CUSTOMER LOYALTY THROUGH EMPLOYEE ENGAGEMENT: A CONCEPTUAL MODEL

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Abstract:
In this rapid and volatile business cycle, corporate leaders know that the highly engaged workforce can increase innovation, productivity and the overall organization performance. The overall performance of any company is being assessed by its long term growth, profitability and sustainability. All these outcomes can only be achieved by the organization, if it can develop and sustain its customer and thus the customer satisfaction and loyalty is the key.

For improving Customer satisfaction and loyalty the employees play a very important role, earlier studies also proved the importance of employee engagement for gaining customers loyalty. However in India, the concept of employee engagement is at nascent stage. There are very few companies which are applying Employee Engagement practices for making customers loyal. Either due to, sheer ignorance or lack of knowledge about it many organizations are not applying Employee Engagement practices for customer satisfaction and loyalty.

For the said purpose the researchers in paper presented a conceptual model by identifying the practices of engaging employees and factors affecting loyalty of retail customers.

Key words: Employee engagement, customer engagement, retail customers, factors of employee engagement.

Introduction
Recent years have shown a growing interest in customer loyalty. Increasing the customer loyalty has become a hot topic among managers, consultants and academic scholars. (Keiningham, et.al 2007). The globalization, competition, saturation of markets, and development of information technology have enhanced customer awareness and created a situation where long-term success is no longer achieved through optimized product price and qualities. Instead, companies build their success on a long-term customer relationship. Loyal customers are reported to have higher customer retention rates, commit a higher share of their category spending to the firm, and are more likely to recommend others to become customers of the firm (Reichheld and Earl Sasser, 1990; Zeithaml, 2000). Thus, the main emphasis in marketing has shifted from winning new customers to the retention of existing ones.

Customer loyalty plays a very major role to achieve competitive advantage and maintain it. But making consumer loyal toward a company’s product is a challenging task. The main two variables Customer satisfaction and Customer retention are very important for attaining customer loyalty. These two variables are depending on some
other variables. Customer satisfaction is depended on perceived quality and perceived value. Customer retention depends on product attributes, customer relationship and trustworthiness (Majid, Mohammad et al. 2012). Innovation has also a significant effect on customer loyalty because it influences factors such as customer expectation, perceived quality, perceived value, corporate image, customer satisfaction, customer trust/confidence, customer commitment and customer complaints (Jasmine Yeap Ai Leen, 2011).

For delivering value and maintaining relationship with customers employees are one of the major links between customers and company. Customers are more likely to recommend a business to others if they have had positive experience and that positive experience is most often formed by interactions with front line staff. The attitudes of front line staff are a product of their engagement, and lesser extent, the engagement of those around them. Employees are more focused when engaged as they are motivated to increase their discretionary effort to achieve the success of the business, rather than simply for personal gain. It is important to first satisfy the needs and expectations of employees before being able to satisfy the needs of consumers (Gounaris, 2008). In the same lines the researcher suggests that first engage the workforce to have engaged and loyal customers.

**Objectives**

- To study various drivers of employee engagement.
- To study factors influencing the customer loyalty.

- To design a conceptual model of building customer loyalty through employee engagement.

**Research Methodology**

In the present paper researchers try to develop a conceptual model for building customer loyalty by engaging employees as they are the link between manufacturer and its customers. For the said purpose different drivers of employee engagement and the factors affecting customer loyalty have been identified from the previous research studies and the same have been conceptualized in the form of a model.

**Literature Review**

Loyalty is faithfulness that comes from consciousness and arises without any forces, but is based on past experience (F, Claes, 1992). In the ECSI model (European Customer Satisfaction Index), customer loyalty is a result of customer satisfaction on quality, value, expectations, and company image (L.Yao-kuei & Tsai-lung Liu, 2008.). Customer loyalty (attitudes and behaviour) comes from the commitment and trust/confidence of customers, which is a feeling of satisfaction with the purchase or consumption of a good (Marie et. al, 2008). According to Inamullah(2012), customer loyalty is the willingness of a customer to purchase the same product and keep the same profitable relationship with a company. Customer loyalty is an important factor in the customer strategy of any organization.

Anderson, J. C., Kumar, N., & Narus, J. A. (2007), believe that retaining existing customers is a much more effective strategy
for the organization then attempting to attract new.

Impact of satisfaction is regarded as one of the major factor affecting customer loyalty. Several studies have revealed that there exist a direct connection between satisfaction and loyalty – satisfied customers become loyal and dissatisfied customers lead to another vendors. (Heskett et al, 1997). By far, the most commonly used customer perceptual metric by managers is satisfaction. Image of brand or supplier affects loyalty at least in two ways. Firstly, customer may use his preferences to present his own image. According to the Belk’s theory of extended self, people define themselves by the possessions they have, manage or create. Secondly, according to social identity theory, people tend to classify themselves into different social categories. They prefer partners who share similar objectives and values. Oliver (1999) argues that for fully bonded loyalty the consumable must be part of the consumer’s self-identity and his or her social-identity.

Trustworthiness of the partner is a factor that has certain impact on the establishment of loyalty. Morgan and Hunt (1994) posit that trust is a major determinant of relationship commitment: brand trust leads to brand loyalty because trust creates exchange relationships that are highly valued.

Many definitions describe loyalty as a desire to retain a valuable or important relationship. (Morgan et al 1994) That way the establishment of loyalty is predetermined by the importance of relevant relationship or selection.

A relationship can also be made important by personal approach. Levitt, 1983 has considered a role of salesman in making relationship more personal.

Customer bonding may be seen as a process which influences customers and customer loyalty is a result of this process. In ACSI model customer satisfaction has three antecedents: perceived quality, perceived value and customer expectations. (Anderson et al. 2000). Customer bonding can be developed on through and basically with the employees’ engagement with the customers for value delivery. Employees are key stakeholders in value delivery and brand/supplier success, and they frequently represent the difference between positive experiences or negative experiences and whether customers stay or go. A link between having engaged employees and increased customer loyalty and satisfaction has been established (Haid & Sims, 2009; Harter et al., 2009; Gonring, 2008). Giving employees the drive to enhance the customers experience is as important as the reputations and bottom lines of businesses that rely on the ability to inspire customer loyalty. In their 2009 meta-analysis, Harter et al. found that business units that scored in the top 25% on engagement had customer ratings 12% higher than business units scoring in the bottom 25% of engagement. This improvement is due to the fact that engaged employees care more about meeting customer needs.

The term employee engagement was first conceptualized and defined by Kahn (1990) as “The harnessing of organizational members selves to their work roles; in engagement, people employ and express
themselves physically, cognitively and emotionally during role performances.” Harter (2002) also defined employee engagement and as per him it is, “the individual’s involvement and satisfaction as well as enthusiasm for work”. Andrew & Sofian (2012) Employee engagement can be understood the level of commitment and involvement an employee has towards his or her organization and its values. Aon Hewitt defines engagement as the state of emotional and intellectual involvement that motivates employees to do their best work (Hewitt, 2010). According to him, three points characterize the engagement process:
• Say: talk positively to all the parties related to the organization;
• Stay: be oriented to be a member of the organization;
• Strive: make extra efforts in behaviors in order to contribute to company achievements.
Schaufeli et al. (2002) proposed that engagement is “a positive fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption” (Schaufeli et al. 2002, p. 74). Research using a different measure of engagement (i.e. involvement and enthusiasm) has linked Employee Engagement to variables like employee turnover, customer satisfaction- loyalty, safety, and some degree, productivity and profitability criteria (Harter, Schmidt, & Hayes 2002). Research also indicates that engagement is positively related to customer satisfaction (Coffman, 2000; Ellis and Sorensen, 2007; Towers Perrin Talent Report, 2003; Hewitt Associates, 2004; Heintzman and Marson, 2005; Coffman and Gonzalez-Molina, 2002).

Different consulting firms conducted research on finding out the drivers to engagement and they came up with few drivers of engagement and the same has been compiled in the below mentioned literature.

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<tr>
<th>Name of the Consulting Firm</th>
<th>Drivers of Engagement</th>
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<td>Corporate Leadership Council (2004)</td>
<td>Organizational culture and performance traits</td>
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<td>Day to day work characteristics</td>
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<td>Manager characteristics</td>
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<td>Watson Wyatt Worldwide (200)</td>
<td>Primary Drivers</td>
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<td></td>
<td>• Belief that management explains reasons for major decisions</td>
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<td>• Satisfactory opportunities for development and advancement</td>
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<td>• Belief that the company encourages independent thinking</td>
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<td>• Clear link between performance and pay</td>
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<td>Secondary drivers</td>
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<td>• Manageable stress levels</td>
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<td>• Culture of mutual respect</td>
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<td>• Opportunities for team working</td>
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<td>• Senior leadership</td>
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Summary of the Drivers:
After a review of all the drivers the researchers explored the common drivers from all the available research work from the consultant agencies and the summarized drivers of employee engagement are given below:

1. **Nature of work:** The researchers found some common drivers such as Day to day work characteristics, Reasonable workload and manageable stress level all related to the nature of work at the workplace. Thus nature of workplace can be considered as one of the driver of employee engagement.

2. **Leadership:** In organization the manager’s characteristics, Confidence in senior management, Senior Leadership & direct Supervisors are the aspects related to leadership, thus the researchers find it one of the driver of employee engagement.

3. **Training and developmental opportunities:** Apart from the above nature of work and Leadership, there are other drivers which are related to training and development opportunities in the organization. For this the researchers consider satisfactory opportunities for development and advancement, opportunities for career advancement and training and development as related to training and development opportunities in the organization.

4. **Fair linkages between performance and pay:** During the review of literature the researchers found that clear link between performance and pay or compensation.

5. **Recognition:** It was found formal recognition and sense of personal accomplishment both are related to recognition at the workplace. As any employee would have sense of personal accomplishment, when someone at the workplace notices the work and give due weight age to the work of an individual.

6. **Autonomy:** The researchers found that a belief that the company encourages independent thinking is related to autonomy that the members look from the organization, thus autonomy can also be considered as one of the driver.

7. **Communication:** During the review it was found that the belief that management explains reasons for major decisions, regular feedback on performance, formal internal communication and involvement/consultation in company decisions all have to do with communication. The
communication may be upward or downward; however the exchange of information in some or the other form takes place, thus communication can be considered as one of the driver of engagement.

8. **Organizational Culture:** It was also found from the different studies that Organizational culture is another common driver of employee engagement. For the same various drivers such as Organizational culture and performance traits, Culture of mutual respect and opportunities for team working, people centric culture can be considered as associated with Organizational culture.

![Model: Authors’ contribution](image)

**Model 1: Model of Customer Loyalty Through Employee engagement**

**Discussion**

In any organization the positive customer experience, by offering high quality products and services is being ensured by the employees only. If the employees exhibit their commitment towards delivering quality products and services then it would fulfill the product attributes related expectations of the customer. A trust has been developed between the customers and the company when their expectations meet with the promises made by the company. Consumers must feel that they are being fairly treated by the organization at different interface points with organization, like customer servicing, pricing rationale, goods return policies and quality assurance. This would create a sense of belief among customers towards the company.

There are employees again who deliver the better quality products and services which contribute and develop a sense of trust among the customers by encountering at different touch points.

That’s why the employees play a very important role and they should be handled, managed and engaged well. For engaging them various drivers have been identified by different studies, researchers and consulting firms and academicians the same have been summarized in the paper as nature of work, leadership, T&D opportunities, fair linkages between performance and pay, recognition, autonomy and communication.

**Conclusion:**

In this paper the researchers suggest incorporating employee engagement related practices at their workplace so that the workforce, who deals with the customer, will focus on achieving customer satisfaction and also retain customers through customer relationship, by matching the customers’ requirement of product attributes and by being trustworthy. These efforts will further help in transforming a customer into a loyal customer.

**References:**


