

**B2B Purchase Engagement:
Examining the Key Drivers and Outcomes in Professional Services**

Abstract

The concept of engagement in regard to the business-to-business (B2B) sector has received less attention due to the complexity and heterogeneity of people involved in making the buying decisions. Hence, there is limited research examining the role of professional service firms' simultaneous collaboration with stakeholders in general, and the drivers and outcomes of engagement in particular, within the B2B sector. To address this gap, this study examines the drivers and outcomes of purchase engagement in B2B professional services. Using the structural equation modelling approach, the results from a survey of CEOs and/or owner-managers of small and medium-sized enterprises in Australia found that customization and loyalty to the account manager are two salient drivers of purchase engagement. Purchase engagement is also found to produce three important outcomes, namely consideration set size (CSZ), dependence, and willingness to pay a premium price (WTP). In the study, customers' dependence on the suppliers was found to act as a mechanism through which engagement can influence CSZ and WTP.

Keywords: B2B, purchase engagement, dependence, professional service firms, small-medium enterprises

1. Introduction

Evidence from industry shows that three out of four business-to-business (B2B) customers report a lack of engagement, indicating that companies are risking over 71% of their revenue from current transactions (Gallup, 2016). This is surprising as B2B companies have more incentive to drive their customer lifetime value through customer engagement due to more intense competition for a small pool of potential customers who account for a bigger portion of sales compared with B2C (Kumar et al., 2010; Kumar and Pansari, 2016). Further, the B2B journey is typically longer, more technical, and often involves complex interactions with customers when compared to B2C (Lilien, 2016), thus suggesting that engagement strategies play a central role in the management of B2B customer behaviors. Prior research also emphasizes the role of engagement in developing relationships with customers beyond the purchasing process (Venkatesan, 2017). In B2B services in particular, the interaction between customers and service provider is considered critical in influencing customer decisions, yet “...there has been no study that discusses the impact of engaging both customers and employees” (Kumar and Pansari, 2016, p. 498). Overall, our knowledge of B2B customer engagement remains sparse and fragmented (Jaakkola and Aarikka-Stenroos, 2018).

The engagement concept is not a recent one, and past studies have discussed it using different meanings in various contexts. For instance, in management it is recognized as an organizational activity with internal stakeholders such as employees, whilst in marketing it focuses on activities involving the customers; hence, the term ‘customer engagement’ (see Brodie et al., 2011; Kumar et al., 2010; Pansari and Kumar, 2017; Vivek et al., 2012). Evidently, the concept of customer engagement has received increasing attention in business-to-consumer (B2C) research (Brodie et al., 2016; Storbacka et al., 2016), mainly focusing on the activities of the customer in relation to the firm or brand (Pansari and Kumar, 2017). However, little attention has been devoted to the concept of engagement in the B2B sector

(Alvarez-Milán, Felix, Rauschnabel, and Hinsch, 2018). Perhaps, this is attributable to the B2B domain challenges, such as its complexity and heterogeneity, since the number of people involved in making purchase decisions is relatively higher than that of B2C (Lilien, 2016; Mora Cortez and Johnston, 2017). However, although companies continuously attempt to engage customers in different ways (Pansari and Kumar, 2017), this evidence is derived mostly from consumer markets, thereby lacking B2B-specific manifestations (Alvarez-Milán et al., 2018).

Marketing scholars have focused mainly on the non-transactional customer behavior when conceptualizing customer engagement (e.g., Van Doorn et al., 2010; Vivek et al., 2012). However, in line with Kumar et al. (2010, p. 298), we concur that customer engagement “...would be incomplete without the inclusion of customer purchases from the firm”. In fact, purchasing is also a behavioral manifestation that is elicited by similar motivational drivers (Kumar et al., 2010). We adopt this conceptualization to capture a broader scope of customer engagement in B2B markets, focusing on the customer purchase dimension of engagement (see Kumar and Pansari, 2016 for more discussion) – hereafter referred to as *purchase engagement*. Purchase engagement reflects the attitudes and behaviors of the customers toward their current and future purchases of the brand (Kumar and Pansari, 2016). Prior studies have found that positive firm performance is influenced mostly by transactional customer engagement behaviors, rather than non-transactional customer engagement behaviors (Beckers, Van Doorn, and Verhoef, 2018). Harmeling et al. (2017) argued that construing customer engagement as *any* activity outside the core transaction subsumes a wide variety of customer behaviors that can potentially dilute the effectiveness of the term due to unintended connotations and redundant meaning. Our research aims to address this apparent lack of understanding of purchase engagement in B2B by differentiating the concept from transaction-focused engagement behaviors and other behavioral measures. This conceptualization also facilitates

the investigation of a unique set of antecedents and outcomes of customer engagement in various contexts (Romero, 2017).

One business sector that has been under-researched in B2B literature is that of professional services (hereafter PSFs) (Casidy and Nyadzayo, 2017). Key PSFs operate in fields such as legal, accounting, engineering and management consulting, advertising and market research. Heirati et al. (2016, p.51) stated that "...the field of B2B marketing contains limited research examining the role of PSFs' simultaneous collaboration with customers and suppliers under differing environmental conditions." In service firms, employees are the service differentiators and a source of competitive advantage as their interaction with customers is critical in creating positive brand associations (Harris and De Chernatony, 2001; Kumar and Pansari, 2016). Also, services brands represent "a cluster of functional and emotional values that promises a unique and welcomed experience" (De Chernatony 2010, p. 12). Thus, it is evident that customer engagement in B2B services plays a key role in producing sustainable competitive advantage.

Given this background, the significant dearth of academic research on the conceptualization of B2B customer engagement is clearly notable, specifically in terms of its antecedents and consequences (Brodie et al., 2016; Jaakkola and Aarikka-Stenroos, 2018; Storbacka et al., 2016), especially in the PSF context. Therefore, the main aim of this study is to address the research question: *What are the salient drivers and outcomes of purchase engagement in B2B contexts?* Grounding our study in social exchange theory (SET), we examine the key drivers and outcomes of purchase engagement in a unique B2B context involving relationships between PSFs and small-to-medium enterprises (SMEs). In particular, we examine the impact of two pertinent firm-specific antecedents (i.e., customization and loyalty to account manager) on behavioral customer engagement outcomes (i.e., dependence, willingness-to-pay premium price, and consideration set size).

The study contributes to extant knowledge on purchase engagement in B2B markets by explicating its antecedents and differential effects on both non-transactional and transactional customer engagement behaviors. By doing so, we argue that this more refined and broader scope of customer engagement better captures its implicit and explicit meaning that can help establish more effective building blocks for strong theory (Suddaby, 2010). Further, being among the first of empirical studies to examine the B2B purchase engagement concept, this study responds to numerous calls to extend engagement research beyond consumer markets (Brodie et al., 2016; Jaakkola and Aarikka-Stenroos, 2018; Storbacka et al., 2016). In addition, given that managerial recommendations in regard to customer engagement are based mainly on B2C research (Alvarez-Milán et al., 2018), the findings of our study offer novel insights on B2B-specific drivers and outcomes of purchase engagement. Lastly, we contribute more knowledge to a unique B2B context (i.e., PSF-SME) that has received relatively less research attention (Casidy and Nyadzayo, 2017).

2. Theoretical framework, literature review and hypotheses

2.1 Social exchange theory

To capture the broader perspective of purchase engagement in a B2B context, we draw upon social exchange theory (SET) as a theoretical lens through which customer engagement behaviors are conceptualized. SET helps to capture the interactive, two-way nature of engagement and recognizes that both firms and customers play a role in engendering customer engagement behaviors (Alvarez-Milán et al., 2018). This study encompasses the interactive nature of engagement (e.g., Alvarez-Milán et al., 2018; Venkatesan, 2017), and argues that firms (and not only customers) can promote customer engagement behaviors. As a result, we adopt SET which emphasizes that social exchange can be initiated by any partner in a dyadic relationship or network. Social exchange describes the voluntary actions of individuals who

are motivated by the mutual benefits every partner in the exchange is likely to obtain (Gottschalk and Solli-Saether, 2005). SET builds on the notion of reciprocity and is based on three key tenets: (i) rules and norms of exchange, (ii) resources exchanged, and (iii) relationships that emerge from exchange (Blau, 1964; Cropanzano and Mitchell, 2005).

Past research on firm-initiated customer engagement has focused on psychological ownership and self-transformation, underemphasizing the importance of social exchange and reciprocity in strategic customer engagement initiatives (Alvarez-Milán et al., 2018). SET resonates well with the interactive nature of engagement; hence, it has been widely used in customer engagement literature (see Abdul-Ghani et al., 2011; Alvarez-Milán et al., 2018; Hollebeek, 2016; Roy et al., 2018). Parties in a social exchange are motivated by scarcity of resources that prompts them to engage with one another in order to obtain valuable inputs; this is particularly applicable in the PSF-SME context. Further, because of the salience of personal relationships in producer-intermediary networks, shared values and expectations of reciprocity (Molm, 2006) are particularly essential. Also, according to Hollebeek (2016), customer engagement is a process guided by reciprocity and cost-benefit analysis over time, in which firms compare customer engagement investments and returns. As a result, we integrate SET from the company's perspective focusing on the PSF-initiated customer engagement initiatives and the subsequent impact on purchase engagement and other behavioral outcomes.

2.2 Purchase engagement

There is a general consensus that research on customer engagement is mainly based on two approaches: psychological and behavioral (Hollebeek, 2011; Jaakkola and Alexander, 2014), although the behavioral dimension prevails in both views. Most prior research conceptualized engagement in marketing as a customer's behavioral response to a firm, going beyond the core economic transaction (e.g., Van Doorn et al., 2010; Vivek et al., 2012).

However, arguments from a psychological perspective posit the interactive nature of such transactions, asserting that “customers choose to invest...resources in particular brand interactions” (Hollebeek, Srivastava, and Chen, 2016, p. 3). Thus, to circumvent the limitations of the psychological view which minimizes the importance of other key customer engagement behaviors (Harmeling et al., 2017), this study adopts the behavioral perspective of engagement. Consistent with SET, the behavioral view does not preclude other pertinent psychological constructs (e.g., involvement and commitment), thereby allowing these constructs to operate independently with their unique set of antecedents and outcomes (Pansari and Kumar, 2016).

The relationship between partners is formed on the basis of generating a win-win outcome for parties involved in relational activities (Grönroos and Helle, 2012). Being influenced by the long-term relationship orientation, engagement represents the actual manifestation of behaviors and/or strategies that a buying firm considers essential to maintaining the relationship in order to accomplish its objectives and to obtain values and benefits for the organization (Stewart, Zacharia and Artis, 2012). Customer engagement has been extensively examined in marketing literature. Van Doorn et al. (2010, p. 254) concentrated on particular customer engagement behaviors, specifically categories and/or arrays of central engagement activities and opined that engagement is “a customer’s *behavioral manifestation* toward a brand or firm” and that it “results from motivational drivers”. This is the main difference between customer engagement and other relational constructs. For example, commitment, an important concept in the B2B relationship marketing literature, is conceptualised as the *desire* of an exchange partner to maintain a relationship with the another (Han & Sung, 2008). Previous research generally identifies two main types of commitment, affective and calculative commitment (Rauyruen & Miller, 2007). While affective commitment is based on the emotions and feeling of attachment and affiliation, calculative commitment is based on rational and economic reasons, focusing on termination or switching costs (Davis-

Sramek et al. 2009). Youssef et al. (2018) and Brodie, et al. (2011) propose that commitment is an antecedent of customer engagement along with other relationships quality constructs such as trust and loyalty.

This study focuses on an important dimension of engagement, that is, purchase engagement, in order to understand the engagement of the internal (employees) and external (customers) stakeholders of the organization (Kumar et al., 2010; Kumar and Pansari, 2016). Purchase engagement reflects the attitudes and behaviors of customers in relation to their present and future purchases of a firm's service (Blattberg, Getz and Thomas 2001; Gupta and Lehmann, 2005; Kumar and Reinartz, 2006). Therefore, purchase engagement increases the present value of future profits produced by a customer over the duration of business with the company. In other words, purchase engagement reflects the total financial contribution of transactions of a customer over his or her entire lifetime with the company and therefore indicates the future profitability of the customer (Kumar et al., 2010). Overall, the conceptualization of customer engagement by Kumar et al. (2010) is adopted in this study due to its comprehensive nature; it captures the dyadic nature of B2B relationships and also includes customer transactions such as willingness to pay premium price (WTP) and consideration set size (CSZ) in the metric that directly influences customer profitability.

2.3 Drivers of purchase engagement: customization and loyalty to account manager

As purchase engagement provides vital managerial insights, its drivers offer important information by allowing firms to assess customer profitability and decide suitable current marketing activities to further increase future profitability (Kumar et al., 2010). There are several antecedents that are likely to impact on purchase engagement; however, we limited these potential drivers to only a salient few that reflected the nature of the study context.

Nyffenegger et al. (2015) recommended limiting the number of potential antecedents when undertaking an empirical study among customers in service firms. Next, we conducted a qualitative pilot survey with SME CEOs and/or owner-managers to explore factors that play a prominent role in enhancing their firms' purchase engagement behaviors. Based on this qualitative inquiry as well as literature on customer engagement and professional services, *customization* and *loyalty to account manager* emerged as the two salient drivers in professional services within the SME sector.

Professional services often involve high customer contact and complicated buying situations (Bask, Lipponen, Rajahonka and Tinnilä, 2011); hence, customization is a strong point of differentiation (Verma, 2000). Customization refers to the alteration of some elements of the offering or its delivery to match different needs, wants and requirements of each customer who is treated as a unique individual (Claycomb and Martin, 2001; Yen et al., 2011). It requires the constant exchange of information with customers in order to tailor services for each of them. Customisation is closely related to the notion of *adaptation* in the B2B marketing literature (Bleier, De Keyser, & Verleye, 2018). While customization involves the seller's action to benefit the buyer, adaptation in a B2B relationship is a broader concept that can be practiced by both sellers and buyers (Viio & Grönroos, 2016). Adaptation refers to the ability and willingness of either party in exchange to invest in changes that will benefit the other (Persson, 2010). For example, tailoring products and services for specific buyers (i.e. customization) demonstrates seller adaptation (Beverland, Napoli & Lindgreen, 2007). On the other hand, a customer who modifies its own production processes in order to enable the use of a seller's products is an instance of how a buyer adapts (Ahmad, & Buttle, 2001). Therefore, customisation can be considered as part of adaptation which focuses on the seller behavior in relation to meeting their customers' preferences. Customization is considered as a form of market orientation which is defined as "the extent to which a firm engages in the

generation, dissemination, and response to market intelligence pertaining to current and future customer needs” (Morgan, Vorhies and Mason, 2009, p.910). In fact, Caruana et al. (1999) indicated that market orientation has been articulated using terms such as ‘close to the customer’ (Webster, 1988; Shapiro, 1988); thus, it has a direct impact on how companies engage their customers (Guo and Wang, 2015; Lim, Darley and Marion, 2017; Mentzer et al., 2000).

As the role of customers becomes increasingly more significant, firms are required to adopt innovative and unique ways to create competitive advantages and to manage their customers – one of these approaches is customization (Lindgreen et al., 2009). In a PSF context, customization range from getting to know the customer to facilitate strong communication to offering the best product/service options. In return, buyers must engage or interact with the vendor firms by, for example, engaging in a purchase to obtain benefits and create value (Stewart, Zacharia and Artis, 2012). Previous research indicates that adaptations lead to greater mutual commitment and stronger bonds (Ahmad, & Buttle, 2001; Ford, 1980). As customization is a form of adaptation, it can be suggested that customisation also has similar effects on buyer-seller relationship. In fact, Grönroos and Helle (2012) argued that customer engagement is grounded in mutual benefits and is strengthened through customization which encompasses a common end goal (i.e. to reach a unique solution suited to each individual business problem) and constant involvement in expanding the scope and nature of collaborative efforts (e.g. exchanging information between buyers and sellers) to create value in a joint sphere (Marcos-Cuevas et al., 2016). Further, in B2B settings, relationships are mostly driven by the sales team’s in-depth knowledge of the customer’s requirements and potential challenges (Kumar and Pansari, 2015) that, in turn, can positively influence the customer’s experience. Thus, it is hypothesized that:

H₁: Perceived level of a firm’s customization has a positive effect on purchase

engagement towards the firm.

Loyalty to the selling firm is the customer's "intention to perform a diverse set of behaviors that signal a motivation to maintain a relationship with the focal firm" (Sirdeshmukh, Singh and Sabol, 2002, p. 20). Customer loyalty to the firm might be dependent on factors related to and controlled by the salesperson, such as interaction and relationship with a salesperson (Beatty et al., 1996; Berry, 1995; Levin, Thaichon and Quach, 2016). The customer's intention to continue to conduct business with a firm may be based on his/her attitudes and emotions towards the salesperson. Frontline staff who interact and serve customers play a significant role in the process of service delivery and relationship development (Guo and Ng, 2012; Levin, Thaichon and Quach, 2016). Within the professional services sector, customers interact with the firm at each touch point, and the relationship with employees can significantly influence customers' perceptions of the service (Bitner, 1990; Chebat and Kollias, 2000; Guo and Ng, 2012).

Palmatier, Scheer and Steenkamp (2008) proposed the concept of salesperson-owned loyalty which refers to the customer's intention to perform behaviors motivated by a desire to continue a relationship specifically with the focal salesperson. Research demonstrates that a feeling of attachment is positively associated with customers' willingness to remain in a relationship with their service provider through repeat purchases (Shemwell et al., 1994). Moreover, as a buyer can express salesperson-owned loyalty by purchasing only from the selling firm employing a particular salesperson, salesperson-owned loyalty can directly influence a selling-firm's financial outcomes (Chen and Jaramillo, 2014; Palmatier, Scheer and Steenkamp, 2007) including purchase engagement. On the other hand, previous research demonstrates that salesperson-owned loyalty can also negatively influence firm's performance when there is a disruption in the customer-salesperson relationship, for example, the salesperson retires, transferring to another position or move to a competitor. Loyalty to a

salesperson increases the risk of losing customers when the salesperson leaves the firm (Homburg, Müller & Klarmann, 2011). In fact, Palmatier, Scheer and Steenkamp (2007) found that buyers would make an attempt to move an average of 26% of their current purchases to follow a defecting salesperson. However, the benefits of salesperson-owned loyalty can outweigh its potential negative impact if a firm is able to develop an effective risk management strategy (Bendapudi and Leone 2001). Consistent with prior research, we hypothesize that loyalty to an account manager with whom customers interact in a professional service context results in customers' purchase engagement (Reichheld and Teal, 1996; Zeithaml, Berry and Parasuraman, 1996). Hence, it is hypothesized that:

H₂: Loyalty to an account manager has a positive effect on purchase engagement

2.4 Outcomes of purchase engagement: dependence, willingness to pay a premium price (WTP) and consideration set size (CSZ)

Purchase engagement signals the motivation to establish and develop a relationship with a service firm that provides value and convenience (Gwiner, Gremler and Bitner, 1998). Hence, purchase engagement can be considered relationship-specific investment which helps increase customers' dependence, and thus strengthens the disinclination to switch providers (Jones, Mothersbaugh and Betty, 2000; Kim, Park and Jeong, 2004). A customer's dependence on a service provider refers to the customer's need to continue his or her relationship with a firm (Frazier, 1983) and reflects the extent to which he or she relies on the service provider in order to achieve his or her desired goals. As customers have higher purchase engagement, they are more likely to invest in the relationship through purchase behavior. The higher the investment, the higher the costs associated with terminating the relationship with the service provider and switching to another firm (Heide and John, 1988; Joshi and Arnold, 1997; Morgan and Hunt, 1994), which leads to higher level of dependence. Hence, it is hypothesized that engagement has a positive effect on dependence. Moreover, willingness to pay a premium price (WTP) is

defined as how willing customers are to pay an excessive price for a firm's services in preference to competing alternatives (Netemeyer et al., 2004). Customers often engage with the seller only if they recognize the value of the relationship (Moliner-Velazquez, Fuentes-Blasco and Gil-Saura, 2014; Schertzer, Schertzer and Dwyer, 2013). In addition, higher perceived value is more likely to result in higher willingness to pay a higher price in order to continue conducting business with a firm (Persson, 2010). Thus, it is hypothesized that:

H₃: Purchase engagement has a positive effect on (a) dependence and (b) WTP

Further, the consideration set size—CSZ (also, evoked set size) indicates the number of brands or alternative suppliers available in the same service category that a consumer considers when making a purchase decision (Desai and Hoyer, 2000; Nyffenegger et al., 2015). A customer typically goes through a two-stage choice decision process: (1) isolation of a group of alternatives, i.e., a consideration set, in which the customer will further explore and examine and (2) purchase decision-making based on the consideration set (Van Nierop et al., 2010; He et al., 2016). As purchase engagement is developed over time, an engaged customer is more likely to be well aware of and acquire knowledge regarding the differences in features of available offerings of competing for service providers (Bunn, Butaney, and Hoffman, 2001). In other words, engaged customers tend to be more experienced and more confident in their ability to make accurate choices (Alba and Hutchinson, 2000; Mattila and Wirtz, 2001, 2002; Srinivasan and Ratchford, 1991). Therefore, they might be less motivated to spend time and effort to search for more options in relation to their business problems, thereby having smaller consideration sets and being less likely to consider other brands (Tuu and Olsen, 2013; Park and Lessig, 1981; Sambandam and Lord, 1995). Hence, it is hypothesized that:

H_{3c}: Purchase engagement has a negative effect on CSZ.

Extant literature shows that the outcomes of customization include increased levels of

customer trust (Yen, et.al., 2011) and relationship longevity (Cannon and Perreault, 1999). This is because customers will value individualized solutions to their specific needs, especially in regard to complicated buying problems which are often observed in professional services (Gwinner et al., 2005). Previous research demonstrates that the service procedure, adaptation and the flexibility in service delivery has a positive effect on customers' behavior and attitudes toward the service provider (Kasiri and Mansori, 2016). It has been found that customers are willing to pay a premium for a customized service provided that the difference in cost and the benefits that buyers can obtain from the offering can justify an increase in price related to a greater degree of customization (Bardakci and Whitelock, 2004). In fact, many service providers customize their services so as to develop a long-term relationship with customers (Yen, et.al., 2011). Franke, Keinz and Steger (2009) revealed that customized offerings receive significantly more favorable ratings with regard to willingness to pay a premium, purchase intention, and attitude toward the product. Customization also involves frequent information exchange and collaborative efforts which can produce unique competitive advantage (Gwinner et al., 2005). Thus, it can reduce switching costs and increase customer dependence on the service provider and reduce the consideration set size. Similarly, Wirtz and Lovelock (2016) shows that B2B service firms can build strong relationships with customers via customization which, in turn, enhances loyalty and higher levels of dependence.

Moreover, as salespeople and, in particular, account managers in professional services, often deal with customers directly in B2B relationships (Drollinger and Comer, 2012), salespeople play a significant role in decreasing customer switching intention, increasing business, creating value, and restoring bonds between a firm and its customer (Johnson et al., 2001; Palmatier et al., 2007). In a similar vein, Liu, Leach and Chugh (2015) suggested that salesperson-owned loyalty increases a buyer's willingness to pay a price premium (Elsäßer, 2017; Palmatier et al., 2007). Loyal customers often have less price elasticity than non-loyal

customers and they are more willing to pay a premium in order to continue doing business with their desired salesperson instead of investing in further search costs (Blocker et al., 2012). This also indicates a high level of dependence as switching would incur a relational loss to the loyal customer. Moreover, Sambandam and Lord (1995) revealed that loyalty diminishes the size of the consideration set and the amount of effort put into looking for alternatives, while increasing the buyer's willingness to buy from the same seller in the future (Blocker et al., 2012; Srinivasan, Anderson and Ponnayolu, 2002). Given that customization and loyalty to the account manager (i.e., antecedents) are expected to engender purchase engagement that, in turn, is expected to influence dependence, WTP and CSZ (i.e., consequences) it is plausible that purchase engagement mediates the relationship between the antecedents and the consequences. This is consistent with the previous discussion which indicates that all the antecedents are associated with various outcomes. Therefore, it is hypothesized that:

H₄: Purchase engagement mediates the effects of customization on: (a) dependence (b) WTP (c) CSZ.

H₅: Purchase engagement mediates the effects of loyalty to the account manager on: (a) dependence (b) WTP (c) CSZ.

2.5 Mediating role of dependence

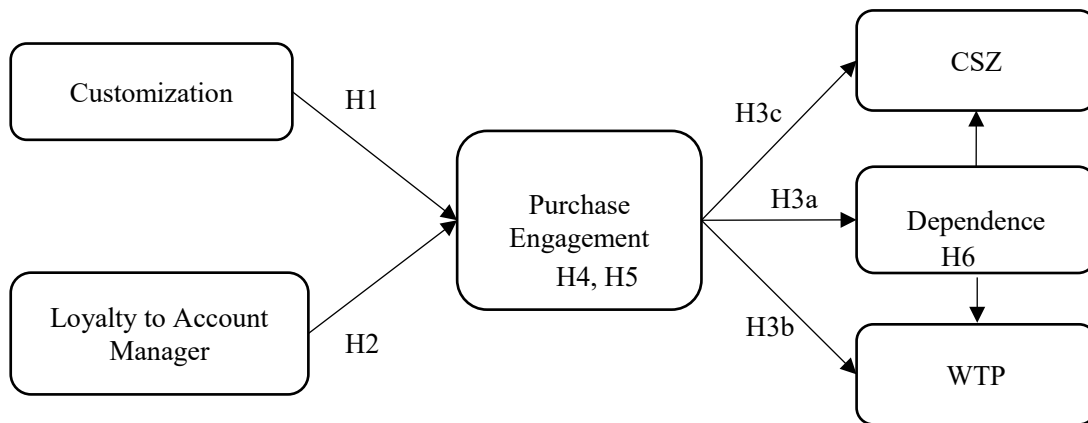
Research on relational exchange has considered dependence as an important factor that 'glues' together the involved parties. Palmatier et al. (2006) argued that dependence has a positive impact on customer purchase behavior. In a professional service context, a customer who is highly dependent on a service provider values the firm's offering and is not able to easily change to another company without incurring significant additional costs. High switching costs result in customers feeling blocked-in to a service provider; hence, dependence in buyer-seller relationships demonstrates the attention directed at a specific service provider (Bonner and Calantone, 2005). Also, dependence on the seller reflects the customer's

appreciation of the value of the service provider's resources, indicating limited available options (Hibbard, Kumar, and Stern, 2001; Palmatier et al., 2006). In fact, previous research in B2B settings reveals that customers who experience high perceived costs of switching tend to put less effort into searching for alternative services (Weiss and Heide, 1993). In other words, dependence leads to a smaller consideration set. Further, dependent customers tend to comply with the service provider's requests or policies (Bendapudi and Berry, 1997; Ganesh, Arnold and Reynolds, 2000). Therefore, it is reasonable to suggest that customers with high dependence are more likely to pay a premium price to pursue cooperative relationships with the firm in order to successfully adapt to changes and to obtain mutual benefits (Bonner and Calantone, 2005; Heide and John, 1990; Morgan and Hunt, 1994). Therefore, given this background, it is proposed that dependence has a positive influence on WTP while reducing CSZ. On the other hand, it is proposed that engagement is an antecedent of dependence, and CSZ and WTP are outcomes of engagement. Hence, it can be suggested that dependence mediates the relationship between the engagement and its outcomes. Hence, it is hypothesized that:

H₆: Dependence mediates the relationship between purchase engagement and (a) CSZ and (b) WTP.

Overall, based on extant literature and using SET, we predict that customization and loyalty to the account manager are two salient drivers of purchase engagement that influence outcomes such as dependence, WTP and CSZ. The conceptual model is depicted in Figure 1.

Figure 1. Conceptual Framework



3. Methodology

3.1 Data collection

A list of 4000 email addresses of CEOs and/or owner-managers of SMEs in Australia was obtained from a professional database supplier (IncNet). The authors emailed a link to an online survey to acquire potential respondents. We adopted a single-informant approach by asking SME CEOs and/or owner-managers to participate in the study on behalf of their firm. Prior research suggests that, as study participants, CEOs and/or owner-managers are as reliable as multiple informants (Weerawardena, 2003), particularly in the case of research that examines phenomena related to SME firms (Fleming et al., 2016). Consistent with previous studies (Brown et al., 2011; Zablah et al., 2010), the survey instructions asked respondents to think about a recent situation in which they were heavily involved in selecting a particular service firm with which to engage for business purposes. The respondents were then asked to report the brand name of the service firm and the types of services that it offered. To ensure recall, the self-reported brand name and the service type were automatically inserted into relevant questions in the survey.

The resulting sample comprised 324 respondents who use PSF for their business (representing an 8.1 % response rate). Approximately 80% of the sample operated within the service/retail sector and 20% in the manufacturing sector. Most participants' organizations had an annual income of over \$10 million AUD (42%) and employed between 20-199 full-time

staff (66%). Of the focal service firms nominated by the respondents, 41% provided accounting, financial, and taxation auditing services, 16% offer IT consultancy services, 15% offered legal advisory services, and 7% offered marketing, media, and public relations services. The rest of the survey respondents nominated engineering services (3%), design and architecture services (1%), and “other consultancy” services (17%).

3.2 Measures

We used validated scales from past literature to measure our study constructs (see Table 1). Customization was measured using three items from Camarero (2007) that evaluate the supplier firm’s flexibility in adapting its services to suit customer needs. Loyalty to the account manager was assessed using four items adapted from Palmatier et al. (2007). Then, purchase engagement was measured using items adapted from Kumar and Pansari (2016). For the measurement of outcome variables, dependence was adapted from Lusch and Brown (1996) and WTP from Nyffenegger et al. (2015). Finally, CSZ was measured by one item that asked respondents to indicate the number of other service providers they would consider aside from their focal service firm from 1 = “I would consider no other firm than [X]” to 5 – “We would consider all possible firms” (Nyffenegger et al., 2015). With the exception of CSZ, all other constructs employed a seven-point scale anchored by 1 = ‘strongly disagree’ and 7 = ‘strongly agree’.

3.3 Measurement model

First, a number of preliminary checks comprising tests for normality, unidimensionality and outliers, were conducted. No significant issues were identified, thus indicating data validity. We then conducted confirmatory factor analysis using Mplus 7.3 to assess the reliability and validity of our constructs. Composite reliability, standardized factor loadings (SFLs), and average variance extracted (AVE) values indicated good reliability and convergent

validity. As shown in Table 1, the SFLs were all above .60, and in conjunction with the high construct reliability ($>.70$), convergent validity was satisfied (Hair et al., 2006). The measurement model exhibited satisfactory fit as reflected in the fit indices: $\chi^2 (138) = 294.09$, $\rho < .001$, root mean square error of approximation (RMSEA) = .06, Comparative Fit Index (CFI) = .96, Tucker-Lewis index (TLI) = .95. Further, the square root of variance extracted for each construct exceeded the correlations between the constructs (see Table 2), thus indicating discriminant validity (Voorhees et al., 2016).

Table 1. Measurement properties

Constructs	Items	SFL	t	CR	AVE
Customization	[X] has flexibility to adapt the offer to our specific needs and requests	0.831	28.718	0.80	0.58
	The terms of a contract or repetitive transactions could be renegotiated in case an unexpected situation occurred	0.748	22.757		
	[X] has invested in the development of products adapted to each customer	0.692	18.853		
Loyalty to account manager	If our account manager at [X] moved to a new firm, we would likely shift to this account manager's new firm	0.900	76.944	0.96	0.86
	We would do less business with [X] in the next few years if our account manager changed	0.948	134.756		
	We would be less loyal to [X] if our account manager moved to a new firm	0.973	186.054		
	We feel greater loyalty toward our account manager than to [X]	0.883	66.553		
Purchase Engagement	My business will continue engaging with [X] in the near future	0.689	21.403	0.89	0.66
	My business engagement with [X] make me content.	0.890	53.594		
	The money spent to engage with [X] is worth its value	0.851	43.961		
	Engaging with [X] makes me happy	0.808	35.541		
WTP	The service fees of [X] would have to go up quite a bit before we would switch to another service provider.	0.656	18.416	0.86	0.60
	We are willing to pay a higher service fee for [X] services over another service provider.	0.893	48.456		
	We are willing to pay a lot more for [X] services than another service provider.	0.827	37.072		
	How much more are you willing to pay for [X] services compared to another service provider	0.700	21.907		
CSZ	How many other service providers would your business consider for [Y] services?	n/a	n/a	n/a	
Dependence	We are dependent on [X]	0.714	23.748	0.88	0.71

[X] would be difficult to replace	0.937	57.531
[X] would be costly to lose	0.869	44.405

SFL=Standardized Factor Loadings, CR=Composite Reliability, AVE=Average Variance Extracted, [X]=the brand name of the PSF, [Y] The type of services offered by [X], WTP = Willingness to pay premium price, CSZ = Consideration set size

Table 2. Correlation matrix and discriminant validity

	Mean	SD	1	2	3	4	5	6
1. WTP	3.78	1.20	<i>0.775</i>					
2. Customization	5.51	1.05	0.416**	<i>0.759</i>				
3. Dependence	4.33	1.40	0.596**	0.423**	<i>0.845</i>			
4. Purchase Engagement	5.53	0.97	0.653**	0.661**	0.479**	<i>0.813</i>		
5. Loyalty to Account Manager	3.94	1.73	0.192**	0.142**	0.214*	0.297**	<i>0.927</i>	
6. CSZ	2.04	0.89	0.320**	-0.143*	0.270**	0.292**	-0.023	NA

SD=Standard Deviations *significant at .05 ** .01 level. Italicized entries represent square root of average variance extracted

3.4 Common method bias

We assessed the threat of common method bias using three statistical techniques recommended by Homburg et al. (2010). First, we conducted the Harman one-factor test (Podsakoff et al., 2003). This one-factor model had poor model fit as reflected in the indices: $\chi^2(152) = 2591.41, p < .001$, CFI = .44; TLI = .37; RMSEA = .22. The significant chi-square change ($\Delta\chi^2(14) = 2297.32, p < .001$) indicated that the seven-factor model had better fit with the data than did the single-factor model.

Second, we adopted the ‘marker variable’ approach of Lindell and Whitney (2001) by employing a theoretically unrelated construct (i.e., number of employees) in the analysis as a proxy for common method variance. The average correlation coefficient for this marker variable ($r_M = .01$) was used to calculate the common method variance (CMV) - adjusted correlations for the variables under examination (Malhotra et al., 2006). There were no significant differences between the original and CMV-adjusted correlation matrix, and there was no change in the significance of correlations between key constructs, which suggested that common method bias was not a problem in this study. Finally, we examined whether the inclusion of a common method factor would affect our results (Homburg et al., 2010). An examination of the path coefficients revealed no statistically significant changes in relationships between constructs after the inclusion of the common latent factor. Thus, according to the findings outlined above, CMV was not an issue in this study.

4. Data analysis and results

We tested the research hypotheses using structural equation modelling in Mplus 7.3. The structural model had good fit with the data as reflected in the fit indices: $\chi^2(138) = 294.09, p < .001$, CFI = .96; TLI = .95; RMSEA = .06. Consistent with Baron and Kenny's (1986) guidelines for testing mediation effects, we examined the relationship between the independent, mediator, and outcome constructs prior to examining the mediation hypotheses. Table 3 outlines the analysis results for the relationship between constructs.

Table 3. Results for hypotheses testing

Path		Unstandardized		Standardized
		β	t	β
<i>Direct Effects</i>				
H1	Customization → Purchase engagement	0.460**	5.335	0.631**
H2	Loyalty to account manager → Purchase engagement	0.088**	3.478	0.208**
H3a	Purchase engagement → Dependence	0.511**	2.866	0.322**
H3b	Purchase engagement → WTP	0.736**	5.021	0.548**
H3c	Purchase engagement → CSZ	-	-2.735	-0.314**
	Customization → Dependence	0.228	1.709	0.197
	Customization → WTP	-0.101	-1.244	-0.103
	Customization → CSZ	0.124	1.230	0.134
	Loyalty to account manager → Dependence	0.06	1.482	0.09
	Loyalty to account manager → WTP	-0.022	-	-0.039
	Loyalty to account manager → CSZ	0.05	1.762	0.093
<i>Indirect Effects</i>				
H4a	Customization → Purchase engagement → Dependence	0.235**	3.069	0.203**
H4b	Customization → Purchase engagement → WTP	0.339**	3.887	0.346**
H4c	Customization → Purchase engagement → CSZ	-0.184*	-	-0.198*
H5a	Loyalty to account manager → Purchase engagement → Dependence	0.045*	2.075	0.067*

H5b	Loyalty to account manager	→	Purchase engagement	→	WTP	0.065**	2.945	0.114**
H5c	Loyalty to account manager	→	Purchase engagement	→	CSZ	-0.035*	- 2.385	-0.065*
H6a	Purchase engagement	→	Dependence	→	WTP	0.167**	2.639	0.124**
H6a	Purchase engagement	→	Dependence	→	CSZ	-0.080*	- 2.299	-0.063*

WTP. Willingness to Pay Premium Price; CSZ. Consideration Set Size

The effects of customization ($\beta = .631, p < .01$) and loyalty to the account manager ($\beta = .208, p < .01$) on purchase engagement are positive and significant, thereby supporting H1 and H2, respectively. The effects of purchase engagement on dependence ($\beta = .322, p < .01$) are positive and significant, thereby supporting H3a. With regards to the other outcome constructs, we found support for the direct effects of purchase engagement on WTP ($\beta = .548, p < .01$) and CSZ ($\beta = -.314, p < .01$), thereby supporting H3b and H3c respectively. Having established the relationships between the independent, mediator, and outcome constructs, we proceeded with further mediation tests by observing the significance of the indirect effects on each mediating mechanisms.

Our results provided overall support for all mediation hypotheses. Customization was found to have significant indirect effects on dependence ($\beta_{\text{indirect}} = .203, p < .01$), WTP ($\beta_{\text{indirect}} = .346, p < .01$), and CSZ ($\beta_{\text{indirect}} = -.198, p < .05$) via the mediating role of purchase engagement, thereby supporting H4a, H4b, and H4c respectively. Similarly, support was found for the indirect effects of loyalty to account manager on dependence ($\beta_{\text{indirect}} = .067, p < .05$), WTP ($\beta_{\text{indirect}} = .114, p < .01$), and CSZ ($\beta_{\text{indirect}} = -.065, p < .05$) via purchase engagement, thereby supporting H5a, H5b, and H5 respectively. An observation of the (non-significance) direct effects between the antecedents (i.e. customization, loyalty to account manager) and outcome constructs (i.e. dependence, WTP, and CSZ) revealed that purchase engagement performs full mediation in these inter-construct relationships.

Our model specifies that the link between purchase engagement, WTP, and CSZ is mediated by dependence. While the results provide support for the indirect effects of purchase engagement on WTP ($\beta_{\text{indirect}} = .124, p < .01$) and CSZ ($\beta_{\text{indirect}} = -.063, p < .05$), an observation of the direct effects

suggests that the mediating role of dependence is only ‘partial’ since the direct effects of purchase engagement on WTP and CSZ remain significant after the inclusion of the mediating effects.

5. Discussion

This study was undertaken to examine the drivers and outcomes of purchase engagement in B2B professional services from an SME owner-manager perspective. The need for more research in this space cannot be over-emphasized as customer engagement enhances corporate performance and stronger competitive positions (Jaakkola and Alexander, 2014). Moreover, customer engagement has redefined the way that customers and firms interact, prompting firms to be proactive in initiating and managing customer engagement behaviors (Beckers et al., 2018). Yet, in dyadic relationships (such as that between the service provider and buyer), the dynamics of engagement are not well understood, and the theoretical understanding of this construct is still fragmented (Fehrer, Woratschek, Germelmann, and Brodie, 2018; Harmeling et al., 2017). To address these obvious research gaps, this study empirically tested a conceptual model and found that customization and loyalty to the account manager are two key drivers of purchase engagement and in turn, we found support for the subsequent impact of purchase engagement on the three outcomes (CSZ, dependence and WTP).

More specifically, we established that the level of customization for individual SME clients plays a critical role in determining purchase engagement disposition. Similarly, a recent study by KPMG (2017) suggests that in B2B, one of the six pillars of customer experience is personalization – offering tailored experiences and attention to drive an emotional connection. Morgan (2018) also attests that, unlike B2C customers, B2B buyers disdain the one-size-fits-all approach and to enhance customer experience, B2B firms can add value by offering personalized services. Further, since in B2B settings “...the level of commitment toward the firm would be limited...” (Pansari and Kumar, 2017, p. 305), instead we confirm that loyalty to the account manager is another key driver of purchase engagement behavior. In service contexts, due to high levels of interactions, employees’ attitudes and behaviors significantly determine customers’ service delivery perceptions (Bitner, 1990;

Chebat and Kollias, 2000). Unsurprisingly, Fehrer et al. (2018) also found that loyalty is a strong predictor of engagement behavior in the customer-provider relationship. Therefore, consistent with recent prior studies in this B2B research stream, our results established that in B2B service settings, incentives and idiosyncratic ties with the service provider (i.e., key account manager in a PSF) are essential to engender engagement behaviors (Fehrer et al., 2018).

Perhaps, one of the interesting findings of this study is the mediating role played by dependence. Prior research indicates the need to examine the mechanism through which purchase engagement affects important performance outcomes such as CSZ and WTP (see Nyffenegger et al., 2015). Current literature suggests that dependence is a key precursor of CSZ and WTP. For instance, dependence on the seller reflects the customer's appreciation of the value of the service provider's resources, indicating limited available options (Hibbard, Kumar, and Stern, 2001; Palmatier et al., 2006). Further, dependent customers tend to comply with the service provider's requests or policies (Bendapudi and Berry, 1997; Ganesh, Arnold and Reynolds, 2000) and are therefore more likely to pay a premium price in order to sustain a cooperative relationship with the firm (Heide and George, 1990).

5.1 Theoretical implications

First, this study contributes to the extant discussion on customer engagement in B2B settings, by exploring the key antecedents and outcomes of purchase engagement in B2B professional services from SME owner-manager perspective. We also examined the mechanism through which purchase engagement affects important performance outcomes of CSZ and WTP. By specifically focusing on the purchase engagement dimension, we provide a more nuanced integrated theoretical understanding and empirical evidence of the dynamic nature of engagement in B2B markets. Second, since the purchase engagement construct is relatively new, we responded to calls for research to examine its drivers and outcomes (Kumar and Pansari, 2016). In fact, this study is among the first to discuss the key mechanisms of purchase engagement in B2B contexts. Third, recent literature revealed a number

of challenges in developing B2B marketing theory and identified contextual complexities as one of them (Mora Cortez and Johnson, 2017). Thus, since there is a notable dearth of research on this topic in the professional services context (Casidy et al., 2018), we shed more light on how this type of engagement operates in these unique B2B markets that provide utilitarian services.

Fourth, we build on the fundamental tenets of SET to understand the mechanisms of purchase engagement in B2B markets, thereby broadening not only B2B marketing theory, but also the field of social exchange and engagement in general. In particular, this study unravels the intricacies and dynamic nature of engagement behavior in complex markets such as B2B by adopting the holistic behavioral perspective of engagement theory which is germane with SET. The behavioral conceptualization of customer engagement better captures its implicit and explicit meaning and accommodates both non-transaction and transaction-based behaviors (Harmeling et al., 2017). Our results are consistent with the tenets of SET that (i) parties are self-interested entities whose behavior is motivated by the need or desire to gain mutual value; (ii) resources are possessions or behavioral capabilities that are valued by all parties involved; (iii) social exchange depletes resources and incurs costs; and (iv) all social exchanges entail opportunity costs (Molm, 2006). This is because the SET view posits that customer interactional value offer favorable cost benefit relationships to firms (Alvarez- Milán et al., 2018) such as PSFs.

5.2 Practical implications

In terms of practice, the customer engagement topic is dominating boardroom discussions as firms increasingly realize that this emerging approach is a more strategic way of looking at customer/stakeholder relationships. First, a key implication here is that this study examines the salient drivers and outcomes of purchase engagement thereby offering rich managerial insights that can play a significant role in enhancing future profitability. This is particularly important in PSFs which are characterized by technical knowledge and service intensity and increasing specialization which challenges both buyers' and sellers' attempts to present and assess the value potential of offerings. A

study by Gallup (2016) specifically observed the customer accounts of a PSF and found that those accounts with the highest levels of customer impact had 72% more fully engaged customers and 4.5 times more revenue gain compared to bottom-quartile accounts. Menguc, Auh, Yeniaras and Katsikeas (2017, p. 429) add that “...deepening understanding of what firms can do to improve and capitalize on engagement is a strategic priority that merits further research attention”. As a result, it is not surprising to witness considerable efforts and investments in customer engagement activities that can facilitate B2B exchanges.

Second, we noted that the B2B viewpoint is not sufficiently addressed and managerial recommendations are predominantly deduced from consumer-based research (Alvarez-Milán et al., 2018). Hence, this study helps to bridge the practice gap by providing context-specific knowledge to the domain of firm-initiated engagement marketing in which we identified customization and loyalty to the account manager (not the firm/brand) as key drivers of positive purchase engagement behaviors. Therefore, we suggest that PSFs that invest in these idiosyncratic relationships can create deeper, more meaningful connections between the company and the customer, thereby facilitating co-creation, interaction, and solution development leading to higher levels of connectedness (Kumar and Pansari, 2016).

Third, given that emotions play a relatively lesser role in B2B than in B2C settings, our study also included transactional behaviors in the engagement process in order to provide a holistic view of this dynamic and complex topic. This is because PSFs in particular, generally provide utilitarian services (e.g., accounting, insurance, and legal services), which are characterized by weaker customer-service provider ties and a lack of affective components (Bowden, Gabbott, and Naumann, 2015; Fehrer et al., 2018). Hence, it is suggested that the engagement process should be stimulated or triggered by the company itself which can facilitate connections between customers and the firm (via the employee) by ensuring that the services provided compensate for clients’ low intrinsic interest and PSFs can also reward highly engaged client. Monetary incentives or rewards such as discounts or promotions can be offered by SMEs to showcase engagement behavior by sharing customer

feedback via online review systems. This also means that an effective online review platform or any engagement platform such as social media (e.g., Facebook, Twitter or LinkedIn, to mention a few) will potentially help to encourage those customers with a strong tendency to express their behaviors to others.

5.3 Research limitations and future research

Several limitations of this study could be addressed in future research. The first limitation relates to the cross-sectional nature of the sample. In order to fully capture the dynamic nature of the relational variables examined in this work, a longitudinal study design could extend the generalizability of this study. Second, the nature of the industry as well as the geographic location used in this study should be taken into account when interpreting the results. For instance, factors that might influence one's consideration set size and/or willingness to pay premium price might be relative to the economic nature of the location or financial viability of certain industries. Hence, future research could tap into other contexts, particularly the emerging markets in order to provide a comparative narrative. Third, this study focused on a single (i.e. SME customer) perspective whilst, in B2B settings, a mutual understanding between customers and suppliers is fundamental to the relationship performance. Thus, future research should explore this phenomenon from the service provider's perspective in order to capture the entirety of the dyadic relationship. Also, since the role of multiple stakeholders has been highlighted (see Felix, Rauschnabel, and Hinsch, 2017), future research could also investigate purchase engagement behaviors in terms of intermediaries and other multiple stakeholders in order to broaden its conceptualization in B2B settings.

The fourth limitation relates to the context of the study. The choice of the professional services sector limits our focus to utilitarian services providers. This means the intensity of customer engagement behaviors in this context might have a ceiling, governed by the level of affective or other relational variables manifested during the engagement process. Thus, to fully capture the dynamics, drivers and consequences of engagement in B2B markets, further research should explore other

contexts such as those offering hedonic services. In relation to this, our results are confined to service providers *per se* and future research should explore B2B contexts in the goods sector. Prior research shows that the intensity of customer interactions varies across manufacturing and service firms. For instance, in manufacturing contexts, both the work routines of employees and the customers' options are standardized (Kumar and Pansari, 2016). This suggests that the customer engagement levels, as well as the key drivers and outcomes, are likely to vary between the two sectors. Finally, as data were collected from SMEs, it is likely that the size of the clients might determine their propensity to engage or disengage with the service provider as well as the level of engagement. Hence, in order to investigate potential contingencies for purchase engagement, future studies can include firms of different sizes that have various strategic orientations such as global vs. local markets.

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