

CHAPTER 21

Why Customers Build Relationships with Companies - and Why Not

THORSTEN HENNIG-THURAU

University of Hanover

KEVIN P. GWINNER

Kansas State University, Manhattan

DWAYNE D. GREMLER

University of Idaho, Moscow

Although relationship marketing has received much attention in recent years, most of the literature focuses on benefits the firm receives from developing relationships with customers. A comprehensive model explicitly considering both the benefits and barriers of such relationships from the customer's perspective has not been proposed. To address this gap in the literature, this chapter develops an integrative theory of customers' motivations to participate in relationships with companies. In particular, the authors review the existing literature on customers' relational motivations for participating in business exchanges and subsequently present an integrative model of both benefits and barriers to such relationships from a customer perspective. They then report the results of a study examining a portion of the relational benefit side of the model. Finally, implications for the management of relationships with customers are discussed.

“Is it possible that we haven't looked close enough to see that the consumer is not necessarily a willing participant in our relationship mission?”

Fournier, Dobscha & Mick (1998, 44)

1. Introduction

Since its early years in the 1980's, relationship marketing theory has had its focus on the *supplier's* perspective. This is reflected by the extensive discussion

extolling the advantages of firms developing lasting relationships with their customers (e.g. Payne & Rickard 1997; Reichheld & Sasser 1990) as well as suggested strategies and instruments which may lead to higher degrees of loyalty and retention (e.g. Diller 1997, "price;" Duncan & Moriarty 1998, "promotion;" Kotler 1989, "product"). At the same time, although there is consensus that the concept of long-term relationships between companies and customers implies that the relationship has to be "mutually perceived and mutually beneficial" (Berry 1995, 239; see also Sheth & Parvatiyar 1995, 5), the rationale for *customers* participating in and seeking out relationships with firms has been overlooked to a large extent. Recently, a number of authors have started to develop this largely neglected field of research (e.g. Bendapudi & Berry 1997; Gwinner, Gremler & Bitner 1998); however, a comprehensive model explicitly considering both the benefits and barriers of relationships from the customer's perspective has not been examined. The purpose of this article is to develop an integrative theory of customers' motivations to participate in relationships with companies. Therefore, a general model of relationships between companies and customers will be developed first. Building on this, the existing literature dealing with the topic of customers' relational motivations is reviewed and an integrative model of benefits and barriers from a customer perspective is proposed. We then report the results of a study examining a portion of the relational benefit side of the model. Finally, implications for management of relationships with customers are derived from the theoretical and empirical output of this article.

2. A General Model of Relationships between Companies and Customers

An investigation into the customers' motivations for building relationships with business firms is based on the respective interpretation of the term "relationship." In contrast to definitions based on a *supplier* perspective, which refer to relationships in "any situation in which an attempt is made to encourage long-term patronage" (Barnes 1994, 2), it seems more appropriate here to interpret the term from a *customer* perspective. Consequently, we will use the terms "relationships" and "relational behaviors" in the case that the following two conditions are met:

- the customer repeatedly buys products and/or services from the same firm (*behavioral component* of the term relationship); and
- the customer's repurchase behavior is based on some rationale thought (*intentional component* of the term relationship). However, this does not mean that the customer is necessarily aware of the existence of a *relationship* between him or her and the firm.

The general literature on customer behavior illustrates that *goal-oriented* customer behavior is driven by motives or needs (e.g. Sheth, Mittal & Newman

1999, 342). Thus, for the case of relational behavior as defined above, it can be said that customers consciously repurchase a single firm's offerings to *satisfy certain needs* associated with this relationship and to gain certain benefits from the relationship. "Consumers see the relationship as a means for fulfillment of a goal" (Bagozzi 1995, 273). The kinds of motives and benefits relevant to relationship building are discussed in later parts of this article. As most products and services are offered by more than one firm, a second prerequisite for relationship building must be considered when analyzing the reasons customers engage in relational behavior. In a competitive surrounding, for a customer to join a relationship with a specific company, relational behavior must be interpreted by him or her as beneficial not only in an isolated way, but also with regard to *existing alternatives*.

By integrating both aspects (i.e. the relationship being beneficial to the customer and the perceived attractiveness of existing alternatives), different constellations can be identified which are closely related to basic types of relationships between customers and companies. In the case that a relationship is viewed as highly beneficial by a customer while at the same time the customer has the free choice to switch to other suppliers, this relationship can be titled a "dedication-based" relationship (Bendapudi & Berry 1997). Such a "dedication-based" relationship may occur even if the customer is unable to change his partner due to market reasons but values his or her relationship as extremely beneficial. This is realistic when the supplier does not misuse its monopolistic power in the form of opportunistic behavior. In the case of a relationship exhibiting few benefits and characterized by a lack of other acceptable alternatives, this kind of relationship is of a "constraint-based" type (Bendapudi & Berry 1997). Here contractual or power-based obstacles prevent the customer from discontinuing the relationship with his/her current supplier. Figure 1 illustrates the typology of customer-company relationships developed above.

With regard to customer motivations for establishing and maintaining relationships, one has to differentiate between two basic categories of relational motives. The first category covers those benefits which are closely related to the *core product* (in the case of consumer goods marketing) or the *core service* (in the case of services marketing). The second category includes benefits that refer to the *relationship itself* and are only peripherally related to the quality of single transactions (for a similar distinction see Goodwin & Gremler 1996). Barnes (1994, 8) speaks of the benefits in this second category using the term "true relationships" for customer-company relationships based on the fulfillment of customers' relational needs and the delivery of superior relational benefits. This second category will be particularly valued by customers in situations where few differences exist between competitive products and services and where evaluation of the product or service is difficult to assess even after consumption (Zeithaml 1981). Strategically, the relational benefits derived from the customer-firm interaction may be particularly influential in creating an advantage for firms due to the difficulty in replicating these types of benefits.

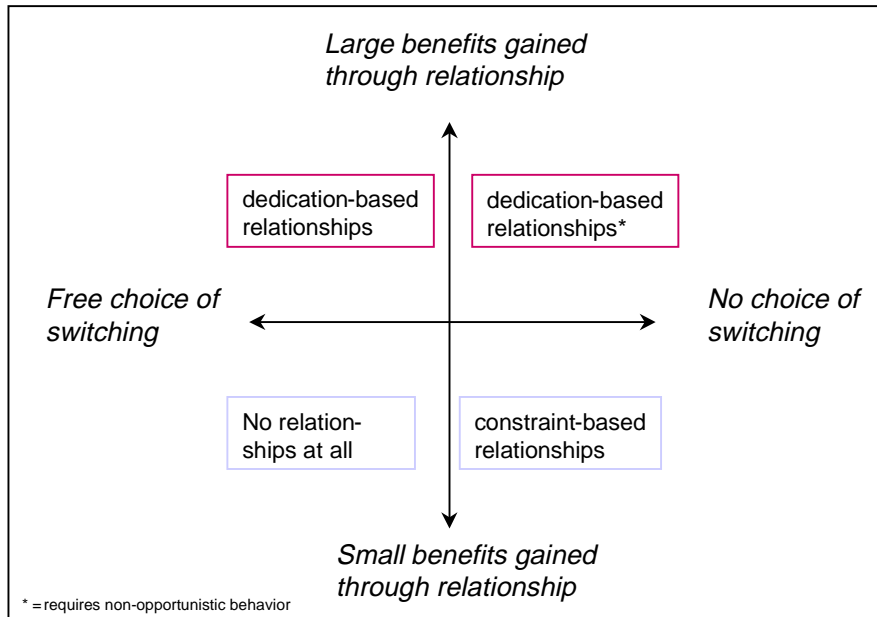
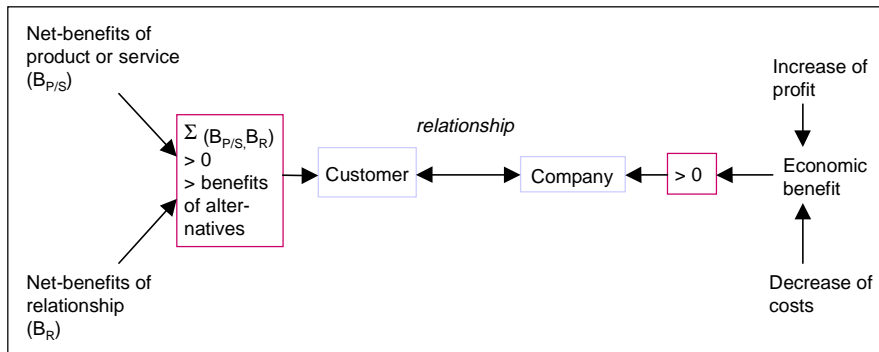
Figure 1**A typology of relationships between customers and business firms**

Figure 2 summarizes the points raised above by modeling the two distinct components thought to motivate consumers to seek relational exchanges. Customers are willing to build a relationship with a company when two conditions are met. First, the sum of product or service-related benefits and relational benefits must be positive (i.e. larger than zero) even when the costs and disadvantages of that relationship are taken into account. Second, the net benefits of the relationship must be superior to other alternatives available from competing firms. In addition, the mutual character of the relationship construct is reflected in the fact that the relationship must also be economically advantageous for the firm as relational partner. A motivational or benefit-focussed approach is especially promising in the case of “dedication-based” relationships while the functioning of “constraint-based” relationships might be better explained from a dependency approach. As such, Figure 2 is limited to dedication based relationships, as is the remainder of this chapter.

Figure 2

A general model of relationship building for “dedication-based” relationships



3. Customers’ Benefits and Barriers for Relationships: Literature Review and Integration

Given that a customer’s decision for entering and maintaining a “dedication-based” relationship with a company is driven by the superior benefits delivered by that relationship (both core product/service and relational benefits), one has to ask *what kind* of benefits are crucial for the customer to remain loyal. For the case of product or service-related benefits, one can fall back upon a large body of knowledge generated in the field of consumer research (e.g. Kurtz & Clow 1998; Sheth, Newman & Gross 1991). For instance, a popular classification distinguishes between economic, functional, social, psychological, and in some cases ecological motives. Because the benefits derived from the core product/service are very context specific, the main emphasis of this chapter will be on those kinds of customer benefits derived directly from the relationship itself.

Relational benefits can be subdivided depending on the respective object of relevance (Barnes 1994, 3; Iacobucci & Ostrom 1995). First, relational benefits can be of importance in relationships between a single customer and a single employee. This is, for example, the case in exchanges between customers and physicians, dentists, analysts, and hair dressers due to the particularly high levels of intimate contact between customer and employee. We refer to these benefits as *personal level benefits*. Second, relational benefits may result from interactions between an individual customer and the company as a whole. We refer to these types of benefits as *company level benefits*. These types of benefits may be particularly prevalent in larger service companies having a relatively high degree of standardization and less intimate contact with customers (e.g. restaurant, travel agency). Finally, as the term brand loyalty indicates, some customers have

relationships with certain brands (e.g. Day 1969; Jacoby & Chestnut 1978). We refer to these benefits as *brand level benefits*. As relationships with service personnel and service companies are closely related in practice, both will be discussed here jointly.

3.1 Personal and Company Level Benefits

Recently, several authors have explored the benefits customers desire in relationships with specific employees or service firms as a whole. In an early study, Barnes (1994) carried out 40 focus group interviews with customers of commercial services to determine enjoyable aspects of the relationships. Using a content analytical approach, Barnes identified 24 facets of relationships between customers and service companies, eleven of which correspond to our notion of relationship discussed above. In reviewing these benefits (sample items are listed in Table 1), it is obvious that significant overlap exist between some of the “dimensions” (as termed by Barnes). More specifically, the dimensions of trust, keeping of promises, and ethics refer to a customer’s desire for trust and confidence in the exchange partner. The provision of social support, feelings of familiarity, and community commonly address social needs of customers. Other aspects refer to practical and more or less economical advantages, like offers of being close to customer needs and wants, getting preferential treatment, and cooperative behavior. Finally, customers’ fear of service providers’ forceful behavior falls into a somewhat different category. It is discussed in the context of relational barriers later in this chapter.

In a reflection on services marketing, Berry (1995) stresses the importance of customers’ relational benefits for the success of business relationships and distinguishes (more or less implicitly) between two general categories of relational motives: (1) customers’ desires for risk reduction and (2) social motives. According to Berry, the relevance of risk-reducing benefits depends on four service characteristics: the personal importance of the service, its variability (or ability to standardize the service), its complexity, and the customer’s involvement toward the service. Obviously, these characteristics are not independent and are heavily interrelated. Berry further suggests that risk-reduction is connected with trust: “Customers who develop trust in service suppliers...have good reasons to remain in these relationships: they reduce uncertainty and vulnerability” (Berry 1995, 242). With regard to the customers’ social needs, Berry argues that people always long for individual and customized treatment in the context of customer-employee interactions. Obviously, there is overlap between the two motives mentioned by Berry and the results of Barnes’ (1994) study as interpreted above. Building on the linking of risk reduction and trust by Berry, we interpret risk reduction as underlying the customer’s need for trust rather than offering benefits of the same level as, for example, the fulfillment of social needs does.

Table 1
Relationship benefits from Barnes (1994)

<i>Derived customer benefits</i>	<i>“Relationship dimensions”</i>	<i>Sample items</i>
Trust/confidence	Trust Keeping of promises Ethics	You can rely on them They don’t cancel out on me They tell you right up front if they can not do something or if they haven’t got the product
Social	Provision of social support Familiarity Community	The people there are almost like family They know your name We are still subscribers, not customers
Practical/economical	Commitment Benefits derived from the relationship Get preferential treatment Cooperation	They come in with things that they know you need One who offers a little extra in return They reward their customers They make it convenient for me
No benefits but relational barrier	Perceived Pressure	They are too forceful; I don’t like that

In another article, Bendapudi and Berry (1997) draw upon the distinction between “dedication-based” and “constraint-based” relationships mentioned earlier in this chapter and tried to identify determinants of both relationship types. They focus on two constructs, dependence on partner and trust in partner, which they model as mediator variables with regard to relationship maintenance. While “constraint-based” relationships are viewed as resulting from the customers’ dependence on a single firm, “dedication-based” relationships are interpreted as being based mainly on customers’ trust. In the latter case, the provider’s non-opportunistic behavior strengthens the relationship between both partners. However, further motives are not considered in their model. The analysis of Bendapudi and Berry therefore rather *confirms* the relevance of trust-related benefits for customers’ relational decisions than *extending* the results of the previous studies (by generating new types of relational benefits).

Gwinner, Gremler, and Bitner (1998) present the most extensive study of relationship benefits from the customer’s perspective to date. Based on a literature review and an explorative empirical study using service customer interview data, the authors propose a typology consisting of four separate relational benefits:

- the first category, titled *social benefits*, refers to the emotional part of the relation between customer and a single employee. The customer enjoys his or her positive relationship with the employee, “it’s more fun to deal” (customer statement in Gwinner, Gremler & Bitner 1998, 104); and

interprets his or her relationship with the respective employee as similar to friendship, “he’s like a kind of friend now” (customer statement in Gwinner, Gremler & Bitner 1998, 104).

- the second category, referred to as *psychological benefits*, includes those aspects of a relationship which focus on the reduction of uncertainty. “You don’t have as much anxiety, and you have a higher confidence level in being a loyal customer” (customer statement in Gwinner, Gremler & Bitner 1998, 104).
- a third category, named *economic benefits*, contains monetary and non-monetary advantages (e.g. time saving) the customer derives from the relationship.
- the fourth and final category, titled *customization benefits* by the authors, describes those advantages resulting from individualized treatment of the customer by the service provider.

In a second step of analysis, Gwinner, Gremler, and Bitner (1998) tested the distinct character of these four benefit types in a study with a cross-sectional survey design. Through an exploratory principal components analysis, the authors found that economic and customization benefits are interpreted jointly by the customers. This led to the introduction of a new category titled *special treatment benefits*. The existence of the social benefits and the psychological benefits categories was empirically confirmed. However, for the latter, Gwinner, Gremler, and Bitner changed the category’s title to *confidence benefits* according to the structure of the factor loadings. Altogether, their results systematize and make more precise the types of benefits mentioned explicitly or implicitly by other authors as described above. Furthermore, Gwinner, Gremler, and Bitner empirically confirm the benefits’ respective existence and conceptual homogeneity.

3.2 Brand Level Benefits

For most consumer goods, the relationship is not directed toward one single employee or the company as a whole, but instead toward a certain brand. As put forth by Sheth and Parvatiyar (1995, 6), “Brand loyalty and brand equity are, therefore, primarily measurements of the relationship that consumers develop with a company’s products and symbols.” Sheth and Parvatiyar (1995) distinguish between the two basic categories of psychological and sociological motives leading customers to become loyal toward certain brands. According to Sheth and Parvatiyar (1995), all motives give reason for customer interest in the reduction of choices which the authors view as “the fundamental axiom of relationship marketing.” Looking at the psychological reasons more closely, Sheth and Parvatiyar (1995) argue that the following aspects are relevant for relationship building from the customers’ perspective:

- the customers' longing for the *reduction of complexity* in buying situations and the achievement of greater efficiency in their decision making;
- the interest in the *utilization of knowledge and memory* based on prior experiences in future decision making, which is enabled by repeat buying behavior;
- the need for *risk reduction* which is satisfied by maintaining long-term relationships with a brand: "consumers find brand loyalty as the best risk-reducer" (Sheth & Parvatiyar 1995, 12);
- the desire to maintain *cognitive consistency* which may be fulfilled through brand loyalty. Choosing alternatives instead of being monogamous may deliver information inconsistent or dissonant with the customer's current belief system.

The main social reason for brand loyalty according to Sheth and Parvatiyar (1995) is the customer's attempt to comply with the expectations of reference groups (e.g. family and friends) by permanently buying the same brand. In addition, the authors mention four societal institutions (government, religion, employer, and marketing) whose behavior may influence the development of relationships between customers and brands. The most important contribution of Sheth and Parvatiyar toward a comprehensive theory of customers' relational benefits can be seen in the deepening of our understanding why confidence benefits are highly valued by customers. The authors identify a number of advantages of choice reduction that may be seen as closely related to the relevance of customers' confidence benefits.

Unlike the theoretically based, deductive approach of Sheth and Parvatiyar, Fournier (1998) chooses a more inductive approach using qualitative research methodology. In her search for the motives of consumer-brand relationships, she conducted phenomenological depth interviews with three female consumers. One of her primary conclusions is that a close connection exists between consumer-brand relationships and consumer identity. "The consumers...are not just buying brands because they like them or because they work well. They are involved in relationships with a collectivity of brands so as to benefit from the meanings they add into their lives" (Fournier 1998, 361).

Fournier discusses two mechanisms in which a brand loyalty and relationships might be enhanced. First, the loyalty towards a brand may be a result of a brand's perceived ability to provide a consumer self-efficacy and self-esteem. By using the same brand over a long period of time in a familiar, personal, and friendship-like way, the consumer tries to strengthen his or her feeling of self-esteem. As Fournier (1998, 359) says it with regard to one of her respondents, "Falling in love' allows [the consumer] to move toward the resolution of her feelings of marginality and the expression of autonomy in her life world." Second, a consumer may use brand loyalty in a well intended way for the construction self-identity. Such behavior is based on the assumption that others' evaluations of a consumer are a function of the brands he or she uses and displays. This is

especially the case when consumers are “strongly motivated by the powers of brand image in a hypersignified postmodern society” (Fournier 1998, 359). In all, Fournier extends the results of the previously cited studies for the aspect of identity-related issues, i.e. the relevance of brand relationships for consumers’ self.

3.3 Customers’ Barriers of Relationships

The development of relationships between customers and business firms is threatened when a significant number of the relational benefits mentioned above are either not relevant and/or are not probable. For example, the trustworthiness of a company is not *per se* a reason for relationship building: “If there is no vulnerability and uncertainty [then] trust is unnecessary” (Grönroos 1994, 9). In other cases the cost of obtaining the benefit may outweigh its perceived value. For example, in many service situations the offering of special treatment benefits necessitates that the customer provides personal information that they would not normally share with a service provider. In low involvement encounters the “cost” of providing this information may be greater than the perceived benefit. A case in point is illustrated by this quote from Schultz (1997, 8): “If they keep bringing me products and services relevant to me, that’s fine, but I don’t necessarily want or need to answer dozens of questions about my innermost feelings on underwear to enable JOCKEY to serve me better or manufacture shorts to my specifications.”

In addition to a benefit not being relevant in a particular context, there are also some specific relationship barriers that may keep customers from building a relationship with a company. Here, we distinguish between four types of relationship barriers:

- a close relationship with a firm may contrast with the customers’ *striving for independence*. Making autonomous decisions can be desirable to many customers, and having a close relationship with a company may be perceived as threatening to these customers (see also Diller 2000, in this book). This corresponds with customers’ fear of a company behaving forcefully (Barnes 1994). It would appear that this fear is based on internal emotional processes rather than on rationality.
- closely related to this is another basic motive in modern western societies, customers’ desires for *freedom of choice*. While Sheth and Parvatiyar (1995) argue that choice *reduction* is a central objective of customers when building relationships, this has been criticized by some authors: “I suspect that people enter relationships for a variety of reasons, and this results in reduced choices, but the reduction in choices may never have been the motive *per se*” (Bagozzi 1995, 273). Thus, using a freedom of choice perspective, where consumers are desirous of multiple alternatives from which to choose, choice reduction can be interpreted as an argument for some customers to avoid strong relationships with a single firm.

- another motive that hampers the development of strong and intense relationships is customers' needs to seek variety. *Variety-seeking behavior* is based on the notion that customers do not strive for the minimization of stimulation but rather for an optimal level of stimulation (McAlister & Pessemer 1982). "If the existing stimulation level is too low, then, we will feel a tension (for example, we 'feel bored') and will want to raise the level of stimulation ('do something interesting') to reduce the tension level in our system" (Wilkie 1990, 187). To leave the relationship with the current supplier and use another supplier (i.e. variety seeking) is a potent strategy of the customer to increase the tension level, and thus represents a potential relationship barrier (Menon & Kahn 1995, 286).
- a fourth relationship barrier is the *need for privacy*. Because relationships are often associated with providing information regarding a customer's personal characteristics (e.g. age, gender, date of birth) or buying habits (O'Harrow 1998) privacy is reduced. Some customers can interpret this as offensive and questionable. A privacy specialist articulates customers' fears of coming under the eye of "Big Brother:" "All the marketers say, this benefits consumers. But what they won't do is to be honest about it. They won't explain what they're doing [with the data]. They won't tell you they're creating profiles of people. They won't say they give it to cops if subpoenaed" (O'Harrow 1998, A1; see also Rosenberger 2000, in this book).

3.4 Customers' Relationship Benefits and Barriers: Trying to Explain Relationships from the Customer's Perspective

The previous expositions have shown that consumers' relational behavior is influenced by a multitude of variables. Speaking generally, one has to distinguish between two groups of variables: those variables which are positively correlated with the customer's relationship decision (called relational benefits), and those variables which are negatively correlated with that decision (called relational barriers).

With regard to relational benefits, a review of the relevant literature resulted in the extraction of four distinct benefit types: *social benefits*, *confidence benefits*, *special treatment benefits*, and *identity-related benefits*. While social and special treatment benefits are, above all, of importance for relations between customers and service firms and their employees, identity-related benefits are of primary (but not exclusive) relevance for relationships between customers and brands. Confidence benefits should be of interest in both consumer relationships with service firms and employees as well as consumer relationships with specific brands. An interesting difference between social and identity-related benefits on the one hand and confidence and special treatment benefits on the other is that for the first two kinds of relational benefits the "marketing relationship may be an end in and of itself for some consumers" (Bagozzi 1995, 273). This means that

customers' evaluation of social benefits as well as benefits derived from identity issues do not necessarily correlate with the service or product performance but rather stand on their own. For the case of social benefits, Goodwin and Gremler (1996) have introduced the concept of communal qualities which they distinguish from functional (i.e. performance-focused) qualities.

The studies of Sheth and Parvatiyar (1995) and Berry (1995) provide deeper insights into the factors that drive the importance of confidence benefits for some customers. Specifically, the aspects of risk and complexity reduction, usage of previously stored information, and the maintenance of cognitive consistency may be interpreted as second-order (or underlying) benefits, which explain the attractiveness of choice reduction for consumers either on consumer goods or service markets. Furthermore, this attractiveness of choice reduction largely explains the relevance of confidence benefits for customers: confidence benefits are necessary to minimize the negative side-effects of choice reduction decisions. As indicated by Sheth and Parvatiyar (1995), the relevance of relational benefits is determined not only by customers' individual variables but also by external factors, including social reference groups. This influence can be postulated to exist not only for choice reduction issues but rather for all types of relational benefits mentioned here.

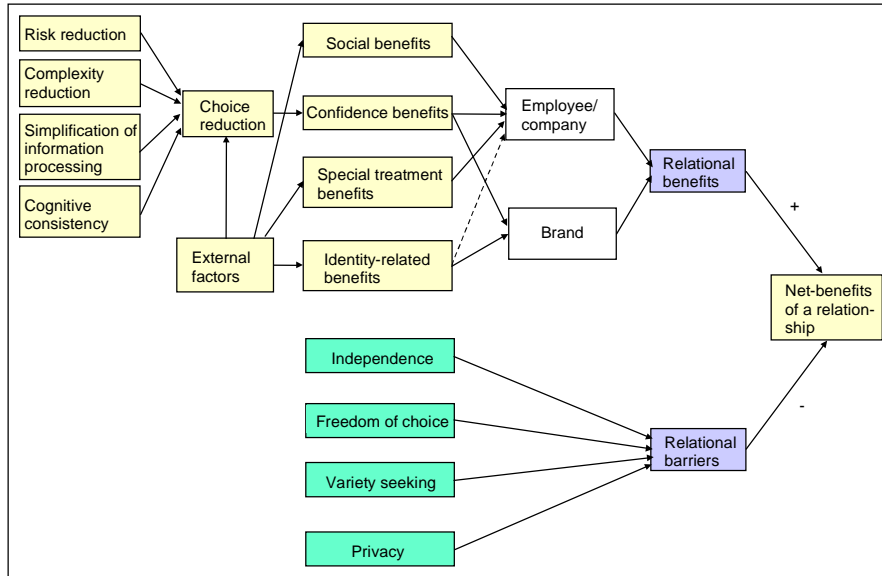
The attractiveness of a relationship for a customer is not only determined by the presence of relational benefits but also by the absence of perceived relational barriers. These barriers may prevent a customer from entering or staying in a relationship with a company even when the relationship is perceived as beneficial. Barriers include the customers' desire for independence and freedom of choice as well as the need for variety seeking and privacy. Figure 3 presents an integrative framework depicting the influence of relational benefits and barriers on a customer's propensity for relational exchanges. Expanding the general model of relationships introduced earlier in this chapter (Figure 2), customers are more likely to build relationships with business firms when the sum of benefits and barriers, referred to as net-benefits in Figure 2, is interpreted as attractive (and relatively superior) by the customer.

4. Customers' Relationship Benefits: A Segmentation Approach

Building on the framework developed above, it is interesting to consider how the importance of the described benefits and barriers varies by customer segment. As Barnes (1994, 10) suggests, it seems plausible that the relevance of benefits and barriers differs between customers: "The relative weights given to the dimensions by various consumers would suggest the existence of segments based on the type of relationship desired."

Figure 3

A systematization of customer relationship benefits and barriers



As a first step in assessing the model presented in Figure 3, we report the results of a study that explicitly considers the efficacy of relational benefits for separate, empirically derived customer segments. Specifically, we concentrate on three constructs: confidence benefits, social benefits, and special treatment benefits. While these three relational benefits have been shown to be generally valued by service customers, their importance to *separate* customer segments has not been assessed (Gwinner, Gremler & Bitner 1998). The analysis is based on the sample previously used by these authors, which contains the responses of 374 service customers. As 30 cases had to be excluded because of missing values, a total of 344 cases remained in the analysis. The sample was heterogeneous with regard to the kind of services the customers' evaluations referred to (for a more elaborate description of the methodology, see Gwinner, Gremler & Bitner 1998).¹

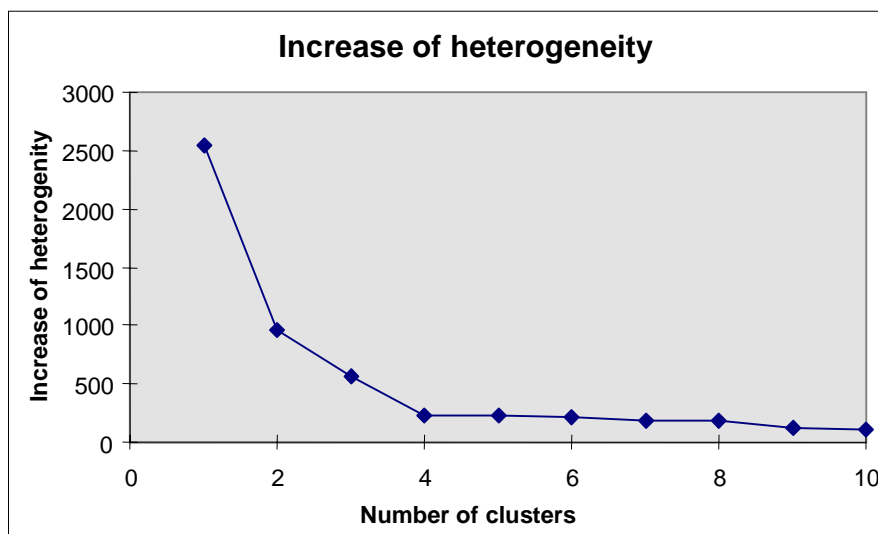
To identify segments of customers with similar relational benefit preferences, we performed a hierarchical cluster analysis over the importance ratings on 16 benefit items (see Appendix) using the squared Euclidean distance measure and the ward clustering algorithm (Malhotra 1996). As illustrated in Figure 4, the application of the elbow criterion strongly indicated that a four cluster solution would be appropriate in this case. By performing an additional multiple

¹ In the study of Gwinner, Gremler, and Bitner (1998), the three types of services proposed by Bowen (1990) are represented equally.

discriminant analysis (MDA), the distinct character of the four-cluster solution was tested. The MDA was successful in classifying the respondents in their respective segment in about 91 percent of the cases, which indicates a highly significant improvement over classification due to chance. Therefore, the MDA strongly supports the cluster analysis results.

Figure 4

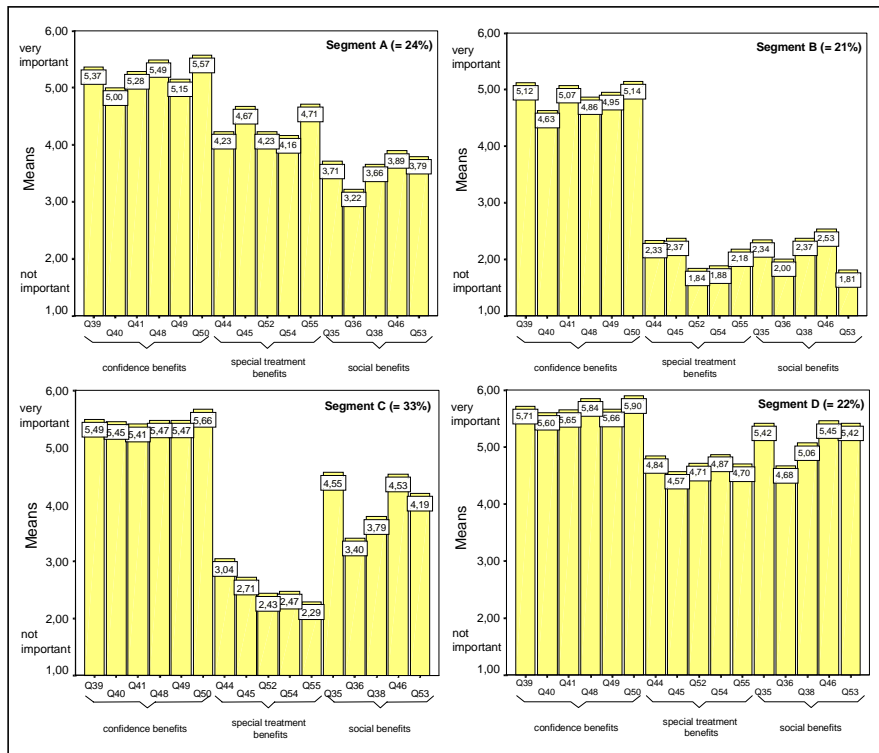
Increase of heterogeneity and number of clusters



As shown in Figure 5, the four segments can be described in terms of their evaluation of the importance of each relational benefit. For segment A, which represents 24 percent of the sample, confidence benefits are most important in a relationship with a service provider. The appreciation of both other benefit types, special treatment and social benefits, is at a rather moderate level with special treatment being more highly valued than possible social benefits of a relationship. This is especially true for material incentives as indicated by the items “I get better prices” (item 45) and “I get discounts or special deals” (item 55). Segment B customers (21% of the respondents) have a clear preference for confidence benefits. For this segment, special treatments and social offers are of low importance with regard to relational decisions (note that the mean for all items in both the special treatment and social benefit scales fall below the mid-point on the five-point scale). Customers in segment C (which is the largest of all four segments, representing 33 percent of the sample) highly value confidence benefits and judge special treatment benefits as being of low interest (consistent with segment B); however this segment rates social benefits as attractive. This is especially true for the aspects of being recognized by the employees and the

development of friendship (items 35 and 46). Segment D, covering 22 percent of the sample, has a high preference for all three types of relational benefits. For all three benefit types, the importance ratings are the highest among the four customer clusters.

Figure 5
Perceived importance of benefits for identified customer segments



To test the stability and validity of the results, we carried out a replication study using the same items with a similar sampling procedure. The second study had a sample size of 336, from which 324 were usable for the intended type of analysis, and was executed in February 1999. As in the first study, the respondents (different from those in the original study) evaluated relationships with service firms from several different fields of services. As in the first study, the increase of heterogeneity in the data aggregation process indicates a four segment solution. On the basis of these results, the degree of overlap between both cluster solutions was measured. This was done by using the discriminant functions estimated on the basis of the original data set for assigning the people in the second data set to their respective segment. In order for cross-validity to exist (i.e. the results are

generalizable), the percentage of hits must be significantly higher than it would be by chance. In support, we find that 75 percent of the respondents in the replication sample were classified in the “correct” relational segment, and, additionally, the majority of customers in each segment were assigned to the right cluster (see Table 2). Only in the case of the first segment a relatively large number of elements were classified to other segments. Taking these details into account, the four-cluster solution can be seen as largely stable and valid.

Table 2
Results of multiple discriminant analysis

Actual group (second study)	No. of cases	Predicted group membership (first study)			
		1	2	3	4
Group 1	70	39 55.7%	5 7.1	26 37.1%	0 .0%
Group 2	91	4 4.4%	77 84.6%	10 11.0%	0 .0%
Group 3	59	0 .0%	1 1.7%	58 98.3%	0 .0%
Group 4	104	9 8.7%	0 .0%	26 25.0%	69 66.3%

Overall, the results of the benefit segmentation analysis provide evidence that confidence benefits play a key role in the attraction to and maintenance of relationships from a customer’s perspective. For all identified customer segments, the importance of confidence benefits is (a) higher than the other two benefit types, and (b) the only benefit type which is viewed as relevant for *all* four customer segments. The analysis indicates that customers’ confidence in the supplier may be interpreted as a *necessary, but not sufficient condition* for establishing relational exchanges. That is, if no confidence exists, no strong relationship will develop. These findings correspond with (and give support to) the immense discussion on the construct of trust which can be found in the current relationship marketing literature (e.g. Andaleeb 1996; Cowles 1996; Moorman, Zaltman & Deshpandé 1992; Morgan & Hunt 1994).

The typology of relationship customers developed here may help relationship marketers to work out different strategies for different customer segments. In addition, it gives advice for future research activities in the field of relationship marketing. First, as the data used for this analysis does not include all aspects for relationship continuation from the customer’s point of view (as illustrated in Figure 3), future studies should be extended to include identity-related relational benefits and the different kinds of relationship barriers. Second, future research

activities may include sub-analysis for specific types of services, as both samples used here are of a heterogeneous kind. To get an impression of the typology's dependency on service characteristics, we cross-tabulated the four segments with the three service types proposed by Bowen (1990) using data from the original study. As shown in Table 3, the impact of service characteristics on segment membership is of a rather limited kind.

Table 3
Influence of service type on relational segment membership

		<i>High contact, customized, personal services</i>	<i>Moderate contact, semi- customized, nonpersonal services</i>	<i>Moderate contact, standardized services</i>	<i>Total</i>
Segment A	Frequency	24	25	33	82
	row percent	30%	30%	40%	100%
	column percent	19%	23%	29%	24%
Segment B	Frequency	19	19	35	73
	row percent	26%	26%	48%	100%
	column percent	15%	18%	31%	21%
Segment C	Frequency	44	38	30	112
	row percent	39%	34%	27%	100%
	column percent	35%	36%	27%	33%
Segment D	Frequency	37	25	15	77
	row percent	48%	32%	19%	100%
	column percent	30%	23%	13%	22%
Total	Frequency	124	107	113	344
	row percent	36%	31%	33%	100%
	column percent	100%	100%	100%	100%

Finally, for practical applications it can be viewed as central to describe the segments with regard to demographic and psychographic criteria. Using the data generated for this study, Table 4 allows first insights on how segments differ by showing the distribution of age and gender as key demographic factors among the four segments. Although some structural differences might be identified (e.g. in segment A, younger males are overrepresented in both samples), the results strongly indicate the need for a more elaborate approach here.

Table 4
Distribution of age and gender for the relational segments

<i>Age (in years)</i>	<i>Total (mean)</i>	<i>Segment A*</i>	<i>Segment B*</i>	<i>Segment C*</i>	<i>Segment D*</i>
Original study	43.23	38.52	39.90	45.38	46.45
Replication study	36.52	32.61	34.46	42.39	36.27
* = numbers are mean values for each segment					
<i>Gender</i>	<i>Total (percentage of female customers)</i>	<i>Segment A**</i>	<i>Segment B**</i>	<i>Segment C**</i>	<i>Segment D**</i>
Original study	56.2	51.2	58.9	52.7	61.8
Replication study	51.5	40.0	57.1	54.2	52.9
** = numbers are percentages of female customers in each segment					

5. Implications for Managing Relationships with Customers

This article is based on the assumption that relationship marketing must not be limited to the fulfillment of companies' needs and wants, but must consider also the needs of customers as relationship partners. The theoretical and empirical results of the reported study give support to this assumption and, thus, suggest that *customer* relational benefits be included in both future theory development and the practical application of relationship marketing. In this article, an integrative framework of several relational benefit types and relational barriers was developed on the basis of the extant literature. Three types of benefits were examined (confidence, special treatment, and social) that have been reported to be particularly important for customers in their decisions to establish or renew relationships with business firms.

Looking at *confidence benefits* first, the empirical results indicate that the customers' confidence in the firm is of vital importance in the services sector. This corresponds to the key position of the trust construct in the relationship marketing literature (e.g. Crosby, Evans & Cowles 1990; Hennig-Thurau & Klee 1997; Morgan & Hunt 1994). The supplier's "offer" of confidence benefits is based on reciprocity as a constitutional element of trust which means that "if firms ask for customer trust, they should also trust their customers in return" (Cowles 1996, 3). The trust of the firm as a prerequisite for customers' gaining of confidence benefits can be signaled by extensive warranties and guarantees (e.g. Brill 2000, in

this book; McCollough & Gremler 1998; Rust, Zahorik & Keiningham 1996, 196) and/or by investments in customers' skills, e.g. training of customers on how to use the features of their VCR, or developing powerful interactive manuals to optimize consumer satisfaction (see Hennig-Thurau 1998; 2000, in this book). Critically for a firm, confidence benefits may be destroyed irreversibly by a single mistake.

As opposed to confidence-related issues, *social benefits* have not been considered systematically in relationship marketing theory by now (see Goodwin & Gremler 1996 for a notable exception). The implementation of this benefit type in relationship marketing programs represents a considerable challenge for the firm. One of the stronger aspects of social benefits is friendship. Firms should systematically address how and to what extent they can provide this element of social benefit. With regard to the construct of friendship: can true friendship be one-way, and how many "friendships" can be managed simultaneously by a service employee? Certainly those companies interested in promoting social benefits should be aware of some basic principles associated with the concept of friendship, including the provision of emotional support, respect for privacy, and tolerance for other friendships (Argyle & Henderson 1985; Fournier, Dobscha & Mick 1998). Further, businesses may need to train their employees to exhibit these behaviors in the context of the exchange.

With regard to *special treatment benefits*, the relationship between extrinsic motivation and peoples' satisfaction and loyalty is very complex. Recent work from the field of organizational behavior indicates that financial and other extrinsic rewards do usually not lead to an increase in emotional commitment, but rather reduce employees' intrinsic motivation instead (Argyris 1998; Kohn 1993). Transferring this into the context of relationships between customers and companies, it might be assumed that rewards lead to some kind of behavioral loyalty or retention, but will fail to contribute to the development of true and intense (and therefore stable) relationships. In many cases, customers will be loyal because of a firm's special treatment benefits only until a firm's competitor offers greater benefits. The extent to which this happens and how special treatment rewards might be thwarted by other firms represents an area in need of future empirical study. When special treatment benefits are provided according to some economic criterion (e.g. volume of sales per customer), another issue concerns those customers who are not rewarded by the company. Some of these customers may feel that they are treated unfairly by the company – especially if they interpret themselves as being loyal customers. For example, a regular customer of a car rental firm whose sales volume obviously was not large enough for the "inner circle" complained: "The company is making me feel like chopped liver. It really made me mad." (Fournier, Dobscha & Mick 1998, 46).

In summary, a relationship marketing strategy should try to satisfy the customers' relational needs and to reduce their general or specific reservations against relationship building. Instead of concentrating on one single benefit category (e.g. confidence benefits), companies should be aware of the possibility

for developing an integrative program consisting of different relational benefits. This specific relation strategy should be oriented to individual customer needs and should take the existence of different relational segments (as documented in this article) into account. Naturally, the specific combination of relational benefits will be dependent upon the particular business context. Generally speaking, while confidence benefits are indispensable for most services and consumer goods, the offer of social benefits is not without caveats and, therefore, should be considered carefully. The offer of special treatments might imply counterproductive side-effects which might endanger the development of true relationships and should be carefully evaluated. Particularly in the case of consumer goods, the implications of the brand for customers' identity-related issues should be considered.

Appendix: List of Relational Benefits Items

Confidence benefits

<i>Item number</i>	<i>Item description</i>
Q39	I have more confidence that the service will be performed correctly
Q40	I have less anxiety when I buy/use the service
Q41	I believe there is less risk that something will go wrong
Q48	I get the provider's highest level of service
Q49	I know what to expect when I go in
Q50	I feel I can trust the service provider

Special treatment benefits

<i>Item number</i>	<i>Item description</i>
Q44	I get faster service than most customers
Q45	I get better prices than most customers
Q52	I am usually placed higher on the priority list when there is a line
Q54	They do services for me that they don't do for most customers
Q55	I get discounts or special deals that most customers don't get

Social benefits

<i>Item number</i>	<i>Item description</i>
Q35	I am recognized by certain employees
Q36	I enjoy certain social aspects of the relationship
Q38	I have developed a friendship with the service provider
Q46	I am familiar with the employee(s) that perform(s) the service
Q53	They know my name

References

- Andaleeb, S.S. (1996): An Experimental Investigation of Satisfaction and Commitment in Marketing Channels: The Role of Trust and Dependence, *Journal of Retailing*, 72 (1), 77-93.
- Argyle, M. & M. Henderson (1985): *The Anatomy of Relationships: and the Rules and Skills Needed to Manage Them Successfully*, London: Heinemann.
- Argyris, C. (1998): Empowerment: The Emperor's New Clothes, *Harvard Business Review*, 76 (May-June), 98-105.
- Bagozzi, R.P. (1995): Reflections on Relationship Marketing in Consumer Markets, *Journal of the Academy of Marketing Science*, 23 (4), 272-277.
- Barnes, J.G. (1994): *The Issue of Establishing Relationships with Customers in Service Companies: When are Relationships Feasible and What Form Should they Take?*, paper presented at the 3rd annual Frontiers in Services Conference, October 6th-8th, Owen Graduate School of Management, Vanderbilt University, Nashville, USA.
- Bendapudi, N. & L.L. Berry (1997): Customers' Motivations for Maintaining Relationships with Service Providers, *Journal of Retailing*, 73 (1), 15-37.
- Berry, L.L. (1995): Relationship Marketing of Services - Growing Interest, Emerging Perspectives, *Journal of the Academy of Marketing Science*, 23 (Fall), 236-245.
- Bowen, J. (1990): Development of a Taxonomy of Services to Gain Strategic Marketing Insights, *Journal of the Academy of Marketing Science*, 18 (Winter), 43-49.
- Brill, B. (2000): The Close Connection Between Relationship Marketing and Marketing Research: The GLOBUS Experience, in this book.
- Cowles, D.L. (1996): *To Trust or Not to Trust...*, background paper, 1st Internet-Conference on Relationship Marketing, http://www.mcb.co.uk/services/conference_relation.mar/new_phil/backgnd2.htm, April 18th.
- Crosby, L.A., K.R. Evans & D. Cowles (1990): Relationship Quality in Services Selling: An Interpersonal Influence Perspective, *Journal of Marketing*, 54 (July), 68-81.
- Day, G.S. (1969): A Two-Dimensional Concept Of Brand Loyalty, *Journal of Advertising Research*, 9 (September), 29-35.
- Diller, H. (1997): Preis-Management im Zeichen des Beziehungsmarketing [Pricing in the Era of Relationship Marketing], *Die Betriebswirtschaft*, 57 (6), 749-763.
- Diller, H. (2000): Customer Loyalty: Fata Morgana or Realistic Goal? Managing Relationships with Customers, in this book.
- Duncan, T. & S.E. Moriarty (1998): A Communication-Based Marketing Model for Managing Relationships, *Journal of Marketing*, 62 (April), 1-13.
- Fournier, S. (1991): A Meaning-Based Framework for the Study of Consumer-Object Relations, in: *Advances in Consumer Research*, R.H. Holman and M.R. Solomon, ed., Provo: ACR, 18, 736-742.

- Fournier, S. (1998): Consumers and their Brands: Developing Relationship Theory in Consumer Research, *Journal of Consumer Research*, 24 (March), 343-373.
- Fournier, S., S. Dobscha & D.G. Mick (1998): Preventing the Premature Death of Relationship Marketing, *Harvard Business Review*, 76 (January-February), 42-51.
- Goodwin, C. & D.D. Gremler (1996): Friendship over the Counter: How Social Aspects of Service Encounters Influence Consumer Service Loyalty, in: *Advances in Services Marketing and Management. Research and Practice*, T.A. Swartz, D.E. Bowen, and S.W. Brown, eds., 5, London: JAI Press, 247-282.
- Grönroos, C. (1994): From Marketing Mix to Relationship Marketing: Towards a Paradigm Shift in Marketing, *Management Decision*, 32 (2), 4-20.
- Gwinner, K.P., D.D. Gremler & M.J. Bitner (1998): Relational Benefits in Services Industries: The Customer's Perspective, *Journal of the Academy of Marketing Science*, 26 (2), 101-114.
- Hennig-Thurau, T. (1998): *Konsum-Kompetenz: Eine neue Zielgröße für das Management von Geschäftsbeziehungen [Customer Skills: A New Target Variable for Managing Relationships with Customers]*, Frankfurt/Main: Peter Lang.
- Hennig-Thurau, T. (2000): Relationship Marketing Success Through Investments in Customers, in this book.
- Hennig-Thurau, T. & A. Klee (1997): The Impact of Customer Satisfaction and Relationship Quality on Customer Retention - A Critical Reassessment and Model Development, *Psychology & Marketing*, 14 (8), 737-765.
- Iacobucci, D. & A. Ostrom (1995): Commercial and Interpersonal Relationships; Using the Structure of Interpersonal Relationships to Understand Individual-to-Individual, Individual-to-Firm, and Firm-to-Firm Relationships in Commerce, *International Journal of Research in Marketing*, 13 (1), 53-72.
- Jacoby, J. & R.W. Chestnut (1978): *Brand Loyalty. Measurement and Management*, New York: Wiley.
- Kohn, A. (1993): Why Incentive Plans Cannot Work, *Harvard Business Review*, 71 (September-October), 54-63.
- Kotler, P. (1989): From Mass Marketing to Mass Customization, *Planning Review*, 17 (5), 10-15.
- Kurtz, D.L. & K.E. Clow (1998), *Services Marketing*, New York: Wiley.
- Malhotra, N.K. (1996): *Marketing Research: An Applied Orientation*, 2nd ed., Upper Saddle River: Prentice Hall.
- McAlister, L. & E. Pessemier (1982): Variety Seeking Behavior: An Interdisciplinary Review, *Journal of Consumer Research*, 9 (December), 311-322.
- McCullough, M.A. & D.D. Gremler (1998): Guaranteeing Student Satisfaction: An Attempt to Walk the Talk, in: *Proceedings of the Winter Educators' Conference*, D. Grewal and C. Pechmann, Chicago: AMA, 257.

- Menon, S. & B.E. Kahn (1995): The Impact of Context on Variety Seeking in Product Choices, *Journal of Consumer Research*, 22 (December), 285-295.
- Moorman, C., G. Zaltman & R. Deshpandé (1992): Relationships Between Providers and Users of Market Research: The Dynamics of Trust Within and Between Organizations, *Journal of Marketing Research*, 29 (August), 314-328.
- Morgan, R.M. & S.D. Hunt (1994): The Commitment-Trust Theory of Relationship Marketing, *Journal of Marketing*, 58 (July), 20-38.
- O'Harrow, R., Jr. (1998): Bargains at a Price: Shoppers' Privacy Cards Let Supermarkets Collect Data, *Washington Post*, 122, December 31st, A1.
- Payne, A. & J. Rickard (1997): *Relationship Marketing, Customer Retention and Firm Profitability*, working paper, Cranfield School of Management, Cranfield, UK.
- Reichheld, F.F. & W.E. Sasser, Jr. (1990): Zero Defections: Quality Comes to Services, *Harvard Business Review*, 68 (September-October), 105-111.
- Rosenberger, G. (2000): Relationship Marketing from a Consumer Policy Perspective, in this book.
- Rust, R.T., A.J. Zahorik & T.L. Keiningham (1996): *Service Marketing*, New York: HarperCollins.
- Schultz, D.E. (1997): Relationship Marketing: Cutting Both Ways, *Marketing News*, 31, February 17th, 8.
- Sheth, J.N. & A. Parvatiyar (1995): Relationship Marketing in Consumer Markets: Antecedents and Consequences, *Journal of the Academy of Marketing Science*, 23 (4), 255-271.
- Sheth, J.N., B. Mittal & B.I. Newman (1999): *Customer Behavior: Consumer Behavior and Beyond*, Fort Worth: Dryden.
- Sheth, J.N., B.I. Newman & B.L. Gross (1991): Why We Buy What We Buy: A Theory of Consumption Values, *Journal of Business Research*, 22 (March), 159-210.
- Wilkie, W.F. (1990): *Consumer Behavior*, New York: Wiley.
- Zeithaml, V.A. (1981): How Consumer Evaluation Processes Differ Between Goods and Services, in: *Marketing of Services*, J.H. Donnelly and W.R. George, eds., Chicago: AMA, 186-190.