

# Effects of Employee Engagement on Customer Responses – Examining the Mediating Role of Customer Engagement

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## Abstract

Drawing on emotional contagion theory, this study offers an integrated framework showing the effects of employee engagement (EE) on customer engagement (CE), repeat purchase and word-of-mouth (WOM). The data were collected from 65 employees and 352 customers of 28 retail stores using two separate survey instruments. A dyadic data set was created by matching customer data with the employee data corresponding to each store. The findings reveal that two key facets of EE – dedication and absorption – positively influence CE, which eventually influences WOM and repeat purchase. In line with balance theory, CE is found to fully mediate the effects of absorption on WOM and repeat purchase. Furthermore, employee length of service (ELS) is found to moderate the absorption on CE effects. Thus, the findings extend emotional contagion theory and balance theory by providing empirical evidence supporting the differential effects of the facets of EE on CE en route to WOM and repeat purchase.

**Keywords:** Employee engagement, customer engagement, employee length of service, repeat purchase

## Introduction

Employee engagement (EE) and customer engagement (CE) have received considerable academic interest over the years. Defined as a positive, fulfilling, work related state of mind, EE is characterised by vigour, dedication and absorption (Schaufeli et al., 2002). It creates employee psychological capital (Barnes et al., 2014) which, in turn, leads to customer outcomes such as customer satisfaction and loyalty (Myrden and Kelloway, 2015).

A psychological process comprising cognitive and emotional aspects (Bowden, 2009), CE is related to customer–firm or customer–brand interaction dynamics (Brodie et al., 2011). While several studies have examined the effects of EE and CE on firm performance independently, a paucity of studies has examined the simultaneous effects of EE and CE on firm performance.

Specifically, examinations of the intervening role of CE in the relationship between EE and firm performance are almost non-existent. It is important to examine the intervening effects of CE on the link between EE and firm performance, as employees play a significant role in attracting customer attention and interacting with them, thus contributing to customers' perceptions about the firm and their corresponding responses (Sirianni et al., 2013). Merely understanding the independent effects of EE and CE on firm performance may not be adequate for gaining meaningful insights into the role of EE and CE in achieving firm objectives. Instead, firms should simultaneously focus on both EE and CE by establishing a strategic and collaborative link between engaged employees and engaged customers to achieve favourable customer responses and long-term growth. This linkage creates a more accurate research model, makes the interpretation of results more robust and contributes to relevant theory. In addition, the most rigorous and widely accepted conceptualisation of EE (Schaufeli et al., 2002, p. 74) encompasses three distinct components: vigour, dedication and absorption. As EE is a work-related mindset that influences superior job performance (Britt, 2003), each of its facets – vigour, dedication, and absorption – may have a different effect on customer engagement (CE). However, research to date has considered the EE construct predominantly at an aggregate level, thus restricting the understanding of the explicit effects of its key components. Without a deeper insight into the specific effects of each of the three facets of EE on customer responses, the formulated customer engagement strategies that result may be ineffective.

Furthermore, the conceptualisation of EE and CE in the sole study (Kumar and Pansari, 2016) that investigated their simultaneous effects encompasses outcome-focused dimensions, such as satisfaction, loyalty, commitment, performance, purchase and referral. Despite these useful insights, this conceptualisation largely ignores the psychological aspects of both EE and CE, thus failing to address the underlying mental mechanism relating to employee–customer interactions. Moreover, EE includes both psychological and behavioural facets covering employee passion, enthusiasm and energy at work (Macey and Schneider, 2008). This means

that employees are psychologically present at work when performing their organisational role (Kahn, 1990, 1992). The psychological conceptualisation of CE includes more persistent and pervasive customer responses covering the cognitive, affective and mental enthusiasm of customer interactions with firms/brands and employees (Bowden, 2009; van Doorn et al., 2010). Recent research argues that CE enhances the experience of the core offering by strengthening psychological connections with the offer (e.g., Harmeling et al., 2017) and engenders a positive psychological attitude towards the firm/brand (de Matos and Rossi, 2008). Thus, mere outcome-based conceptualisation will be inadequate for gaining a useful understanding of the effects of EE on CE leading to firm outcomes. Instead, it is essential to consider the underlying psychological mechanism relating to employee–customer interactions to better understand the inherent employee motivation at work. Thus, EE and CE need to be conceptualised from psychological perspectives to better understand the relationship between goal-directed activities and relevant employee outcomes at work (Kelloway and Barling, 1991).

In addition, a longer-tenured employee has more knowledge of his/her clientele and is better able to appropriately judge customer opinions than a recent employee (Pugh et al., 2002). Thus, a longer-tenured employee may have a stronger positive effect on customers, resulting in higher CE which, in turn, may result in repeat purchase. However, prior studies have ignored the potential moderating role of employee length of service (ELS) on the EE–CE relationship. It is therefore necessary to understand the varying effects of EE of long versus short tenured employees on CE.

With regard to the consequences of EE and CE, prior research on the key consequences of EE has focused on job performance (Rich et al., 2010), burnout tendency (Schaufeli et al., 2002), employee loyalty and attrition (Bhatnagar, 2007), customer satisfaction (Schneider et al., 2009) and attitudinal loyalty (Salanova et al., 2005). The key consequences of CE include contributing to firm performance through cost savings and increased revenue (Harmeling et al., 2017), self-brand connection, and brand usage intent (Hollebeek et al., 2014). Thus, an

independent focus on the behavioural and psychological outcomes of EE and CE is evident in past studies. In contrast, the current study focuses simultaneously on two unique behavioural and psychological outcomes of EE and CE, namely, repeat purchase and word-of-mouth (WOM). Our reason for including repeat purchase (in addition to WOM) as a dependent variable is the widely accepted belief that behavioural responses, such as repeat purchase, follow from a favourable attitude (Fishbein and Ajzen, 1975). Past research emphasising the behavioural aspects of EE and CE has largely ignored customer repeat purchase as an outcome variable. In the current study, we consider customers' WOM as the second outcome variable of the EE–CE link, highlighting the psychological conceptualisations of EE and CE by extending beyond employee behaviour and customer patronage, respectively. Word-of-mouth (WOM) involves social interactions of customers away from their service encounter and consumption from the firm (Akaka et al., 2013); and as the consequent variable of EE and CE, it has received relatively sparse attention in the extant research. Both dependent variables (repeat purchase and WOM) in our model are in line with the theory of customer engagement marketing (Harmeling et al., 2017).

The current study therefore addresses the above-mentioned research gaps with the key purpose of exploring the role of EE on CE, WOM and customer repeat purchase. In doing so, it draws on emotional contagion theory (Hatfield et al., 1994) to examine the EE–CE relationship. Guided by balance theory (Heider, 1958), the study examines the mediating role of CE on the effects of three facets of EE – vigour, dedication and absorption – on WOM and customer repeat purchase. Furthermore, the current study tests the moderating role of ELS on the links of vigour, dedication, and absorption with CE.

### **Conceptual Framework**

Our conceptual framework is illustrated in Figure 1, showing that the facets of EE – vigour, dedication and absorption – influence CE which, in turn, influences customer repeat purchase

and word-of-mouth (WOM). The conceptual framework also includes the moderating role of employee length of service (ELS) on the links between EE and CE facets. Our conceptual model has its roots in the concept of the service–profit chain (SPC) (Heskett, 1994), which focuses on the relationships between internal (employees) and external (customers) metrics that ultimately explain a firm’s performance. The service–profit chain (SPC) links operational investments (such as employee satisfaction) with a firm’s performance outcomes via customer satisfaction (Evanschitzky et al., 2012). According to the SPC, several human resource management (HRM) practices positively impact on employee attitudes and behaviours leading to service quality improvements for customers and to improved organisational performance. This suggests a critical link between a firm’s employee efforts and its customer outcomes (Schneider and Bowen, 1985). However, EE, an important element of HRM practices, represents an employee’s enthusiasm, passion and commitment to their work and to the organisation. It includes employees’ willingness to invest their discretionary time and effort to help the employer succeed, with this extending beyond mere satisfaction with the job or basic loyalty to the employer (Macey and Schneider, 2008). Hence instead of the SPC, we draw on emotional contagion theory and balance theory to support the hypotheses shown in Figure 1.

Employee engagement (EE) has been inconsistently conceptualised in the literature, with the focus including both employees’ energetic experience of involvement with the job (Leiter et al., 1998) and their work-related mindset (Schaufeli et al., 2002), as well as their attitude and behaviour toward the firm (Kumar and Pansari, 2016). An engaged employee harnesses himself or herself to the work, which is manifested in his/her physical, cognitive and emotional involvement when performing their role with the firm’s customers (Kahn, 1990). This reflects the key facets of EE: vigour, dedication and absorption, as supported by Schaufeli et al. (2002). Therefore, our conceptualisation of EE is grounded in organisational psychology research which views EE as contributing to higher employee productivity (Bakker, 2009) and higher organisational outcomes, such as financial turnover (Bakker and Demerouti, 2007).

Customer engagement (CE) is a psychological state that occurs through interactive and co-creative customer experiences with a brand or a firm (Brodie et al., 2011). Bowden (2009) defined CE as a psychological process comprising cognitive and emotional aspects. From the behavioural aspect, van Doorn et al. (2010) explained CE as extending beyond the transactions that focus on a customer's behavioural manifestations regarding a brand or firm. In addition, Vivek et al. (2012) conceptualised CE as the representation of customer's interactions and connections with a brand or even with an organisational offering or activity. Guided by Kumar et al. (2010) and Vivek et al. (2014), we define CE as a customer's psychological state that occurs due to interactive customer experiences with a brand or a firm through different channels including online and offline. This is in line with Harmeling et al. (2017)'s theory of customer engagement marketing, in which CE is defined as the customer's voluntary resource contribution to a firm's marketing function, extending beyond financial patronage.

Past literature has considered CE as a multidimensional construct with its key dimensions covering cognitive, affective and behavioural customer-brand engagement (Hollebeek et al., 2014); and CE aspects including conscious attention, enthused participation and social connection (Vivek et al., 2014). We conceptualise CE as a customer's psychological state (van Doorn et al., 2010) due to his/her focal interactive experiences with a particular firm or brand (Hollebeek, 2011). Influenced by Hollebeek (2011), Hollebeek et al. (2014) and Vivek et al. (2012), we adopt a holistic view in our conceptualisation of CE by arguing that the concept consists of four distinct dimensions: conscious attention, cognitive engagement, affective engagement, and enthused participation. Conscious attention is the customer's level of interest in interacting with the firm, its brand and relevant activities. Cognitive engagement incorporates the customer's experiences and captures participation both within and external to exchange situations between the firm and the customer. Affective engagement incorporates the feelings of potential or current customers towards the firm and its activities through different channels (Vivek et al., 2012). Enthused participation is the degree to which a customer is

involved in producing or rendering services and thus contributing to the firm's total offerings (Dabholkar, 1990). These dimensions enable the customer to participate in an interactive situation with the firm or its brand which is of common interest to both the firm and the customer (Vivek et al., 2012).

### ***Effect of employee engagement (EE) on customer engagement (CE)***

Engaged employees experience positive work-related feelings, such as happiness and enthusiasm, while performing work tasks (Kahn, 1990; Schaufeli et al., 2002). When experiencing positive affect, people set high goals for a task and expect engagement in a task to yield positive outcomes (Hakanen et al. 2006; Ilies and Judge, 2005). In the context of employee–customer interaction in our study, positive CE results from customers experiencing EE-associated positive inner feelings and emotional states in employees. Prior research has shown that emotions displayed by retail banking employees were found to be positively related to customer affect and customer evaluations of the quality of services received (Pugh, 2001). Therefore, the link between EE and CE can be supported by emotional contagion theory (Hatfield et al., 1994) which states that emotion transfers between interacting individuals. This suggests that emotions displayed by an individual (i.e., an employee) produce a corresponding change in the emotional state of the observer (i.e., the customer). For example, emotions (e.g., humour) displayed by frontline employees influence customers' service encounter evaluations (Chiew et al., 2019). The emotional contagion effect does not take place only within a single dyad of employee and customer; instead, it can span across other employees who work together. As engagement at work focuses on harnessing organisational members themselves to their work roles (Kahn, 1990), when employees are highly engaged, they are likely to share common perceptions about the quality of service in their unit, with the entire unit likely to perform in a similar fashion with all customers. Thus, customers, in turn, feel engaged with employees and report favourable employee performance (Salanova et al., 2005).

Customers of a firm or a store experience emotional contagion during interactions with employees of that firm/store if they find sincerity in employee efforts and emotions. These relate to employees' energy (vigour), dedication and absorption, which are positively reflected in customers' emotions and contribute to a favourable response. Vigour represents the expression, utilisation and transfer of personal energy and effort into physical, mental and emotional work-related activities (Schaufeli et al., 2002), meaning that the more energetic employees are in their job, the better their performance in dealing with customers. Dedication describes the cognitive and affective degree of devotion, mindfulness and pride an employee has in his/her job (Salanova et al., 2005; Schaufeli et al., 2002), reflecting a possible and consequential link to customer-related outcomes. Absorption reflects an employee's complete concentration on his/her job without losing focus due to external distractions (Anaza et al., 2016), indicating that if employees are absorbed in their job, then it is likely they will do well when dealing with customers, with enhanced CE generated. Based on the above discussion, the key facets of EE (vigour, dedication and absorption) at a store level result in employees' displays of emotion which, in turn, are expected to create corresponding changes in the emotional state of customers at the same level, thus influencing their engagement (i.e., CE). Hence, we hypothesise that:

H1a: Employee vigour at a store level positively influences customer engagement.

H1b: Employee dedication at a store level positively influences customer engagement.

H1c: Employee absorption at a store level positively influences customer engagement.

### ***Effect of customer engagement (CE) on repeat purchase and word-of-mouth (WOM)***

Customer engagement (CE), which is conceptualised based on interactions relating to events and activities of a firm or store that involve customers (Vivek et al., 2012), has been found to influence customer loyalty (Thakur, 2016). As mentioned by van Doorn et al. (2010), CE, as a state of mind, influences customers' actual purchases. Bowden (2009) mentioned that CE is a

psychological process that drives customer loyalty. In addition, Harmeling et al. (2017), in their theory of customer engagement marketing, mentioned that CE positively contributes to firm revenue through the purchases made and the costs saved. These points lead to our second hypothesis that CE at a store positively influences customer repeat purchase at that store:

H2a: Customer engagement (CE) at a store level positively influences customer repeat purchase at that store.

Past studies indicate that CE occurs through interaction with customers which, in turn, influences their attitude and behaviours (Dessart et al., 2015; Mollen and Wilson, 2010). In view of the service ecosystem, word-of-mouth (WOM) involves social interactions of customers that extend beyond their actual service encounters and the consumption of the respective services offered by the firm (Akaka et al., 2013). Customers' social interactions may take place both online and offline. Extant research found empirical evidence that CE influences WOM in the online context (Zhang et al., 2017; Islam and Rahman, 2016). Vargo and Lusch (2004) argued that, when engaged, customers exhibit intention and behaviours that transcend beyond traditional transaction and consumption. Based on the above points, we posit that CE at a particular store will influence WOM of customers of that store. Therefore, our next hypothesis is:

H2b: Customer engagement (CE) at a store level positively influences word-of-mouth of customers of that store.

### ***Mediating role of customer engagement (CE)***

H1a, H1b and H1c, and H2a and H2b, as discussed above, show a chain of relationships between EE, CE, repeat purchase and WOM, indicating that CE may mediate the EE relationships of a firm/store with customer repeat purchase and WOM of that firm/store.

Salanova et al. (2005) found that employee work engagement influenced service climate

which, in turn, predicted employee performance and then customer loyalty through a full mediation model. Furthermore, the service–profit chain (SPC) shows a causal chain linking employee satisfaction to firm financial performance through mediating constructs such as customer satisfaction and customer loyalty (Anderson and Mittal, 2000; Homburg et al., 2009).

As our model reflects a triadic relationship between employees, customers and the firm, we draw on balance theory (Heider, 1958) to support the mediating role of CE in the relationships of EE with WOM and repeat purchase. This theory suggests that individuals strive to maintain a sense of balance in their lives by attempting to reach “a harmonious state, one in which the entities comprising the situation and the feelings about them fit together without stress” (Heider, 1958, p. 180). When a situation is balanced, no tension is felt; hence, conscious thinking need not to occur. On the other hand, an unbalanced situation results in cognitive tension leading to a tendency toward a balanced state over time, by achieving consistency in attitudes/beliefs and expected outcomes between the two interrelated persons. Woodside and Chebat (2001) suggest that balance theory helps to solve the dilemmas of when and how balanced and imbalanced states occur in product and brand purchase situations. A balanced situation occurs in a triad (e.g., employee–customer–product) if all three relationships between the parties involved are positive (Heider, 1958). Mowen and Brown (1981) used balance theory to define the relationships between the triad of cognitive almanacs of a consumer, a celebrity endorser and a product. An endorser will be maximally effective when she/he has a strong relationship with the consumer and also with the product. When a strong positive emotion develops between a consumer and an endorser, the consumer cognitively reorganises a weaker consumer–product link, if any, and eventually perceives the relevant product more favourably (Abelson and Rosenberg, 1958).

In our model, the key components within a triad are: a store employee who is engaged at work and endorses the company or its brand; a customer of that store for whom the employee is responsible; and the customer’s repeat purchase and WOM about the firm as the objects (i.e.,

targets to achieve). The triadic relationships between two persons (i.e., employee and customer) and the objects (i.e., repeat purchase and WOM) of a particular store can be either balanced or unbalanced. A relationship system within a triad is balanced if the two persons have the same attitude/belief toward the object. In a balanced triad, as with employees, customers share repeat purchase and/or WOM as their target object as they are engaged with employees. In this situation, all relationships between parties involved in the triad are positive (Heider, 1958). Moreover, as per emotional contagion theory, the positive emotion that transmits from an engaged store employee to the respective customer of the store is likely to induce him/her (i.e., the customer) to be engaged with the employee or the store and, thus, to respond favourably to the product in terms of repeat purchase and spreading WOM about that store/product. This indicates an integration of balance theory with emotional contagion theory. Based on this integration, we posit that CE mediates the relationships of EE a particular store with its customers' repeat purchase and WOM. Likewise, in a balanced triad, it is expected that the facets of EE – vigour, dedication and absorption – will stimulate customers of a firm or store to be engaged with employees of that firm or store, which will, in turn, influence customer repeat purchase and WOM of that store. Thus, we hypothesise that:

H3a–c: Customer engagement (CE) at a store level mediates the relationships between (a) employee vigour and customer repeat purchase; (b) employee dedication and customer repeat purchase; and (c) employee absorption and customer repeat purchase at that store.

H4a–c: Customer engagement (CE) at a store level mediates the relationships between (a) employee vigour and customer word-of-mouth (WOM); (b) employee dedication and customer word-of-mouth (WOM); and (c) employee absorption and customer word-of-mouth (WOM) at that store.

### ***Moderating role of employee length of service (ELS)***

Employee length of service (ELS) is found to positively influence effective service recovery (de Jong and de Ruyter, 2004). Experienced employees possess the ability to proactively deal with failure situations (Michel et al., 2009). Pugh et al. (2002) mentioned that long-tenured employees know their customers better than their recently hired colleagues. This means that employees who have been with the firm for a longer time become more involved with customers than employees who are less experienced. Dietz et al. (2004) found that the frequency of employee–customer contact moderated the relationship between employees’ perspectives on service climate and customer satisfaction. Hence, it is expected that employees who have been with the firm for longer will be more knowledgeable, vigorous and dedicated in dealing with customers, resulting in more effective CE than among shorter-tenured employees. Thus, we infer that ELS positively moderates the effect of EE on CE:

H5a–c: Employee length of service (ELS) positively moderates the effects of employee (a) vigour, (b) dedication and (c) absorption on customer engagement (CE) at the store level.

### ***Control variable – customer relationship age***

Furthermore, past research shows that customers with longer tenure develop more trust toward the service provider (e.g., Bejou et al., 1996), develop greater inertia (Oliver, 1999) and possess higher risk aversion (Gupta, A. et al., 2004), suggesting that longer-tenured customers have a heightened propensity to repurchase from a service provider. Also, longer tenure provides an opportunity for the customer to develop interpersonal bonds with (Gwinner et al., 1998) or dependence on (Bendapudi and Leone, 2003) the service provider. The contextual variable – customer relationship age – has thus been included as a control variable to test the robustness of the conceptualisations underlying the CE–repeat purchase and CE–WOM links.

The hypotheses are shown in a conceptual framework illustrated in Figure 1.

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Insert Figure 1 about here  
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## **Method**

### ***Samples and procedure***

The study was conducted in the context of services rendered by retail employees in Australia. A sample of 28 retail stores (14 restaurants, 11 department stores, one retail bank branch, one hair salon and one travel agent) was selected for data collection using separate self-administered survey instruments for employees and customers. Employees were selected through a network acquaintance (Colgate et al., 2007) and then approached to participate in the survey. After collecting data from store employees, customers of the respective store were approached, using convenience sampling, to participate in the study. Responses from a total of 65 employees and 352 customers were used for analysis. The average age of employee respondents was 23 years, with 44.61% being male and 41.5% working as full-time employees. The average length of service of employees with the store was 3.1 years. On the other hand, the average age of customers was 29 years, with 53.69% being male and 53.10% buying either frequently or always from the store. The average duration of customer tenure was 5.68 years.

### ***Measures***

The scale to measure EE, which comprised the three key dimensions: vigour, dedication and absorption was adapted from Schaufeli et al. (2002). The dimensions of CE: conscious attention, cognitive engagement, affective engagement and enthused participation were measured using items adapted from Vivek et al. (2014) and Hollebeek et al. (2014). Repeat purchase was measured using two items adapted from Maxham and Netemeyer (2002). The items for WOM were adapted from Zeithaml et al. (1996). All items were measured using a 7-

point Likert scale (ranging from 1=strongly disagree to 7=strongly agree). The moderating variable (employee length of service [ELS]) and the control variable (customer relationship age) were measured on a single-item ratio scale (Raimondo et al., 2008).

## **Data Analysis**

We created a dyadic data set by matching employee data for each store with corresponding customer data; and in doing so, we matched customer data with corresponding employee data of the respective store. Structural equation modelling (SEM) using AMOS (version 22.0) was used for analysis of the matched sample data set. Using both employee and customer data simultaneously in a matched data set to test our hypotheses helped to avoid problems arising from the common variance method.

We operationalised CE as a second-order reflective construct comprising the four dimensions of conscious attention, cognitive engagement, affective engagement, and enthused participation (Bollen and Lennox, 1991). This second-order operationalisation of CE as a construct is in line with the extant literature (e.g., So et al., 2016; Thakur, 2016). The measurement model, with this higher-order factor structure, requires the use of hierarchical confirmatory factor analysis (CFA), for which a well-defined first-order factor measurement model is a prerequisite (Marsh, 1991; So et al., 2016). Hence, our data analysis involved both the first-order measurement model consisting of all scale items corresponding to the CE dimensions, and a second-order CFA estimated to assess the CE second-order factor structure. We started with exploratory factor analysis (EFA) which revealed that the constructs were unidimensional and that each item loaded highly on the respective construct. The convergent validity of the constructs (including the first-order dimensions of CE) was confirmed as the factor loading of all items loaded significantly (at the 0.01 level) onto the expected latent construct (Hair et al., 2010) (see Table 1). The correlations across different constructs (including the first-order dimensions of CE) (see Table 2) were within the acceptable limit,

thus confirming discriminant validity (Kline, 2015). With the lowest value of construct reliability (CR) of 0.82 for enthused participation (one of the dimensions of CE), this suggested adequate internal consistency of the scale items. The minimum average variance extracted (AVE) value was found to be 0.61 for enthused participation, thus demonstrating discriminant validity of the constructs (Fornell and Larcker, 1981). The goodness-of-fit measures for the measurement model showed an acceptable fit with the data ( $\chi^2=1398.87$ ;  $df=478$ ;  $\chi^2/df=2.93$ ; RMSEA=0.07; CFI=0.91; NFI=0.86; TLI=0.89; SRMR=0.07), suggesting that the constructs are different from each other.

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## Results

The fit indices of the structural model (Table 3) showed an acceptable fit with the data ( $\chi^2=1455.89$ ;  $df=485$ ;  $\chi^2/df=3.00$ ; RMSEA=0.07; CFI=0.90; NFI=0.86; TLI=0.89; SRMR=0.05).

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As shown in Table 3, all the hypothesised relationships are found to be significant except for H1a. Dedication ( $\beta=0.42$ ;  $p<0.05$ ) and absorption ( $\beta=0.20$ ;  $p<0.05$ ) are found to have a significant positive influence on CE explaining 14% of its variance ( $r^2=0.14$ ). On the other hand, vigour is not found to significantly influence CE ( $\beta=-0.26$ ;  $p>0.05$ ). Furthermore, CE is found to significantly influence repeat purchase ( $\beta=0.70$ ;  $p<0.05$ ) and WOM ( $\beta=0.84$ ;  $p<0.05$ ). The control variable, customer relationship age, is also found to positively influence repeat purchase ( $\beta=0.11$ ;  $p<0.05$ ) but does not significantly influence WOM ( $\beta=-0.07$ ;  $p>0.05$ ).

Both CE and the control variable (relationship age) account for 50% of the variance of repeat purchase ( $r^2=0.50$ ) and 72% of the variance of WOM ( $r^2=0.72$ ).

With regard to the mediating role of CE on the links of vigour, dedication and absorption with repeat purchase and WOM (H3a, H3b and H3c, and H4a, H4b and H4c), we examined both the direct effects (from vigour, dedication and absorption to repeat purchase and WOM) and the indirect effects (from vigour, dedication and absorption to repeat purchase and WOM via CE) to check for full or partial mediation (Reimann et al., 2010). The direct effects are found to be insignificant for vigour ( $\beta=0.05$ ;  $t=0.33$ ,  $p>0.05$ ), dedication ( $\beta=0.06$ ;  $t=0.34$ ,  $p>0.05$ ) and absorption ( $\beta=-0.13$ ;  $t=-1.60$ ,  $p>0.05$ ) on repeat purchase. The direct effects on WOM are found to be insignificant for vigour ( $\beta=0.12$ ;  $t=0.94$ ,  $p>0.05$ ), dedication ( $\beta=-0.07$ ;  $t=-0.46$ ,  $p>0.05$ ) and absorption ( $\beta=-0.10$ ;  $t=-1.41$ ,  $p>0.05$ ). Furthermore, the indirect effects of vigour ( $\beta=-0.22$ ;  $t=-1.29$ ,  $p>0.05$ ) and dedication ( $\beta=0.32$ ;  $t=1.77$ ,  $p>0.05$ ) on repeat purchase via CE are also insignificant, meaning that CE has no mediating effect on the links of vigour and dedication with repeat purchase. On the other hand, the indirect effect of absorption ( $\beta=0.18$ ;  $t=2.2$ ,  $p<0.05$ ) on repeat purchase via CE is found to be significant. Hence, CE fully mediates the link of absorption with repeat purchase. In a similar vein, the indirect effects of vigour ( $\beta=-0.27$ ;  $t=-1.26$ ,  $p>0.05$ ) and dedication ( $\beta=0.38$ ;  $t=1.74$ ,  $p>0.05$ ) on WOM via CE are also insignificant, meaning that CE does not have any mediating effect on the links of vigour and dedication with WOM. The indirect effects of absorption ( $\beta=0.21$ ;  $t=2.14$ ,  $p<0.05$ ) on WOM via CE is found to be significant. Hence, CE fully mediates the link of absorption with WOM; therefore, while H3c and H4c are supported, H3a, H3b, H4a and H4b are not supported.

The moderating effects of employee length of service (ELS) on the links of vigour, dedication and absorption with CE (H5a, H5b and H5c) were examined by multi-group analysis based on the median-split procedure (Malär et al., 2011) with a median score of ELS of 3.11 years. The nested data set is sufficiently large ( $N=352$ ) for the moderating variable, ELS, to be measured as a ratio scale. Hence, in our data set, compensating for any loss of

power due to the median split, and for collinearity between the moderating variable and other independent variables were not issues. Therefore, dichotomising ELS to examine the group differences (“high” versus “low”) was deemed appropriate (Iacobucci et al., 2015). Consistent with the extant literature (e.g., Roy and Rabbanee, 2015), we ran two models based on high ELS value versus low ELS value and compared the chi-square values and degrees of freedom (*df*) of the totally free (TF) model (without restricting the paths of the model) with the same values of the fully constrained (FC) model (by restricting all the paths of the model) to test ELS’s moderating effect.

The fit indices of the TF model are found to be satisfactory with  $\chi^2=2751.16$ ;  $df=970$ ;  $\chi^2/df=2.84$ ; RMSEA=0.07; CFI=0.84; TLI=0.81 and NFI=0.80. The TF model revealed that with the low ELS value, the links of vigour ( $\beta=-0.21$ ;  $t=-0.64$ ,  $p>0.05$ ), dedication ( $\beta=0.60$ ;  $t=1.31$ ,  $p>0.05$ ), and absorption ( $\beta=-0.18$ ;  $t=-0.82$ ,  $p>0.05$ ) with CE were insignificant. On the other hand, with the high ELS value, the links of vigour ( $\beta=-0.61$ ;  $t=-1.77$ ,  $p>0.05$ ) and dedication ( $\beta=0.56$ ;  $t=1.71$ ,  $p>0.05$ ) with CE were found to be insignificant, whereas the effect of absorption ( $\beta=0.51$ ;  $t=3.84$ ,  $p<0.05$ ) on CE was significant.

Again, the fit indices of the FC model fall within somewhat acceptable limits, with  $\chi^2=3230.89$ ;  $df=983$ ;  $\chi^2/df=3.28$ ; RMSEA=0.08; CFI=0.80; TLI=0.80 and NFI=0.75. The differences in the chi-square and degrees of freedom values of the TF and FC models were found to be significant ( $\Delta\chi^2=479.73$ ;  $\Delta df=13$ ;  $p<0.05$ ). Therefore, the two models significantly differ from each other. The details of the path coefficients for the low and high ELS values are shown in Tables 4a and 4b. These confirm the significant moderating influence of ELS on the link between absorption with CE; thus, while H5c is supported, H5a and H5b are not supported.

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Insert Table 4a and Table 4b about here  
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## **Discussion and Implications**

This study provides much-needed insights on the relationships between the facets of EE, CE, customer repeat purchase and WOM using data from two distinct sources: employees and customers. The study found that the EE facets of dedication and absorption, but not vigour, positively influence CE which, in turn, influences customer WOM and repeat purchase. The non-significant impact of vigour on CE indicates that employees do not engage customers merely by being energetic at work; rather they remain dedicated and absorbed at work. Furthermore, CE is found to mediate the effects of absorption on WOM and repeat purchase. This novel finding indicates that a store with high employee engagement, in terms of absorption, leads to customer repeat purchase and WOM only if the store and its employees engage with their customers. This mediating effect of CE also underscores the need for firms to focus on both EE and CE simultaneously. We also found a significant moderating impact of ELS on the link between CE and absorption. This means that employees who serve a firm for a longer period become more absorbed in their work, thus contributing more to customer engagement than employees who have served the firm for a shorter period. Moreover, the inclusion of customer relationship age as a control variable shows robustness of our model in conceptualising and testing the EE–CE–repeat purchase and EE–CE–WOM links.

The study findings offer several theoretical contributions. Firstly, the study pinpoints CE, repeat purchase and WOM as consequences of EE, thus identifying EE–CE–repeat purchase and EE–CE–WOM as sequential chains of relationships. In doing so, the study extends the existing engagement literature and emotional contagion theory by showing empirical support for the differential effects of the three facets of EE on CE en route to repeat purchase and WOM through a parsimonious model. Secondly, the study shows that CE fully mediates the relationship of absorption with customer responses, such as WOM and repeat purchase. This extends balance theory (Heider, 1958) by focusing on its integration with

emotional contagion theory. This is done by explaining the EE–CE–repeat purchase and EE–CE–WOM links as relationship systems, in which EE influences repeat purchase and WOM through CE’s mediating effect. This provides evidence to support the prevalence of balanced triads. Thirdly, the current study provides empirical proof of WOM as a consequence of the EE–CE link, supporting EE’s and CE’s psychological conceptualisations. This further reflects an application of the theory of customer engagement marketing (Harmeling et al., 2017), a theory which emphasises CE as customers’ voluntary contribution that extends beyond financial patronage. Thus, the study advances the extant literature through its conceptualisation and measurement of EE and CE drawn from the organisational psychology literature, as opposed to the behavioural outcome-focused conceptualisations of EE and CE in prior research (e.g., Kumar and Pansari, 2016). Fourthly, the finding that ELS positively moderates the effects of absorption on CE is unique and makes an important contribution to the extant literature by suggesting a boundary condition based on which the effects of EE on CE may vary. Finally, unlike many studies in the extant engagement research, the current study used a matched sample dyadic data set to examine the simultaneous effects of EE and CE on repeat purchase and WOM, at both individual and aggregate levels.

Our study offers useful insights for managers. The study findings of the significant effects of dedication and absorption on CE are important for managers as employees may not always feel connected with the respective firm/store for which they work (Mascio and Fatima, 2018). This means that the respective firm/store may have less influence on its employees’ work-related decisions; hence, managers should focus more specifically on how to ensure employee dedication and absorption at work. To achieve this purpose, firms should invest resources and adopt specific strategies, such as ensuring an organisational climate supportive of initiative and psychological safety, to engage employees (Rabbanee et al., 2019) so they become dedicated to and absorbed in their work, thus helping them to be proactive in engaging customers. Past research has provided empirical evidence showing that organisational climate

influences employees' thoughts, feelings and behaviours (Brock et al., 2005); employees' creativity and proactivity (Eldor and Harpaz, 2016); and employee–customer interactions (Clark, 2002). Firms could also facilitate employee dedication and absorption at work by providing organisational support (Rich et al., 2010); job autonomy; support technology (Salanova et al., 2005); and career development opportunities.

The unique finding that CE mediates the links of employee absorption with repeat purchase and WOM highlights the need for managers to focus on both EE and CE simultaneously. Managers should facilitate an appropriate environment in their store, enabling their employees to adequately engage with their customers. To achieve this purpose, managers could adopt an initiative-enhancing human resource management (HRM) system in the store that promotes and recognises employee initiatives (Hong et al., 2016). Managers should recruit employees with dispositional proactivity and capabilities (Schneider et al., 2000), providing training to improve employees' self-efficacy (Axtell and Parker, 2003) and enhancing their current level of proactivity (Fay and Sonnentag, 2010). These strategies are likely to result in a favourable climate for initiatives in the store, encouraging employees to extend beyond their routine jobs when dealing with customers and, thus, positively affecting customer engagement (Rabbanee et al., 2019) and behavioural responses. Moreover, our mediation finding underscores the need to allocate resources to both EE and CE for customer-based firm performance. Managers should not overlook the role of EE in attaining desired customer responses. As engaged employees are energetic and passionate about their job when dealing with customers, ignoring the role of EE may lead managers to miss an effective way of differentiating their offerings in addition to their core products or services. As past research has found that CE mediates the link between different aspects of product involvement, such as symbolic value and personal interest relating to the product and customer loyalty (Parihar et al., 2019), engaged employees can be the essence of this symbolic value and customers' personal interest in the store and its products. Thus, engaged employees may act as a potential switching

barrier (Colgate et al., 2007), stimulating positive WOM and behavioural loyalty. Furthermore, our findings underscore the point that managers must pay attention to employee psychology to ensure the quality and competitiveness of their services. As contact employees share collective feelings at their workplace (Salanova et al., 2005), it is important for managers to adopt appropriate steps to engage each employee proactively to avoid the contagion effect from one disengaged employee to others. In addition, the positive moderating role of ELS emphasises that managers should invest resources in employee retention. The study findings indicate that longer-tenured employees are more engaged at work than shorter-tenured employees in their dedication to and absorption in the jobs, with their engagement leading to CE, customer WOM and repeat purchase.

### **Limitations and Future Research Directions**

Our study has a few limitations. Firstly, it does not focus on drivers of EE, such as training, autonomy, technology (Salanova et al., 2005), job satisfaction, commitment and loyalty (Kumar and Pansari, 2016). Future research should focus on more nuanced employee psychological variables that may drive employee work engagement. Secondly, although our study's empirical evidence showed support for the effect of EE on CE and customer responses, the process should be continuous with a feedback loop of customer behaviour affecting organisational resources allocated to EE enhancement. Hence, future research is warranted to examine these continuous path relationships including the feedback loop. Thirdly, the link between EE and CE can be influenced by other moderators such as culture, as customer engagement behaviour differs between developed and developing markets (Roy et al., 2018). Future research is warranted to test our model in a developing country context. Fourthly, the study focuses on EE as the driver of customer engagement (CE). The extant literature identified other drivers of CE, such as product experience (Harmeling et al., 2017), emotion and satisfaction (Gupta et al., 2018). However, these drivers were beyond the scope of our research.

Finally, this study is based on a cross-sectional survey design; hence, the reciprocal relationships between employees and customers cannot be fully interpreted causally, an area which future researchers may consider for further exploration.

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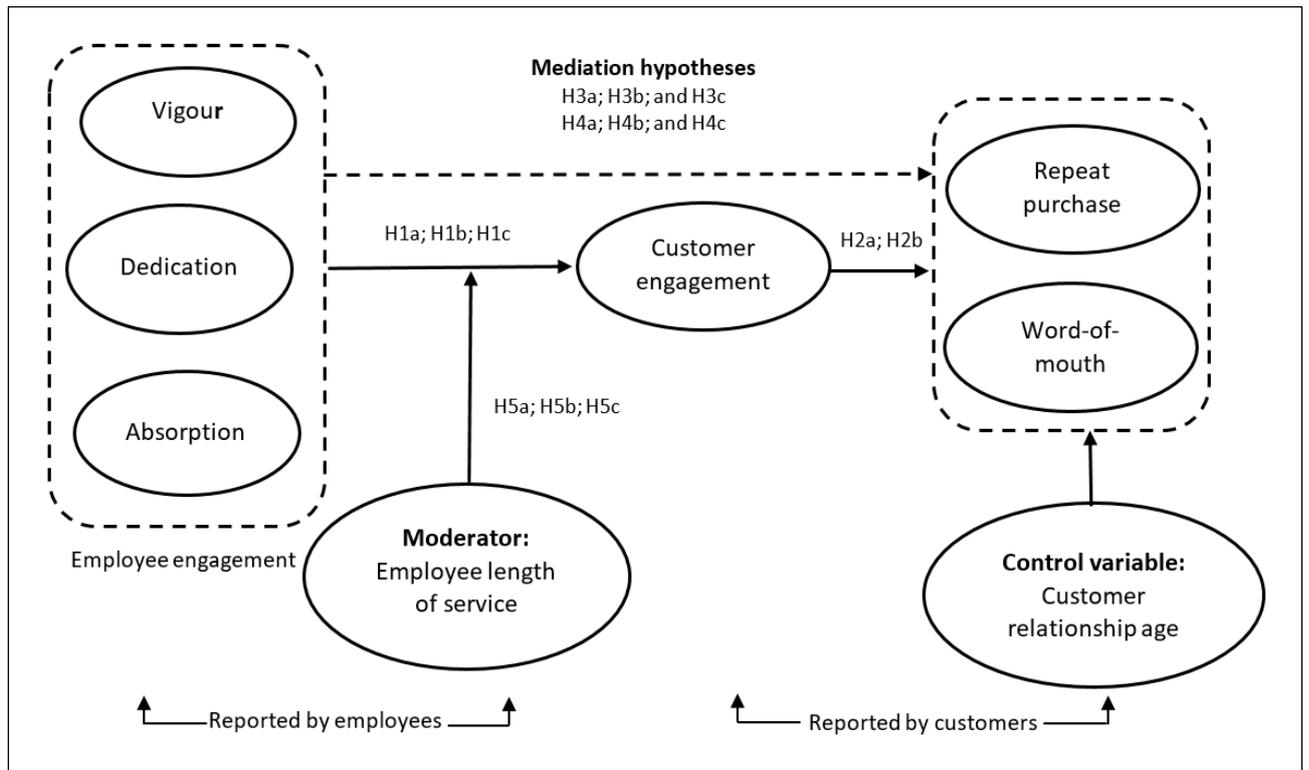
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## Appendices

**Figure 1: Conceptual framework**



**Table 1: Descriptive statistics of constructs**

<b>Construct</b>	<b>Loading</b>	<b>Mean</b>	<b>SD</b>
<b>Employee Engagement:</b>			
<i>Vigour</i> [ $\alpha=0.91$ ; CR=0.93; AVE=0.70]			
At work, I feel full of energy.	0.86	5.07	1.17
In my job, I feel strong and vigorous.	0.85	4.81	1.21
When I get up in the morning, I feel like going to work.	0.81	4.24	1.30
I can continue working for very long periods at a time.	0.67	5.02	1.23
In my job, I am mentally very resilient.	0.68	5.25	1.13
At work, I always persevere, even when things do not go well.	0.67	5.46	1.06
<i>Dedication</i> [ $\alpha=0.90$ ; CR=0.93; AVE=0.74]			
I find the work that I do full of meaning and purpose.	0.85	4.50	1.32
I am enthusiastic about my job.	0.94	5.01	1.30
My job inspires me.	0.81	4.56	1.48
I am proud of the work I do.	0.71	5.12	1.15
I find my job challenging.	0.59	4.41	1.42
<i>Absorption</i> [ $\alpha=0.86$ ; CR=0.93; AVE=0.77]			
Time flies when I'm working.	0.67	5.11	1.35
When I am working, I forget everything else around me.	0.71	4.66	1.14
I feel happy when I am working intensely.	0.97	5.00	1.29
I am immersed in my work.	0.87	4.87	1.08
I get carried away when I'm working.*	0.41	4.39	1.39
It is difficult to detach myself from my job.*	0.44	3.70	1.41
<b>Customer Engagement:</b>			
<i>Conscious Attention</i> [ $\alpha=0.87$ ; CR=0.93; AVE=0.82]			
Anything related to this store grabs my attention.	0.87	4.36	1.55
I pay a lot of attention to anything about this store.	0.88	4.28	1.54
I get involved to learn more about this store.	0.80	3.89	1.75
<i>Cognitive Engagement</i> [ $\alpha=0.90$ ; CR=0.94; AVE=0.83]			
Using products of this store gets me to think about the store.	0.91	4.40	1.58
I think about the store when I use its products.	0.90	4.22	1.66
Using this store's products stimulates my interest to learn more about the store.	0.75	4.12	1.62
<i>Affective Engagement</i> [ $\alpha=0.92$ ; CR=0.95; AVE=0.83]			
I feel very positive when I use this store's products.	0.88	4.64	1.50
Using products from this store makes me happy.	0.90	4.71	1.49
I feel good when I use products of this store.	0.92	4.74	1.49
I am proud to use products of this store.	0.71	4.24	1.58
<i>Enthusied Participation</i> [ $\alpha=0.80$ ; CR=0.82; AVE=0.61]			
I spend a lot of time in this store compared to other similar stores.	0.58	4.50	1.58

Whenever I buy [category], I usually buy from this store.	0.69	4.65	1.59
I enjoy shopping in this store.	0.80	4.99	1.36
<b>Repeat Purchase:</b> [ $\alpha=0.88$ ; CR=0.93; AVE=0.88]			
I purchase from this store repeatedly.	0.83	4.97	1.18
I usually come back and buy from this store.	0.95	5.03	1.23
<b>Word-of-Mouth:</b> [ $\alpha=0.92$ ; CR=0.96; AVE=0.89]			
I say positive things about this store to others.	0.91	4.82	1.35
If somebody seeks advice with regard to a good [category] store, I recommend this store.	0.93	4.79	1.38
I encourage my friends and relatives to buy from this store	0.88	4.57	1.37
<b>Employee Length of Service:</b>			
How long have you been with the firm as an employee (in years)?	--	3.11	1.59
<b>Customer Relationship Age:</b>			
How long have you been with the firm as a customer (in years)?	--	5.70	5.27

Notes:  $\alpha$ =Cronbach's alpha; CR=composite reliability; SD=standard deviation; AVE=average variance extracted; superscript \* indicates that these items were not considered in the analysis due to their low factor loading.

**Table 2: Correlation matrix and psychometric properties of constructs**

Constructs	VR	DN	AN	CA	CE	AE	EP	RP	WOM	ELS	C.R. Age
Vigour (VR)	1										
Dedication (DN)	.75**	1									
Absorption (AN)	.75**	.72**	1								
Cons. Attention (CA)	.18**	.30**	.24**	1							
Cognitive Eng. (CE)	.20**	.28**	.28**	.54**	1						
Affective Eng. (AE)	.18**	.21**	.21**	.57**	.60**	1					
Ent. Participation (EP)	.20**	.23**	.24**	.60**	.51**	.59**	1				
Repeat Purchase (RP)	.14**	.15**	.16**	.42**	.32**	.48**	.60**	1			
Word-of-mouth (WOM)	.19**	.24**	.20**	.62**	.45**	.60**	.64**	.58**	1		
ELS	-.03	.09	-.20**	-.15**	-.19**	-.13	-.12*	-.01	-.15**	1	
C.R. Age	-.04	-.11*	-.001	.01	.05	.01	.05	.12*	-.05	.04	1
CR	0.93	0.93	0.93	0.93	0.94	0.95	0.82	0.93	0.96	--	--
AVE	0.70	0.74	0.77	0.82	0.83	0.83	0.61	0.88	0.89	--	--

Notes: Superscript \*\* =  $p < 0.01$  and \* =  $p < 0.05$ ; Cons.=Conscious; Eng.=Engagement; Ent.=Enthused; ELS=Employee length of service; C.R. Age=Customer relationship age

**Table 3: Standardised coefficients,  $t$ -value and  $p$ -value of structural model**

Particulars	$\beta$ -value	$t$ -value	$p$ -value	Decision
H1a: Vigour → Customer engagement	-0.26	-1.47	0.14	Not supported
H1b: Dedication → Customer engagement	0.42	2.09	0.03	Supported
H1c: Absorption → Customer engagement	0.21	2.03	0.04	Supported
H2a: Customer engagement → Repeat purchase	0.70	9.27	0.001	Supported
H2b: Customer engagement → Word-of-mouth	0.84	10.94	0.001	Supported
Control variable: Customer relationship age → Repeat purchase	0.11	2.62	0.01	Significant
Customer relationship age → Word-of-mouth	-0.07	-1.91	0.06	Not significant

Notes: H3a, H3b, H3c and H4a, H4b, H4c are mediation hypotheses; H5a, H5b, H5c are moderation hypotheses. These hypotheses are discussed separately.

**Table 4a: Path coefficients for low employee length of service (ELS)**

<b>Particulars</b>	<b><math>\beta</math>-value</b>	<b><math>t</math>-value</b>	<b><math>p</math>-value</b>	<b>Decision</b>
Vigour → CE	-0.21	-0.64	0.52	Not significant
Dedication → CE	0.60	1.31	0.18	Not significant
Absorption → CE	-0.18	-0.81	0.41	Not significant
CE → Repeat purchase	0.61	5.55	0.001	Significant
CE → WOM	0.81	6.60	0.001	Significant

**Table 4b: Path coefficients for high employee length of service (ELS)**

<b>Particulars</b>	<b><math>\beta</math>-value</b>	<b><math>t</math>-value</b>	<b><math>p</math>-value</b>	<b>Decision</b>
Vigour → CE	-0.61	-1.77	0.07	Not significant
Dedication → CE	0.56	1.71	0.08	Not significant
Absorption → CE	0.51	3.84	0.001	Significant
CE → Repeat purchase	0.78	7.59	0.001	Significant
CE → WOM	0.86	8.87	0.001	Significant