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Effects of customer engagement behavior¹

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Abstract

Aim/purpose – Research addressing the customer engagement behavior (CEB) has rapidly developed in the marketing discipline, contributing to the knowledge on network organization. However, insights into the specific outcomes of CEB remain largely nebulous. Few comprehensive conceptual frameworks of CEB effects exists in the literature to-date. The empirical verification of CEB outcomes, particularly at the firm level, is still missing.

Design/methodology/approach – In this article we first provide an overview of the CEB conceptualizations and its effects. Next we develop the CEB firm-level performance outcomes framework. Finally we explore CEB process, forms and outcomes in Stanley Black & Decker, applying qualitative methodological approach (case research incl. participant observation).

Findings – We propose the logically arranged CEB effects in the conceptual model integrated with marketing metrics which are related to the recent advances in customer equity and customer asset management.

Research implications/limitations – In empirical research we focused on the CEB effects related to one type of customer behaviors, i.e. Stanley Black& Decker customers' involvement in the product development and innovation which is a limitation in obtain-

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ing the comprehensive empirical picture of all CEB forms and its outcomes. Further empirical research (incl. quantitative one) is necessary to verify our conceptual model.

Originality/value/contribution – Our model of firm-level performance effects of CEB extends existing proposals and contributes to the knowledge on effective CEB management process in network organizations.

Keywords: customer engagement behavior, customer equity management, firm-level CEB outcomes.

JEL Classification: M10, M31.

1. Introduction

The concept of customer engagement (CE) has emerged from the body of knowledge on the phenomenon of the customer active presence in value co-creation process which is a component of relationship marketing [Vivek, Beatty, & Morgan 2012]. It derives from the notion of enhanced (extended) competence network, where consumers and consumer communities are the source of new competencies and they co-create value with firm [Prahalad & Ramaswamy 2004, pp. 115-125]. It is also in line with the concept of service dominant logic in marketing suggesting that value is defined by and co-created with the consumer rather than embedded in product [Vargo & Lusch 2004]. And finally, CE phenomenon is complementary to the value constellation idea, where the partners in the production of an offering (incl. consumers) create value together through varied types of ‘co-productive’ relationships instead of ‘adding’ value one after the other in value chain [Norman & Ramirez 1998, pp. 25-43].

So far two approaches evolved while interpreting customer engagement. Researchers representing the first approach propose the broad understanding of CE. They define CE as a psychological state that occurs by virtue of interactive, co-creative customer experiences with a focal agent/object (e.g., a brand) in focal service relationships [Brodie et al. 2011] and argue that CE is composed of cognitive, emotional, behavioral, and social elements [Vivek, Beatty & Morgan 2012]. There is also the second view, that customer engagement refers to customer’s behavioral manifestations toward a brand or firm, that have a brand or firm focus, beyond purchase, resulting from motivational drivers [van Doorn et al. 2010; Verhoef, Reinartz & Kraft 2010; Bijmolt et al. 2010; Jaakkola & Alexander 2015]. This approach, where CE focuses on nontransactional customer behaviors (i.e. go beyond transactions), is also supported by the authors of this paper.

CE in abovementioned narrow interpretation is often named as ‘customer engagement behavior’ (CEB). Van Doorn et al. [2010] argue that CEB includes a vast array of behaviors as word of mouth activity, recommendations, helping other customers to consume better, blogging, writing reviews, and engaging in legal action, as well as making suggestions to improve the consumption experience, helping and coaching service providers. Similar view is held by Bijmolt et al. [2010] who distinguish three general manifestations of customer engagement: (1) customer complaining behavior, (2) word-of-mouth (WOM), and (3) customer co-creation behavior. Jaakkola & Alexander [2014] suggest two general types of customer engagement behaviors: (1) customers’ communication about the focal firm or brand (customer may acquire new customers for the firm through firm-incentivized referral programs, or influence other customers’ perceptions on their own initiative through word-of-mouth, blogging and other forms of customer-to-customer interactions and (2) customer involvement in product development and innovation (customers help to improve or develop the firm’s offerings by providing feedback, ideas, and information, or participating in product design or assembly).

Customer engagement behaviors may be both positive and negative [van Doorn et al., 2010; Brodie et al. 2011]. Positive CEB may include posting a positive brand message on a blog. Negative CEB may occur when customer organizes public actions against a firm. Therefore, from the managerial perspective, CEB effects also may be positive and negative for a firm. Thus in this paper we address the following research questions:

1. What are the detailed effects of customer engagement behavior for the firm?
2. How to allocate CEB and its effects in effective marketing management process?

The paper is organized as follows. First, the conceptual framework of customer engagement behaviors consequences, incl. the review of literature and our conceptual model of firm-level CE effects, is briefly discussed. The paper continues by outlining the methodological approach and empirical research results concerning CEB process and its firm-level effects in Stanley Black& Decker. Then, research results discussion and final conclusions are presented.

2. Conceptual framework of customer engagement consequences

2.1. Review of existing models

Conceptual models of customer engagement consequences are still very rare in the marketing literature. Few existing models offer various perspectives depending on a subject toward which CE outputs are concerned. Holistic per-

spective is proposed by van Doorn et al. [2010] and it includes CE consequences for customer, firm and other stakeholders. Verhoef, Reinartz & Kraft [2010], who accepts narrow interpretation of CE, concentrate on its effects for firm and highlight CE impact on marketing metrics. Finally, Vivek, Beatty & Morgan [2012] focus on CE outputs related to customers (see table 1).

Table 1. Consequences of customer engagement

Authors	Concept	Concept definition	Consequences		
			Customer	Firm	Others
van Doorn et al. (2010)	Customer engagement behavior (CEB)	Customer's behavioral manifestations toward a brand or firm that have a brand or firm focus, beyond purchase, resulting from motivational drivers	<ul style="list-style-type: none"> – Cognitive – Attitudinal – Emotional – Physical/Time – Identity 	<ul style="list-style-type: none"> – Financial – Product – Employee – Reputational – Regulatory – Competitive 	<ul style="list-style-type: none"> – Consumer welfare – Economic surplus – Social surplus – Regulation – Cross-brand – Cross-customer
Verhoef, Reinartz and Kraft (2010)	Customer engagement (CE)	Behavioral manifestation toward the brand or firm that goes beyond transactions	–	Marketing metrics: <ul style="list-style-type: none"> – Customer retention – Customer lifetime value / customer equity – New product performance 	–
Vivek, Beatty, and Morgan (2012)	Customer engagement (CE)	The intensity of an individual's participation in and connection with the organization's offerings and/or activities, which either the customer or the organization initiate. It is composed of cognitive, emotional, behavioral, and social elements	<ul style="list-style-type: none"> – Value – Trust – Affective commitment – Brand community involvement – Word of mouth – Loyalty 	–	–

Source: Based on Vivek, Beatty & Morgan [2012, p. 133]; Verhoef, Reinartz & Kraft [2010, p. 249]; van Doorn et al. [2010, p. 256].

As expressed previously, in this article we attempt to explore CEB effects from managerial perspective and hence we support those models of CE consequences where firm-level outcomes of customer engagement are distinguished. These are frameworks proposed by van Doorn et al. [2010] and Verhoef, Reinartz & Kraft [2010]. In both propositions CEB has financial and product (new product performance) consequences for the firm. CEB as WOM and blogging may affect purchase behavior of focal as well other customers and consequently

affect customer retention and then customer equity. Customers can support firms in design and development of new products, giving suggestions for modifying existing brands, and engaging in trial of beta products. According to van Doorn et al., abovementioned customer activities may also effect the improvement in the frontline employees job performance. Furthermore, CEB may have reputational effects for the firm as customer participation in the brand communities and supporting events related to the brand can contribute to the long-term reputation and recognition of the brand. Engaged customers with a negative experience with the brand or firm may seek legal or regulatory solutions. This may result in new law regulations in the entire industry, not only focal firm, so both regulatory and competitive CEB consequences may appear.

There is a mix of both general/total marketing effect (i.e. customer equity) as well as particular marketing effects (as product or employee consequences) in the aforementioned propositions of CEB consequences for the firm. Particular effects impact on the total one, which is important from the managerial perspective and should be reflected in the CEB consequences model. Therefore, we develop more detailed framework in which we attempt to arrange CEB effects logically. Our model of firm-level performance effects of CEB also extends existing proposals since we combine recent advances in the marketing discipline concerning customer equity and customer asset management. Thus we enrich the existing knowledge on effective CEB management process contributing also to the academic knowledge on management in network organizations. We discuss main assumptions of our extended CEB consequences model in the following section.

2.2. Firm-level performance effects of CEB process

We agree with van Doorn et al. [2010] view that firms should proactively manage customer engagement behaviors and we also support the three-step CEB process model proposed. The first step is identifying engagement behaviors and customers. Firms should identify various forms of CEB (in terms of actors involved, its possible places and content) and its potential effects. The second phase is evaluating engagement manifestations. Firms should consider the likely CEB consequences in terms of short- and long-term effects using comprehensive set of indicators, integrated with other marketing metrics to improve decision making about the customer portfolio. And the third stage of CEB management process is acting on customers' engagement behaviors. Firms should develop a set of capabilities and resources to manage CEB. These include effective information systems to disseminate customer knowledge across the firm and sites

or platforms for customers to stimulate their engagement behaviors (e.g. express ideas, thoughts or complaints). Firms should also develop CEB incentives programs, since customers may be motivated to engage in non-transactional ways if they expect benefits such as enhanced knowledge and reputation, social benefits, and economic benefits as cost savings [Füller 2010; Jaakkola & Alexander 2014]. Firms should also undertake visible reactions to negative CEB (e.g. refunds/apologies) which requires empowering frontline personnel to ensure adequate procedures.

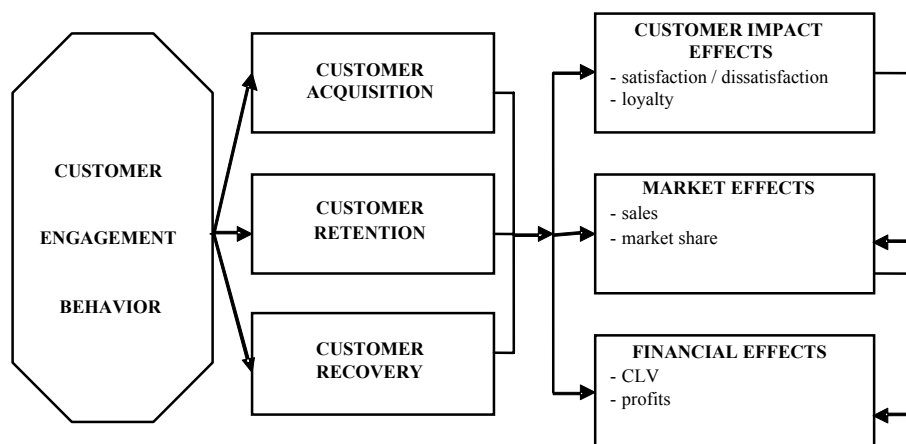
Concerning CEB process, one of key elements of effective CEB management is proper evaluation of CEB consequences for firm. This step is necessary for effective customer relationship management and then consequently for effective management in the network organization. As far manageability in the network organizations, we agree with views of Järvensivu & Möller [2009], that networks can be managed (to the extent that depends on the network type) and the main functions of this management include framing, activating, mobilizing and synthesizing. We also support complementary opinion expressed by Lusch & Webster [2010] that traditional marketing management functions should be modified in the network into sensing (instead of analyzing), resourcing (instead of planning), realizing (instead of implementation) and learning (instead of control). Regardless of network management functions names, whether they relate to general management or marketing management, we posit that proper evaluation of CEB effects is crucial for effective management within each function.

Therefore we recommend CEB effects indicators to be integrated with other existing marketing metrics. As mentioned in the previous section, reviewed CEB consequences models lack the logic of effects which may be a barrier in effective CEB management. For that reason we develop more detailed framework in which we adapt marketing productivity chain idea to logically arrange CEBs effects. There are the following relationships among the marketing effects and firm's value in the chain of marketing productivity: marketing strategy & tactics → customer impact (on satisfaction, attitude toward the brand, loyalty) → marketing assets (as customer equity) → firm's market position (market share and sales) → firm's financial position (profits and cash flows) → value of the firm (market capitalization) [Rust et al. 2004]. Although we support abovementioned proposition of the relationships among marketing effects, we claim that customer equity is rather the financial marketing effect. This results from the customer equity definition that we prefer. Customer equity is the sum of lifetime values of all the firm's current and future customers, where the lifetime value is the discounted profit stream obtained from the customer [Kumar & Shah 2009]. According to customer equity paradigm, firms are interested in maximizing the net present value of both current and future customers [Gupta & Lehmann 2005; Villanueva & Hanssens 2007].

Adapting the concept of marketing productivity chain and customer equity interpretation, we propose the following types of consecutive CEB effects in a firm-level performance (see Figure 1):

1. Customer impact effects – these are related to the customer attitudes as satisfaction or dissatisfaction and loyalty.
2. Market effects – related to firm's market position measured by sales and market share.
3. Financial effects – related to financial position of the firm measured by profits gained by firm, incl. customer lifetime value (CLV).

Figure 1. Conceptual framework of firm-level performance effects of CEB



Our model of firm-level performance effects of CEB also extends existing proposals since, apart from arrangement of CEB effects, we combine recent advances in the marketing discipline concerning customer equity and customer asset management and integrate CEB outcomes with marketing process and indicators. According to customer equity paradigm, customer asset management is based on the objectives in the following processes: customer acquisition, retention and margin expansion [Gupta & Lehmann 2005]. Therefore, in our model we distinguish main customer management processes: customer acquisition, retention and recovery. Customer engagement behavior may impact each of aforementioned processes. Thus, to achieve the purpose of maximizing the net present value of both current and future customers, firms should pay attention on both transactional and non-transactional customer behavior (i.e. customer engagement). Our proposition is in line with Kumar et al. [2010] view, who indicate that, if customer engagement (as non-transactional customer behavior) is not taken into account in customer equity management, customers may be val-

ued wrongly. This wrong valuation may create a misallocation of resources across customers and may calculate wrong returns on marketing actions [Rust, Lemon & Zeithaml 2004; Verhoef, Reinartz & Kraft 2010]. Distinguishing customer management processes in our framework of firm-level performance effects of CEB we also support Verhoef, Reinartz & Kraft [2010] view, that customer engagement is a very important research stream within customer (asset) management. If firms focus only on the transactional side of the relationship (which is important, as it usually creates immediate cash flows for the firm) and ignore non-transactional customer behavior it may create lost opportunities. These are, for example, pursuing growth through WOM, joint development of new products through co-creation. Ignoring customer engagement may also have detrimental effects, when negative ratings on websites are overlooked by the firm.

Summing up, our model reflects the assumption that customer engagement behavior, as new phenomenon in relationship marketing and network paradigm in marketing management discipline, should be perceived as an important object of customer equity and customer asset management. Firms should be able to evaluate CEB consequences for each customer management process: acquisition, retention and recovery processes. To assess CEB effect within those processes, accurate consecutive effects should be taken into account as customer impact, market and financial CEB results. Our model contributes to the knowledge on effective customer engagement behavior, i.e. CEB process, which is the part of customer relationship management in the network organization.

3. Firm-level performance effects of CEB process in Stanley Black & Decker

3.1. Research methodology

CEB phenomenon is still novel in marketing literature. In order to explore CEB process and effects the case research was conducted. This research method is useful in exploration and description of above issues within its real-life context since the boundaries between phenomenon and context are not clearly evident [Yin 1984, pp. 3-26; Żabiński 2007; Czakon 2015]. While selecting the case we assumed, based on our previous works, that sectoral approach in CEB empirical research is crucial [Rupik 2015] and customer engagement is the innovation in marketing management sphere [Żyminkowska 2015].

Therefore we selected Stanley Black & Decker, Inc. (SBD) which is the most innovative firm among global tool companies according to The Patent Board. The firm is also among top 10 most innovative consumer durables company (2010-2014 NPD Data 2015). We posit, that in consumer durables tool sector, SBD is exceptional and critical case, and thus it fulfills conditions of using one basis in case research method [Perry 1998; Żabiński 2007]. It also should be emphasized that among the ways of collecting data about this case, we used a participant observation, since one of authors is a manager in Stanley Black & Decker working as Marketing Manager Central Europe.

In our research we focused on one form of CEB distinguished above, i.e. customer co-creation behavior. This form refers to customer involvement in new product development and innovation and it is rather new approach at SBD. Other more 'traditional' CEB forms as customers communication about the firm or brand, incl. customer complaining behavior and word-of-mouth are excluded in our study. Those forms have been used by the company for a longer period. For example the company uses social media platforms and analyses millions of comments across the world among followers of SBD's profiles. Many of them are very helpful for other end-users, showing great features or usage guidelines of the products.

In 2010 Stanley Works and Black & Decker merged to become Stanley Black & Decker, Inc. (SBD). The company is now a diversified global provider of hand tools, power tools and related accessories, mechanical access solutions (i.e. automatic doors and commercial locking systems), electronic security and monitoring systems, healthcare solutions, engineered fastening systems and products and services for various industrial applications.

January 2, 2016, the company had approximately 51,250 employees, 13,533 of whom were employed in the U.S. SBD and its subsidiaries owned or leased significant facilities used for manufacturing, distribution and sales offices in 19 states and 16 foreign countries. In 2015 SBD revenue was \$ 11.4 bn. Approximately 53% of the company's annual revenues were generated in the United States, with the remainder largely from Europe (22%), emerging markets (16%) and Canada (5%) [Stanley Black & Decker 2016]. Tools & Storage business generated 64% of total revenue in 2015 (see Table 2 for basic business description). Tools and Storage business was formed during the first quarter of 2015, when the company combined the Construction & Do-It-Yourself business with certain complementary elements of other segments. In this business SBD attempt to engage customers into the value creation.

Table 2. Description of SBD business

Main business segment	Business sub-segments	Products, customers and distribution channels	Share in total revenue in 2015
1	2	3	4
Tools & Storage	1. Power Tools	<p>The Power Tools business includes:</p> <ul style="list-style-type: none"> – professional products: professional grade corded and cordless electric power tools and equipment incl. drills, impact wrenches and drivers, grinders, saws, routers and sanders, as well as pneumatic tools and fasteners incl. nail guns, nails, staplers and staples, concrete and masonry anchors; – consumer products: corded and cordless electric power tools sold primarily under the BLACK+DECKER brand, lawn and garden products, incl. hedge trimmers, string trimmers, lawn mowers, edgers and related accessories, and home products such as hand-held vacuums, paint tools and cleaning appliances; – power tool accessories: drill bits, router bits, abrasives and saw blades. <p>The segment sells its products to professional end users, distributors, retail consumers and industrial customers in a wide variety of industries and geographies.</p> <p>The majority of sales are distributed through retailers, incl. home centers, mass merchants, hardware stores, and retail lumber yards, as well as third-party distributors and a direct sales force</p>	64%
	2. Hand Tools & Storage		
Security	1. Convergent Security Solutions	<p>The business designs, supplies and installs electronic security systems and provides electronic security services, incl. alarm monitoring, video surveillance, fire alarm monitoring, systems integration and system maintenance. Purchasers of these systems typically contract for ongoing security systems monitoring and maintenance at the time of initial equipment installation. The business also sells healthcare solutions, which include asset tracking solutions, infant protection, pediatric protection, patient protection, wander management, fall management, and emergency call products.</p> <p>The business sells to consumers, retailers, educational, financial and healthcare institutions, as well as commercial, governmental and industrial customers.</p> <p>Products are sold predominantly on a direct sales basis</p>	19%
	2. Mechanical Access Solutions	<p>This business sells and installs automatic doors, commercial hardware, locking mechanisms, electronic keyless entry systems, keying systems, tubular and mortise door locksets.</p> <p>It sells to commercial customers primarily through independent distribution channels</p>	
Industrial	1. Engineered Fastening	<p>This business primarily sells engineered fastening products and systems designed for specific applications. The product lines include stud welding systems, blind rivets and tools, blind inserts and tools, drawn arc weld studs, engineered plastic and mechanical fasteners, self-piercing riveting systems and precision nut running systems, micro fasteners, and high-strength structural fasteners.</p> <p>The business sells to customers in the automotive, manufacturing, electronics, and aerospace industries, amongst others.</p> <p>Its products are distributed through direct sales forces and, to a lesser extent, third-party distributors</p>	17%

Table 2 cont.

1	2	3	4
	2. Infrastru- cture	The business consists of the Oil & Gas and Hydraulics businesses. The Oil & Gas business sells and rents custompipe handling, joint welding and coating equipment used in the construction of large and small diameter pipelines, and provides pipeline inspection services. The Hydraulics business sells hydraulic tools and accessories. It sells to the oil and natural gas pipeline industry and other industrial customers. The products and services are primarily distributed through a direct sales force and, to a lesser extent, third-party distributors	

Source: Stanley Black & Decker [2016, pp. 17-18].

3.2. CEB process in Stanley Black & Decker

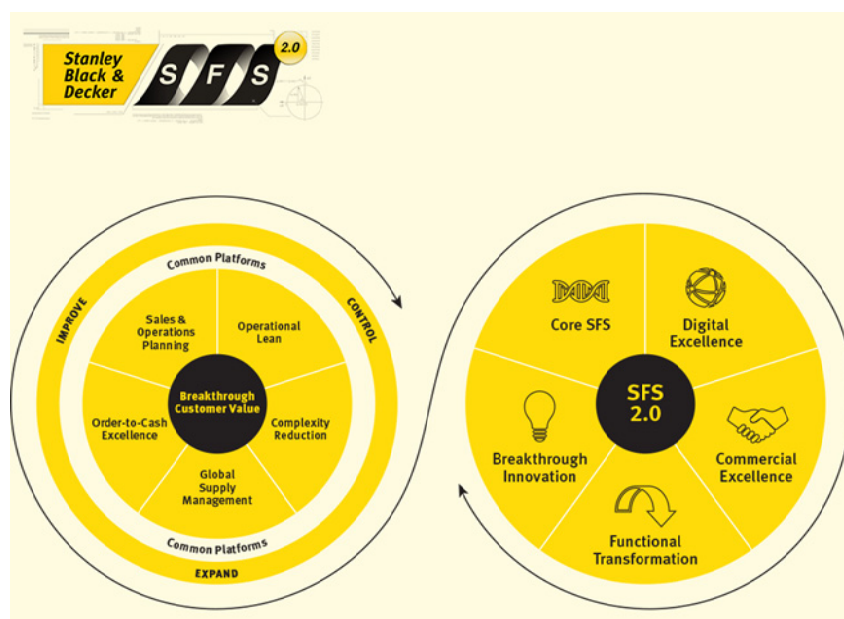
The foundation for creating exceptional customer value in Stanley Black & Decker is Stanley Fulfillment System (SFS). Beginning 2015 the corporate has built SFS 2.0 adding the following new dimensions to the existing SFS: Digital Excellence, Breakthrough Innovation, Commercial Excellence and Functional Transformation (see Figure 2). The expanded SFS 2.0 is to transform company by focusing it on the following five key pillars:

1. Core SFS – targets asset efficiency. Stanley Black& Decker has made the significant advances in improving working capital turns and free cash flow generation but further working capital improvements and supply chain efficiency are expected. Core SFS now also incorporates digitization of the supply chain and ‘smart factory’ into its tool kit.
2. Functional Transformation takes a clean-sheet approach to redesigning firm’s key support functions such as Finance, HR, IT and others. It relates to the challenges after almost a hundred acquisitions by SBD. The firm plan to reduce SG&A (Selling, General and Administrative Expenses) as a percent of sales and thus to create funding mechanism for the growth-related elements of SFS 2.0.
3. Digital Excellence is a comprehensive initiative designed to leverage the power of digital technology and advanced analytics to improve SBD products, processes, business models and how firm’s people operate. SBD is infusing new talent and capabilities into organization and promoting the concepts of digital speed and leadership agility to keep culture and enterprise fresh and relevant in this era of constantly accelerating change. Digital, incl. social, mobile, Internet of Things and big data, touches all aspects of SBD business.
4. Commercial Excellence is about how SBD becomes more effective and efficient in customer-facing processes. Company views Commercial Excellence

as world-class execution across seven areas: customer insights, core innovation and product management, pricing and promotion, brand and marketing, sales force deployment and effectiveness, channel programs, and the customer experience.

5. Breakthrough Innovation is aimed at developing a breakthrough innovation culture to identify and bring to market disruptive products and business models. Although SBD have a track record of excellent core innovation, opportunities exist to be even more radically innovative.

Figure 2. Stanley Fulfillment System 2.0



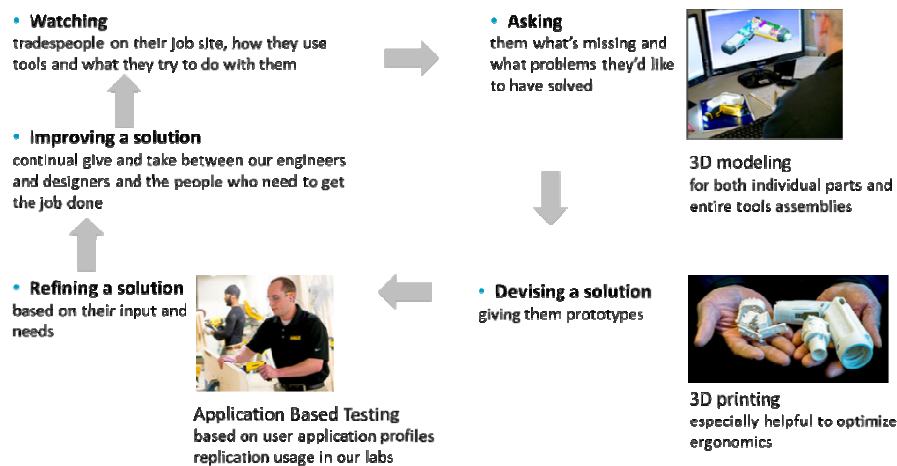
Source: Stanley Black & Decker [2016, pp. 4-6].

Stanley Fulfillment System program is focused on upgrading innovation and digital capabilities while maintaining commercial and supply chain excellence, and funding required investments through functional transformation. SFS, especially its fifth pillar, Breakthrough Innovation, as a platform for doing an effective business requires to put customer engagement behavior in place. In the case of Stanley Black & Decker, 'customer' is seen as: (a) external (end-users) and (b) internal (employees), so both end-users and employees are engaged in innovation process. Below the customer engagement process in SBD is described, both CEB forms, tools and organizational aspects as the foundation for CEB effects analysis in the consecutive section.

3.2.1. End-users engagement in innovation

SBD end-users are engaged in the ‘user driven innovation process’ (see Figure 3). This is an iterative process, starting with the consumer, because all of SBD R+D is done with the end user in mind. Firm watches tradespeople on their jobsite and asks questions about some missing features or parameters to fulfill tasks with help of SBD products. Having the knowledge about current situation SBD can start to work on solution that will meet the end user’s expectations. In this stage new technology is very helpful. To save time and money 3D modeling and 3D printing are used to have prototypes that are next testing (both in SBD labs and then on the jobsite).

Figure 3. Stanley user-driven innovation process



Source: SBD internal documentation.

SBD has also created a platform ‘Submit an idea’ which is the online tool for stimulation end-users engagement in product design in Tools & Storage business offering, among others, consumer durables products. However, submitting an idea is limited to the seven flagship brands of this SBD business unit. These are: STANLEY, DeWALT, BOSTITCH, BLACK+DECKER, MAC and Proto. Also consumers are invited to submit ideas in the limited number of product. These are:

- power tools (drill, sander, jigsaw, etc.),
- outdoor power equipment (string and hedge trimmer, lawnmower, etc.),
- home cleaning products (hand held vacuum, steam mop, etc.),
- hand tools (non-powered tape, knife, wrench, socket, hand saw, hammer, pry bar, level, etc.),

- electronic tools (apps, laser levels, stud finders, laser distance measuring, etc.), and
- storage (toolbox, mobile storage, metal cabinet, organizer, mobile work table, etc.).

After registration at the platform [www 1], choosing the option (have or do not have patent) and fulfilling contact details and policy & conditions forms, end user is asked to deliver an idea details (incl. images, attachments or url of invention that showcases it's functionality). End-user is also asked to answer two questions:

1. What is the current frustration that the end user experiences without having the use of your idea/tool today?
2. How does this tool solve an end user need/how does this tool benefit the end user?

To manage CEB process in SBD, series of special teams were created and dedicated to this. These are Breakthrough Innovation Teams that are entirely focused on generating breakthrough ideas and experimenting with them. This includes leveraging external innovation and finding new ways of applying it. These dedicated, elite teams of innovators are based off-site, with structure and operating rhythms that are distinct from SBD core business units. The teams are working on a robust portfolio of opportunities in the breakthrough space, enabled by disciplined problem statement identification processes, rapid experimentation and accelerated prototyping.

Exemplifying speed and agility, these teams are modeled after the incubator approaches of standout innovators and startups observed in Silicon Valley, the Boston/Cambridge corridor and elsewhere. The pace of experimentation continues to accelerate. SBD have added a due diligence model, adapted from private equity firms, to rapidly assess breakthrough opportunities. The model applies five filters – market, customer needs, routes to market, intellectual property, and cost position – to quickly support go or no-go decisions.

Entire user-driven innovation process is coordinated by the U.S. staff, in the company's principal executive office located in Connecticut. However, local Product Managers in Europe support the process. They gather data from end-users, monitor markets, organize focus groups and test prototypes.

3.2.2. Employees engagement in innovation

As has already been mentioned, CEB process in Stanley Black & Decker refers to both end-users and employees (internal customers). For the latter SBD creates the total innovation environment in three steps (see Figure 4). Main objectives of this approach include developing a culture of innovation among all company's employees, encouraging their engagement in innovation and encouraging staff to share the engagement results internally.

Figure 4. Stanley employee-driven innovation process

Source: SBD internal documentation.

To spark and capture innovative ideas brewing across Stanley Black & Decker, the company has also launched an internal innovation portal, 'The Drawing Board'. The purpose of this platform is to engage the global team in innovation crowd-sourcing for new and next-generation solutions.

4. CEB effects in Stanley Black & Decker

In our research we focused on one form of CEB distinguished above, i.e. customer involvement in product development and innovation, that is quite new approach at SBD, particularly in its Tools & Storage business. Other more 'traditional' CEB forms as customers' communication about the firm or brand, incl. customer complaining behavior and word-of-mouth are excluded in our study. In this section we attempt to explore whether SBD evaluates effects of this CEB form according to our framework of firm-level performance effects of CEB.

4.1. Customer impact effects

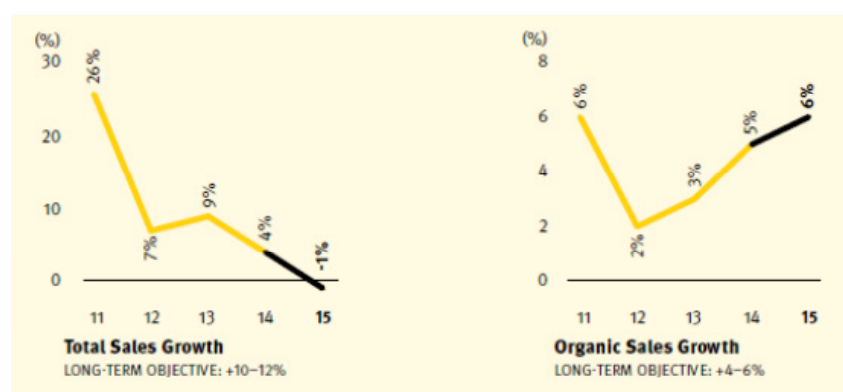
As far as customer impact effects, it should be emphasized that a significant portion of the company's products are sold through home centers and mass merchant distribution channels in the U.S. and Europe. A consolidation of retailers in both North America and abroad has occurred over time and the increasing size and importance of individual customers creates risk of exposure to potential volume loss. The loss of certain larger home centers as customers would have a material adverse effect on the company's business until either such customers were replaced or the company made the necessary adjustments to compensate for the loss of business. As a result of the SBD's acquisition strategy, sales to U.S. home centers and mass merchants declined from a high of approximately 40% in 2002, to 15% before the Black & Decker merger. In 2015, sales to U.S. home centers and mass merchants were 21%.

SBD monitors satisfaction and loyalty of its customers (incl. end-users). As far direct CEB impact on customer satisfaction and loyalty, SBD has not conducted detailed surveys yet. This is due to the early phase of customer engagement initiatives in company's strategy. However, SBD monitors quantitative indicators related to the engagement platforms described above, i.e. "Submit an idea" and 'The Drawing Board'. About 1,500-2,000 ideas are submitted yearly and both key customer groups are at the similar level of involvement, because the split is around 50/50 for end-users ('Submit an idea' platform) and employees ('The Drawing Board' platform). Those ideas give lots of input to the new product development process. Tools & Storage business launches an average of three new products every day (i.e. approx. 1,000 new products per year). Considering the traditional nature of tools, whether power tools or hand tools, bringing to market each year approximately 100 World's Firsts is a high benchmark for success that may indicate high level of customer satisfaction.

4.2. Market effects

In 2015 Stanley Black & Decker net sales were \$ 11.2 bn, down 1% compared to \$ 11.3 bn in 2014 (see Figure 5). However organic sales volume and pricing provided increases of 5% and 1%, respectively, but were more than offset by a 7% decrease due to negative impacts from foreign currency. In SBD the term 'organic' is utilized to describe results aside from the impacts of foreign currency fluctuations and acquisitions during their initial 12 months of ownership. This ensures appropriate comparability to operating results of prior periods. SBD long term goals include, among others, accelerating organic growth to 4%-6% year-over-year.

Figure 5. Stanley Black & Decker sales growth 2011-2015

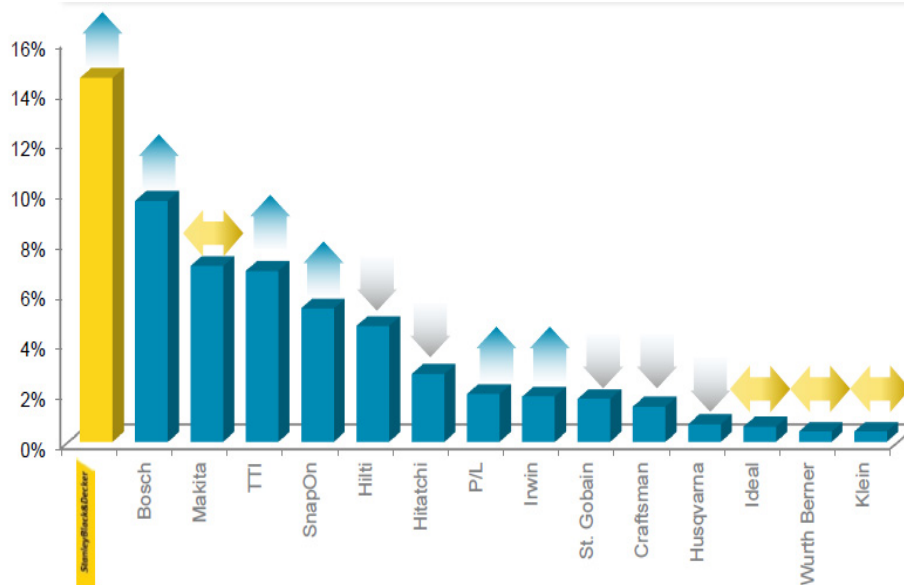


Source: Stanley Black & Decker [2016, p. 8].

In the Tools & Storage segment, organic sales increased 8% compared to 2014 as a result of strong growth across all regions primarily due to share gains from innovative new products and an expanded retail footprint. Net sales in the Security segment decreased 7% compared to 2014 primarily due to foreign currency declines of 7% and lower volumes in North America and emerging markets, which more than offset organic growth in Europe. In the Industrial segment, organic sales grew 2% relative to 2014 due to strong organic growth in the Engineered Fastening business primarily as a result of strong global automotive. It may be noticed, that Tools & Storage business segment achieved the highest organic sales growth among SBD business segments. Tools & Storage is the only segment in which CEB process has been introduced. So customer engagement in product development and innovation has effected in higher sales value.

In Tools & Storage segment, SBD has also the highest market share among SBD business segments. The company is worldwide leader in tools and storage (15% global market share in 2014), although the company encounters active competition in the Tools & Storage from both larger and smaller companies that offer the same or similar products and services (see Figure 6 for SBD market share, illustrated by the first chart bar, and market share of its main competitors).

Figure 6. SBD and competitors' global market share in Tools & Storage business



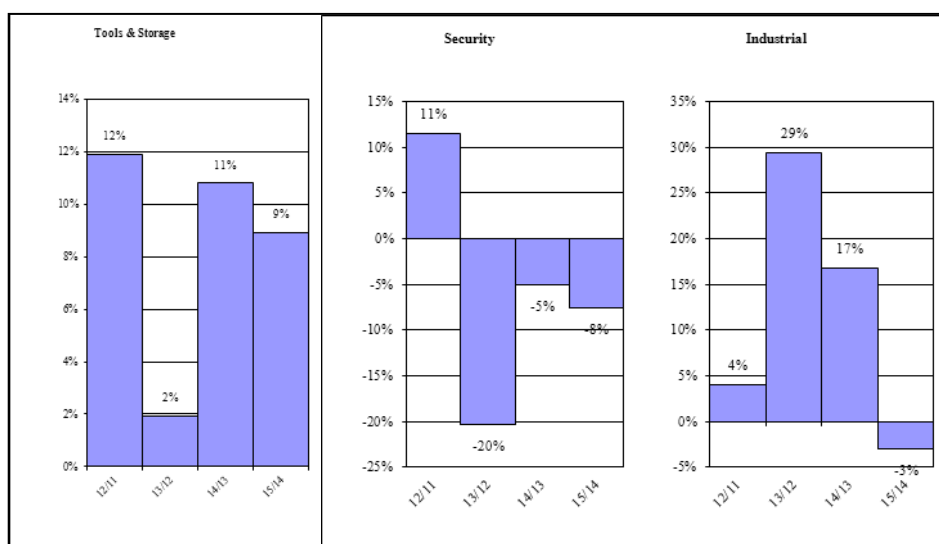
Source: Ansell [2015, p. 6].

Certain large customers offer private label brands ('house brands') that compete across a wider spectrum of the Company's Tools & Storage segment product offerings. Competition tends to be based primarily on price, the quality of service and comprehensiveness of the services offered to the customer. However, SBD global market share in Tools & Storage is systematically growing: 13.5% in 2010 to 15% in 2014. In two other segments, the company is number 2 on the international market.

4.3. Financial effects

Customer relationships of SBD are included in amortized intangible assets records. In 2015 gross carrying amount of customer relationship was equal \$ 1,774 mn comparing with \$ 1,832 mn in 2014.

Figure 7. SBD year-to-year profit growth in business segments (2011-2015)



Source: Based on Stanley Black & Decker [2016, pp. 40-42].

However, as far year-to-year profit growth in 2015, again Tools & Storage business outperformed Security and Industrial segments (see Figure 7), what indicates the customer relationship value growth in this segment. Tools & Storage segment profit amounted to \$ 1,170 mn in 2015 compared to \$ 1,074 mn in 2014. The increase in segment profit year-over-year was 9%, primarily driven by volume leverage, price, productivity, cost management and lower commodity prices, which more than offset significant foreign currency headwinds.

Concluding the abovementioned research findings we posit that detailed evaluation of CEB effects in SBD, according to our framework, has not been fully developed yet. This is probably due to the early stage of CEB process in the company. As already mentioned, we considered one CEB form i.e. customer co-creation through customer involvement in product development and innovation. In SBD those initiatives are the inbuilt element of company's management system labeled Stanley Fulfillment System (SFS). It refers, among others, to Break-through Innovation or open innovation co-created with external (end users) and internal (employees) customers, mainly in Tools & Storage business segment.

However, based on our analysis of CEB effects aggregated with the effects of other business processes (within SFS), we claim that CEB outcomes in SBD seems to be positive, especially in Tools & Storage business. SFS 2.0 was launched in 2015 and its impact in 2015 results of SBD – driving organic growth, margin improvement and new levels of innovation and digitization across the company, has been already observed. In 2015 the company made a substantial progress against long-term strategic and financial objectives, generating increasing value for shareholders, while continuing to position SBD for a future of sustained high performance.

Then, CEB process contributes to the company's competitive advantage: its ability to develop and introduce new products in a timely manner at favorable margins. CEB in SBD is also the way to reduce the risk of low demand for new products and the inability to develop and introduce new products at favorable margins, that could adversely impact the company's performance and prospects for future growth. Regarding customer equity paradigm reflected in our framework, we anticipate that CEB in SBD is effective in customer retention and acquisition processes. Nevertheless, detailed data on customer equity was not available as strictly confidential.

5. Conclusions

Customer engagement behavior notion refers to customers who act as active partners in value co-creation in the extended competence network. Based on the assumption of network manageability, we posit that CEB may and should be managed by a firm. CEB, as the marketing concept, describes particular elements of customer relationship with the firm, i.e. nontransactional behaviors as customers' communication about the firm or brand (e.g. word-of-mouth) and customer involvement in product development and innovation (incl. complaining behaviors, providing ideas, etc.). If so, CEB management should be perceived as

the integral part of marketing management with its latest achievements in customer equity/asset management. By integrating CEB and customer equity paradigm in our model of CEB firm-level performance outcomes, we attempted to fill the gap in the marketing literature, where customer engagement concept is usually isolated from the effective marketing management issues. We also believe to contribute to the network organization theory, since our model organizes the CEB consequences and integrates them with existing marketing metrics according to marketing productivity chain idea and with key processes in customer equity management (customer acquisition, retention and recovery).

Apart from theoretical contribution, the results of our study implicate some managerial recommendations. First, firm's ability to evaluate CEB consequences (particular network effects) in terms of short- and long-term effects using comprehensive set of indicators, integrated with other marketing metrics, improves decision making about the customer equity and consequently may influence firm performance. In the case of Stanley Black & Decker CEB management in innovation process in Tool & Storage business unit includes a due diligence model to assess breakthrough opportunities, supporting go or no-go decisions. This results in continuous growth of global market share and bringing 100 World's First products to market each year. Second, engaging employees (internal customers), apart from external customers (end-users) in innovation process, may bring synergic effects to the firm. In SBD end-users and employees submit about 1,500-2,000 ideas yearly and Tools & Storage business launches approx. 1,000 new products per year.

In empirical research we focused on the CEB effects related to one type of customer behaviors, i.e. Stanley Black& Decker customers' involvement in the product development and innovation. Regarding our model of CEB firm-level performance effects it is a limitation in obtaining the comprehensive empirical picture of CEB forms and its outcomes. Therefore further empirical research (incl. quantitative one) is necessary to verify our model.

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