Chapter 3

Research Methodology

3.1 Research Design Considerations

While designing the research process for this study some elements were critically evaluated to arrive at a comparatively better design which would, it was hoped, enable this research to do better measurement and validation of the model proposed in the study.

The considerations important for a study of the kind proposed here were:

- Method biases
- Respondent biases
- Researcher biases

All of these biases had to be accounted for and also guarded against.

Some common method biases (Podsakoff, 2003) occur on account of predictor and criterion variables obtained from the same source, others are produced by the measurement items themselves, the context of the items within the measurement instrument and/or the context in which the measures are obtained. These method biases had to be taken care of. This was done by ensuring all the three parts of the study were done with independent samples, at different points in time with adequate representation in terms of demographics, geographic locations and also time of day and day of week.
Another important consideration was to account for the respondents’ tendency to maintain consistency in their responses to similar questions or to organize information in consistent ways also called as consistency motif (Johns, 1994; Podsakoff and Organ, 1986; Schmitt, 1994) or the consistency effect (Salancik and Pfeffer, 1977) which was likely to be problematic given that in this research respondents would be asked to provide retrospective accounts of their attitudes, perceptions and/or behaviors.

Since we also wanted to conduct statistical analysis it was important to maintain some uniformity in the demographic profile of the respondents selected. The entire study in all the stages was conducted amongst SEC (socio-economic classification as per MRSI, 1999) A, B and C in the age group of 18 years to 45 years. The sample was selected from the urban population in India.

The whole study was done in two main stages with two different sets of respondents collected from different locations and contexts to ensure all probabilities were covered.

To reduce researcher bias the selection of the respondents was done by the ‘right had thumb rule’ – a standard practice used in the market research industry in India. This rule meant that whenever the researcher went to any area they were required to turn right, leave 2 respondents/subjects and interview the third respondent only. In this particular study the unit of measurement was the household and therefore either spouse (in case of married respondents) or individual respondents were contacted as they exited from the store/location after concluding their shopping activity. Researchers were waiting outside the stores which were specified as the ones where the particular loyalty card in question was most often used by customers.
3.2 Selection of research constructs and variables of study

This research was attempting to first understand whether ‘Experiential Marketing’ had a significant impact on ‘Customer Engagement’. Since the early 1990s, relationship marketing (RM) research had focused on customer-company relationships largely through customer retention and repeat patronage or loyalty. The interactions in the customer-company relationship were driven by the firm, and the outcomes of these interactions were measured in terms of exchanges of products and services. However, the RM approach in its existing state did not elaborate on customer acquisitions, organizations’ efforts towards prospects and potentials, and most importantly – the key link of this dissertation – customer experiences as the basis of marketing relationships. The first stage of this research attempted to explore the connection that the customers, prospects and potentials formed with organizations which were based on their experiences with the offerings and activities of the organizations. The premise being that customers built these experience-based engagements through intense participation by way of unique experiences embedded in the offerings and activities of the organizations.

3.2.1 Stage 1 design

Therefore the first stage of the study involved an exploratory study to gauge whether intense experiences led to customer engagement at all. This was done via conducting in-depth interviews with more than 50 respondents who had gone through an event called ‘Gals in the City’ done by brand Maybelline in Pune in March 2010. The qualitative study was done to develop a better understanding of the nature of customer engagement via experiential marketing to explore dimensions and enable support for theory development for the context and the model.

The main presumption in this study that we were looking to validate or negate was:

‘There is no impact of Experiential Marketing on improving Customer Engagement’
3.2.2 Stage 2 design

Thereafter it was important to empirically test the model and context developed basis the qualitative phase and literature review. The loyalty card industry with special focus on coalition loyalty cards was considered for doing this study in India. Even though the loyalty card industry in India was yet evolving, there was a lot of competition in this area and scope for growth was immense. There was therefore a constant need to differentiate and offer more than just freebies and discounts. The retail sector in India was also a growing sector and employed 27% of the working population in the country and therefore studying loyalty cards in the retail sector was considered significant. Dowling and Uncles (1997) argued that the empirical regularities characterizing most established and competitive markets meant that anything that could be easily replicated would not bring significant change to the average business. The one aspect that was seen as a differentiator was adding a better experience and also experiential rewards and benefits to create memories to improve engagement and loyalty. Harvey Thompson, author of “Who Stole My Customer,” commented, “Mainstream rewards programs already show signs of being competitively pressured into a steady state where companies are giving away very similar benefits, unable to pull back because of the threat of lost business and unable to give more because of high costs. The key to effectively competing for loyalty is ensuring the quality of the customer experience, not the quantity of customer rewards.”

Various constructs from the relationship marketing concept were said to impact the contemporary concept of customer engagement. Morgan and Hunt (1994, p. 22), in “The Commitment-Trust Theory of Relationship Marketing” posit that “presence of relationship commitment and trust is central to successful relationship marketing, not power.” On the basis of research grounded in social exchange theory, marriage, and organizational behavior, they argue that relationship commitment, “an enduring desire to maintain a valued relationship” (Moorman, Zaltman, and Deshpande 1992, p. 316), and trust, the “confidence in an exchange partner’s reliability and integrity” (Morgan and Hunt 1994, p.23), represent the key elements that explain a relationship’s impact on performance. Thus, relationship partners who are committed expend
extra effort and work to maintain and strengthen relational bonds, which positively influences cooperation, financial performance, and other positive outcomes (Kumar, Hibbard, and Stern 1994; Morgan and Hunt 1994). In addition, trust has a direct effect on relationship outcomes and an indirect effect through its influence on commitment (Ambler, Styles, and Xiucum 1999; Crosby, Evans, and Cowles 1990; Hibbard et al. 2001; Mohr and Spekman 1994). Therefore it was important to understand the impact of trust on the key constructs of satisfaction, loyalty and word of mouth advocacy.

Van Doorn et al (2010) suggested that loyalty is the antecedent of customer engagement and we have thus considered loyalty as a key construct in understanding customer engagement. Behavioral engagement follows behavioral loyalty and leads to positive word of mouth advocacy and this was the second construct that was seen as leading to customer engagement. When a customer goes through positive affective experiences with a product/service it increases the likelihood of the customer to be emotionally engaged and thus satisfied with the outcome. Customer satisfaction and service quality have been conceptualized as two of the most fundamental constructs at the “crux of marketing theory and practice” (Sureschandar, Rajendran, and Anantharaman 2002, p. 363). At the managerial level, this is seen by the continued reliance of companies on satisfaction metrics to assess customer responses to their products and services in the belief that high levels of satisfaction may lead to increased customer loyalty, intention to purchase, word-of-mouth recommendation, profit, market share, and return on investment (Allen and Willburn 2002; Anderson and Mittal 2000; Heskett et al. 1994; Keiningham and Vavra 2001; Mittal and Kamakura 2001; Oyewole 2002; Reichheld 2003). Satisfaction has become a necessary, atleast for some, ladder to success (Chu 2002).

Hypotheses derived on the basis of the premise elaborated immediately before were:

1. \( H_0 \) - Satisfaction derived from an experience is the same for all levels of trust
2. \( H_0 \) - Word of mouth advocacy for an experience is the same for all levels of trust
3. \( H_0 \) - Customer loyalty derived from an experience is the same for all levels of trust
The most commonly used measurement approach to assessing customer satisfaction and its effects like loyalty and word of mouth advocacy, have been the confirmation–disconfirmation of expectations approach, which conceptualizes satisfaction as a postconsumption, cognitive process (Bartikowski and Llosa 2004; Parasuraman, Zeithaml, and Berry 1988; Wirtz, Mattila, and Tan 2000). This is exactly the approach that has been used in this research and customers who had gone through the consumption experience were surveyed immediately after.

O’Brien and Jones (1995) proposed that customers’ value perception is a necessary condition for developing brand loyalty through a card based loyalty programme. They suggested that five elements of the loyalty programme determined the value of a loyalty program: cash value of redemption rewards (cash value), the range of choice of these rewards (redemption choice), the aspirational value of rewards (aspirational value), the perceived likelihood of achieving rewards (relevance), and the scheme’s ease of use (convenience). Some of these were considered as variables of study for this research viz. ease of use/convenience, value-in-use and relevance.

The key variables of the study were trust, convenience of use, relevance, value-in-use or value created due to collaboration (co-creation) and novelty/uniqueness. Mostly rational variables were considered in gauging customer engagement. McEwen’s (2004) definition spoke of rational and emotional bonds to further engagement. Involvement has been defined broadly as a goal-directed motivation that is indicative of the extent to which the decision is viewed as personally relevant to the customer (Mittal and Lee 1989). This research therefore looks at relevance as a key variable in leading to involvement and so loyalty and engagement. Gordon, McKeage, and Fox (1998) and Swinyard (1993) note, perhaps most importantly, that a state of involvement with a brand engenders a sense of ongoing psychological commitment to that brand with regard to the customers thoughts, feelings, and subsequent behaviors and that where the customer is involved, he or she may be more likely to respond positively to marketing efforts that attempt to personalize the experience. Trust, involvement and commitment were considered as pre-cursors to loyalty and therefore engagement. According to Poulsson and Kale (2004) a successful experience should contain a mixture of relevance, novelty, surprise, learning and engagement in order to provide meaningful value to the customer. This value would aid in forming loyalty and
engagement. Co-creation and/or collaboration in creating value and novelty/uniqueness as a feature to make the experience memorable were also considered.

Given the above findings, further hypotheses were formulated to check if they would lead to the three key constructs of Satisfaction, Loyalty and Word of Mouth advocacy.

4. $H_0$ - Satisfaction derived from an experience is the same for all levels of relevance
5. $H_0$ - Word of mouth advocacy for an experience is the same for all levels of relevance
6. $H_0$ - Customer loyalty derived from an experience is the same for all levels of relevance
7. $H_0$ - Satisfaction derived from an experience is the same for all levels of value-in-use
8. $H_0$ - Word of mouth advocacy for an experience is the same for all levels of value-in-use
9. $H_0$ - Customer Loyalty derived from an experience is the same for all levels of value-in-use
10. $H_0$ - Satisfaction derived from an experience is the same for all levels of ease of use/convenience
11. $H_0$ - Word of mouth advocacy for an experience is the same for all levels of ease of use/convenience
12. $H_0$ - Customer loyalty derived from an experience is the same for all levels of ease of use/convenience

It was also important to check if each of the key constructs were interrelated and the nature of their relationship. These were seen as antecedents to Customer Engagement (Van Doorn et al 2010; Sashi 2012).

13. $H_0$ - Customer loyalty derived from an experience is the same for all levels of customer satisfaction
14. $H_0$ - Customer loyalty derived from an experience is the same for all levels of word of mouth advocacy

The main primary research therefore was conducted amongst loyalty card users of a leading loyalty card in India. Since their premise was that delivering a valuable experience to the loyalty
card user will make him/her more loyal and eventually convert him/her into an Evangelist who will not just use the card on more occasions but also promote it to others around him/her.

The study was conducted across India in cities which had partner stores where the points could be collected and redeemed for rewards. This was done to ensure geographic spread and representation. A random sample of 1500 was picked from the entire list of 3900 actually sampled. The entire research has been done basis this database of 1500 only.

3.3 Research Objectives

The primary research objective was to analyse the impact of Experiential Marketing on improving Customer Engagement.

The secondary research objectives were:

1. Analyse the impact of trust on satisfaction, loyalty and word of mouth advocacy

2. Analyse the impact of ease/convenience on satisfaction, loyalty and word of mouth advocacy

3. Analyse the impact of relevance on satisfaction, loyalty and word of mouth advocacy

4. Analyse the impact of value-in-use on satisfaction, loyalty and word of mouth advocacy

5. Understand the interdependence of satisfaction, loyalty and word-of-mouth advocacy
The central presumption was that high satisfaction and loyalty, lead to word of mouth advocacy all of which were antecedents of Customer Engagement.

3.4 Research Steps

- Stage 1: Exploratory Research amongst 50 respondents to check if Experiential Marketing led to Customer Engagement
- Stage 2: First a qualitative (observation followed by depth interviews) exercise was done to arrive at final list of attributes and also to align the literature and Indian customers’ context. This was followed by the quantitative exercise (1500 respondents in 8 cities). After cleaning and sorting 1449 responses could be used. Structured questionnaire (Annexure A) was used.

3.5 Target audience

- Stage 1: Respondents who had gone through the actual Experiential Event of ‘Gals in the City’ by Maybelline
- Stage 2: The qualitative phase was done with regular users of loyalty cards who had been holding loyalty cards for more than one year. The quantitative phase was done with customers who visited partner stores of the loyalty card regularly.

All respondents were from age group of 18-55 years, living in urban areas and having socio-economic classification of A and B.
3.6 Target geography

Data collected at 8 centres was used in this study. All 5 zones viz. North, South, East, West and Central India were considered represented. The cities from where data was collected were Mumbai, Pune and Ahmedabad in west, Lucknow in north, Kolkata in east, Delhi in central and Chennai & Bangalore in south.

3.7 Sampling

The sampling methodology used in the study was random to the extent of reach. Face to face interviews were conducted among the customers who had gone through the event in a random manner. For the validation exercise the respondents were asked to fill an online questionnaire by sending them a link.

The sampling methodology followed was random by way of mall intercept. The correct respondent was identified by asking questions with relation to awareness of loyalty cards as a concept and between 25-55 yrs of age. The respondents who were not aware of loyalty cards and/or were below 25 yrs of age and above 55 yrs of age were not interviewed further. The logic behind doing this was that since this was that, since we needed to understand how the consumption experience while using a loyalty card was being evaluated and understood we needed respondents who had an idea about loyalty cards. In addition having respondents between the earning age of 25-55 years who would spend what they would earn and therefore were likely to be more discerning about card usage and value desired from it.

There was a need to establish that the four key variables of trust, relevance, ease of use and value-in-use led to higher satisfaction, loyalty and word of mouth advocacy. On account of the
need of this research customers who were aware of loyalty cards as a concept were interviewed. The final respondents also had to be holders of the particular loyalty card for more than one year since initial enrollment. In terms of gender, age-group, Socio Economic Classification (SEC) and Monthly Household Income (MHI) no quotas were maintained.

Outlets in urban areas having higher number of loyalty card transactions were surveyed randomly. The right hand thumb rule was followed to avoid any researcher bias. The methodology therefore was mall intercept. Face to face interviews were conducted at all times of day and on all days of the week to ensure representativeness and randomness. The qualitative design was face-to-face depth interviews with regular shoppers using the loyalty card very frequently to design the statements and understand attitudes before designing the final structured instrument used in the study.

3.8 Research Hypothesis

Basic presumption - “There is no impact of Experiential Marketing on improving Customer Engagement.”

The basic presumption is not a statistical hypothesis and is an assumption in line with the primary research objective. Both Experiential Marketing and Customer Engagement were composite variables and made up of many variables and constructs (this lead to the formation of many statistical hypotheses for model validation).

When we considered the individual variables then the following hypotheses were formulated and tested via Chi-square analysis in SPSS.
All Hypotheses were as below:

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<tr>
<th>S.no.</th>
<th>Null Hypothesis</th>
<th>Alternate Hypothesis</th>
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<td>1</td>
<td>Satisfaction derived from an experience is the same for all levels of trust</td>
<td>Satisfaction derived from an experience is not the same for all levels of trust</td>
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<td>2</td>
<td>Satisfaction derived from an experience is the same for all levels of relevance</td>
<td>Satisfaction derived from an experience is not the same for all levels of relevance</td>
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<td>3</td>
<td>Satisfaction derived from an experience is the same for all levels of value-in-use</td>
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<td>4</td>
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<td>8</td>
<td>Word of mouth advocacy is the same for all levels of ease/convenience of use</td>
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<td>14</td>
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