create value as an attitude determining customer engagement. The search for such factors is justified by customer knowledge value (CKV), which implies customer engagement in the form of

ideation/suggestions/feedback. Propensity to co-create value seems to be the natural antecedent of CKV. In addition, the article also looks for propensity to co-create value relationships with other elements of the Kumar (2010) model, i.e. customer lifetime value (CLV), customer referral value (CRV) and customer influence value (CIV). Based on the above, this paper investigates the research model as below.
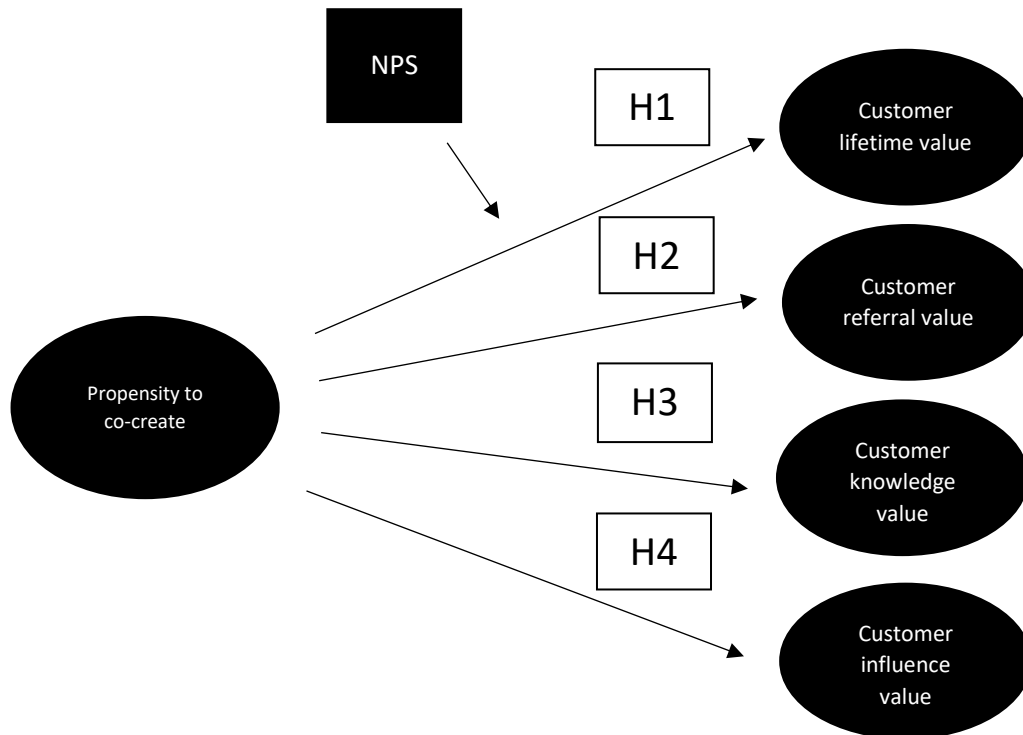
The model consists of four hypotheses that study the impact of customer propensity to co-create on the different forms of customer behaviour, with Net promoter score (NPS) as a moderator. We define propensity to co-create as the tendency to co-create an offer with the company. CLV, CRV, CKV and CIV are the constructs from the existing customer engagement literature (Kumar & Pansari, 2016). NPS is a classic measure of customer satisfaction, reflecting customer's willingness to recommend the offer to friends and relatives (Grisaffe, 2007). It would thus be interesting to examine the impact of NPS on the relationship between propensity to co-create and CLV. More specifically, what levels of NPS influence this relationship and how, would help us to understand the boundary conditions, thus advancing the scant literature.

3.1. *Customer propensity to co-create and CKV*

CKV in terms of Kumar and Pansari (2016) refers to customer feedback and ideation, and is a narrower term than customer involvement or customer participation, which means involvement in the entire NPD process. This knowledge depends mainly on knowledge from the customer. It is the knowledge the customer has about products, suppliers and markets. Knowledge from customer should be valued and utilized to produce innovation in services and products, generate ideas and continuously improve products and services by the organizations (Aghamirian et al., 2015). For example, customer knowledge about products and suppliers can be used to track market trends through a feedback mechanism thus providing systematic improvement and in turn innovating on products (Desouza & Awazu, 2005).

We advance the theory that customer propensity to co-create is a hypothetical CKV motivator. It expresses the customer attitude that "I like to help companies, which is why I help". Thus, propensity as an attitude is the essence of propensity to co-create. It is similar to the willingness of a customer to co-create innovative, technology-based services (Handrich & Heidenreich, 2013). The willingness is limited to "would", while customer propensity to co-create *reveals the reasons* of the attitude (example of scale items: "I know, how to make the offer better", "I like to co-create", "I like to feel that I create something ").

H1: the greater the customer propensity to co-create, the greater CKV

3.2. *Customer propensity to co-create and CRV*

The CRV metric captures the net present value (NPV) of the future profits of new customers who have purchased the firm's offerings as a result of the referral behavior of the current customer (Kumar, Petersen, et al., 2010). The literature states that the behavioral drivers of CRV are customers rewards, the strength of overall customer relationship (Verhoef, 2003) or CLV in financial services (Kumar, Petersen, et al., 2010), likelihood to recommend, likelihood of being an opinion leader, tendency to use social media and blogs, number of connections and level of interaction with prospects, tendency to be hub versus a weak link across hubs (Kumar, Aksoy, et al., 2010b). The behavioral ones dominate when there's a lack of attitudinal ones.

H2: the greater the customer propensity to co-create, the greater CRV

3.3. *Customer propensity to co-create and CLV*

CLV is defined as the present value of future profits generated from a customer over his or her life of business with the firm (Kumar, Aksoy, et al., 2010b). The literature identifies lots of CLV determinants that can be grouped either as behavioural (acquisition rate, retention rate, acquisition channel, share of wallet, retention cost, tenure, purchase frequency, cross-buying, value of purchases, variance in spending, cost of win-back) or attitudinal (satisfaction, purchase intent, brand value or equity, relationship commitment, shopping channel preferences, firm understanding of customer needs, communication channel preference, complaint resolution, reason for leaving) (Hardie et al., 2006; Kumar, Aksoy, et al., 2010b; Kumar, 2017). Attitudinal encompasses the firm-customer relationship when customer propensity to co-create covers general tendency of the customer to co-create.

H3: the greater the customer propensity to co-create, the greater CLV

3.4. *Customer propensity to co-create and CIV*

There are many studies on the role of individuals' influence on others in the diffusion and adoption of products (Goldenberg et al. 2009). Customer influence value is perceiving customers as influencers. Almost all of the behavior that would be classified as contributing to CIV is based on intrinsic motivation of the customer (as opposed to extrinsic rewards e.g., CRV) (Kumar, Aksoy, et al., 2010b). People share because they have product or service expertise, or a tendency to recommend social media and blogs (supported by the number of connections and interaction levels with customers), or a tendency to be hub versus a weak link across hubs (Kumar, Aksoy, et al., 2010b). So, the behavioral and network determinants dominate.

H4: the greater the customer propensity to co-create, the greater CIV.

4. Methodology

4.1. *Data collection*

Data were collected from Polish banking customers by means of a structured survey questionnaire that took an average of 10 minutes to complete. This survey was conducted on 201 customers of various leading retail banks in Poland using Computer Assisted Telephone Interviewing (CATI) method with the random digit dialling (RDD) technique during the end of 2019. These customers were mostly regular long-time customers of their bank (median length of relationship with a bank = 9.0 years), with a small majority of customers who had banked with another bank previously and then switched (51.7%), mostly women (52.7%), with secondary (44.8%) and higher education (35.3%), living mainly in the countryside (39.8%) and in small towns, up to 50,000 inhabitants (25.9%).

4.2. *Measures operationalization*

The variables included in our research model regarding customer engagement behavior concept come from the work of Kumar and Pansari (Kumar, V. Pansari, 2016; Pansari & Kumar, 2017). Propensity to co-create (CREAT) has been conceptualized by the authors. We started by following the general operationalization procedure and then followed the detailed procedure as developed by Lam et al. (2005) including: literature review to find 348 items used previously; face validation done by CRM managers; content validation done by five marketing professors and PhD candidates to shortlist 38 items; The study then assessed the construct validity (Bagozzi, Yi, and Phillips 1991) on a sample of 602 customers from three markets: telecommunications, banking and insurance. Table 1 presents the final set of items.

Name of the item	Item content
CREAT1	I feel needed as new offer contributor
CREAT2	I prefer helping firms to create new offers that having a leisure time
CREAT3	I like to co-create the offer
CREAT4	I like to feel that I co-create something
CREAT5	I could give a good advice

Table 1. CREAT operationalization.

After eliminating selected items which made Cronbach's Alfa getting lower, exploratory factor analysis gave the following communalities results indicating the best results for CREAT 1,3,5. The following statistics tested the quality of the presented variables using exploratory factor analysis made with the principal axis method (Table 2).

Variable	K-M-O test	Cronbach's-Alfa	Variance explained (after modifications)
CREAT	0,649	0,850	68,88

Table 2. Exploratory factor analysis results of CREAT

The satisfactory level of K-M-O and C-A supports the decision of items acceptance.

5. Data analyses and results

The analysis used correlation analysis as a preliminary analysis and multivariate linear regression analysis with NPS and CREAT as independent variables and CLV, CRV, CIV and CKV as dependent variables.

The best quality model was obtained for the CLV variable (partial eta squared = 0.333) and the weakest for the CRV variable (partial eta squared = 0.016). Table 3 provides a detailed description of the models.

Table 3. The model's estimates.

Dependent Variable	Parameter	B	Std. Error	t	Sig.	Partial Eta Squared
CLV	Intercept	-3.084	.318	-9.690	.000	.322
	CREAT	-.051	.060	-.856	.393	.004
	NPS	.401	.041	9.854	.000	.329
CRV	Intercept	-.228	.387	-.588	.557	.002
	CREAT	.109	.072	1.503	.134	.011
	NPS	.030	.049	.598	.550	.002
CIV	Intercept	-1.223	.348	-3.516	.001	.059
	CREAT	.338	.065	5.193	.000	.120
	NPS	.159	.044	3.576	.000	.061
CKV	Intercept	-.463	.345	-1.343	.181	.009
	CREAT	.440	.064	6.831	.000	.191
	NPS	.060	.044	1.366	.173	.009

Analysis revealed 4 groups of compounds corresponding to 4 identified models. The CLV model is a **purchasing model**. CREAT is not a significant predictor of it (t = -0.856; p = 0.393) and NPS is (t = 9.854; p <0.05). This model is characterized by the insignificance of propensity to create and a relatively strong significance of the propensity to NPS (partial eta squared = 0.329). The CRV model is an **indifferent model**. CREAT is not a significant predictor of it (t = -0.588; p = 0.557) as is NPS (t = 0.598; p = 0.550). This model is characterized by the insignificance of both propensity to create and NPS. The CIV model is a **mixed model**. CREAT is a significant predictor of it (t = 5.193; p <0.05), as is NPS (t = 3.576; p <0.05). This model is characterized by a significant importance of propensity to create and a significant importance of the propensity to recommend NPS, where propensity to create is of greater importance (partial eta squared = 0.120). The CKV model is a **creative model**. CREAT is a significant predictor of it (t = 6.831; p <0.05), and NPS is not (t = 1.366; p = 0.173). This model is characterized by a significant importance of propensity to create and no significance of the propensity to recommend NPS.

6. Conclusion

The differences between the purchasing model and the creative model reflect differences in the approach to creating value in business. The first model generates value because of customer satisfaction, not the propensity to co-create. However, in the second model, customer satisfaction does not play a role and the value is generated due to the customer's feedback/ideation, supported by propensity to co-create. The fact that both models exist within one industry confirms the legitimacy of differentiating clients according to the type of value they generate. This important finding leads us to the theoretical and managerial contributions.

7. Theoretical contributions and managerial implications:

This study contributes to the literature in two ways. First, it conceptualises a new construct propensity to co-create and tests its impact on various forms of customer engagement. Second, the findings reveal a strong relationship between propensity to co-create and customer feedback while no such relationship is evident between propensity to co-create and customer purchase.

From a managerial point of view, differentiating customers according to the type of value provided to the company (CLV vs CKV) proves the legitimacy of portfolio diversification. It also demonstrates to companies that not every non-buying customer is a disadvantageous customer. On the contrary, such customers can provide value in different ways (feedback) and thus contribute to firm profitability in the long run.

8. Study limitations and future research

This study was conducted in the context of the banking industry with a sample of respondents that composed largely of banking customers from smaller towns in Poland. So, the findings may not be generalizable to all service industries. Future research can investigate with a different respondent profile or industry, that could perhaps indicate towards a greater importance of CLV from their findings.

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