

Moving beyond satisfaction

The relationship metaphor is no longer merely the property of advertising copywriters. Companies are serious about building relationships with customers and are investing millions of dollars to do so. Marketing textbooks are even getting into the act: Kotler's ubiquitous *Principles of Marketing* text essentially redefines marketing as relationship building (Armstrong and Kotler 2003).

All the customer relationship talk does beg an important question, however: Are customer connections real relationships like the ones we have with other people? Or, do relationship terms like trust and commitment just restate the traditional marketing goals of satisfying customers and providing them with value for the money?

The real reason customer relationships are emerging as a competitive imperative and the dominant paradigm of marketing is that relationships are profitable, and customers who form relationships with brands provide companies some bottom-line benefits not offered by customers who participate in random transactions (Gummesson, 2002).

Most companies define customer relationships as habitual repurchase, or intent to stick with the brand. But that definition just scratches the surface of what consumer-brand relationships can be. Customers actually form relationships with brands that are similar to their relationships with people (Fournier 1998; Hess 1995). In many cases, relationships even have a personal character, and that idea has profound implications for how brands treat customers and for the financial benefits firms accrue.

The secret to understanding marketing relationships is that it is not only good business sense for brands to build relationships with customers, but also that customers enjoy being in relationships with brands. Brands miss a big opportunity when they view customer relationships from a purely functional perspective,

or as merely a euphemism for traditional concepts like satisfaction or loyalty that are intended to measure an intent to repurchase. In other words, real relationships do not just promote sales volume, they also stimulate behaviors that are profitable to brands, especially if connections have a personal character.

For instance, a customer in a personal relationship with a brand is more likely to:

- be willing to pay more for the brand's products;
- overcome purchase barriers like inconvenience;
- forgive minor failures by the brand;

A look at customer relationships



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- try the brand's new products.

Consider a fast-food customer who will drive 45 minutes only to wait in line for another 45 minutes for a cheeseburger. Or a car buyer who is completely devoted to a relatively unreliable, moderately performing, premium-priced auto brand. Certain retail stores rely on the fact that customers will drive past their more convenient competitors to pay a premium at their own less convenient locations. These are all phenomena indicative of relational bonds not described by standard satisfaction and loyalty measures.

The missing link between transactions and relationships, and the key to understanding customer relationships that have a personal character, is trust (Garbarino and Johnson, 1999; Hess 1995). Customers who trust a brand believe the brand has their best interest in mind; that they are motivated to make customers happy. And if you think a brand is motivated to make you happy, and is also competent enough to do so, you no longer have to worry about getting taken advantage of when your guard is down. Consequently, as in human relationships, trust is the gateway to deeper relationship commitment.

Gained momentum

Unlike customer satisfaction, which dominated the marketing research landscape for over 25 years, the ideas behind customer relationships gained momentum among marketers before marketing academics took a serious interest. But both marketing scholars and marketing practitioners have been slow to describe rigorously tested customer relationship constructs. As a result, a formal framework to quantify, diagnose and describe the nature of such relationships has thus far eluded the marketers. So, they continue to rely on transactional satisfaction and loyalty-based concepts for planning and assessment.

The first significant investments in relationships surfaced as emerging customer database technology promised a rich and quantifiable understanding of individual customers and the ability to customize marketing activity to targeted customer segments. In reality, cus-

tomers relationship management (CRM) has nearly become a surrogate for the technology applied to data management techniques (Parvatiyar and Sheth, 2001).

It is important to know that a relationship view of the world does not look to replace classic marketing ideas like satisfaction, value and loyalty with relationship nomenclature to merely freshen up traditional marketing models. Harris Interactive's Trust-Based Commitment model situates satisfaction, and related concepts, within a process that results in real relationships and relationship-specific benefits for customers and brands. The Trust-Based Commitment model is a constellation of traditional and newer marketing concepts revolving around the idea that customers and brands are in real relationships that have significant financial implications.

Redefining customer loyalty

Strong brands have deep repositories of loyal customers (Aaker, 1992). But, from a customer's perspective, loyalty is more than just a propensity to repurchase a brand's products. It is also a way for customers to improve their ability to win the utility/cost game (reducing risk, increasing information processing effectiveness, gaining tangible "frequent user" benefits). Even more revolutionary, however, is the idea that relationships allow customers to enjoy relationship benefits not normally associated with rational behavior (e.g., affiliation, association, value matching).

Therein is the fundamental discrepancy between the kinds of outcomes typically associated with traditional loyalty measures and those resulting from customer-brand relationships. As market researchers we are often asked to justify our existence by the impact our work has on the bottom line. In lieu of a relationship understanding, it is efficient to simply assess repurchase intent or overall satisfaction and forecast performance as an extension of these basic attitudes. This effort often proves to be an exercise in futility as the promise of satisfied customers rarely yields accurate financial predictions. As a result, decision makers are left to ponder the value of marketing

research data.

At the core of the dilemma is the simple fact that standard marketing research measures are often well removed from ultimate market behavior or are ill-suited to describe a customer's disposition and resilience in the marketplace. More importantly, such assessments can mislead strategic planning, particularly if market share, volume superiority, or both mask underlying relational weaknesses.

We can use an industry like fast food to illustrate the advantage of understanding relationships. Brand A has nearly twice as many locations as Brand B, with associated superiority in revenue. On a transaction basis, B's customers are slightly more satisfied; however its customers are much more committed. Consequently, they are more willing to spend more and try the restaurants' new products. In this case, an assessment of relationship versus transactional constructs will be much more revealing regarding the potential emergence of Brand B in the marketplace. Brand B can use this information to capitalize on a potential competitive opportunity, while Brand A is alerted to an emerging competitive threat.

Understand the nature

Commitment is customers' ultimate relationship disposition. It carries beliefs and attitudes resulting in customer actions toward the brand - a fundamental and powerful concept that can only be understood when decomposed into its primary components or "dimensions" which separate commitment from standard loyalty/intention. Customer relationship commitment, just like its human counterpart, is derived from a combination of personal and functional characteristics which are central to the trust-based commitment relationship framework.

The bottom line is that, while it is important for marketers to know the strength of the bonds they have with customers, it is also essential to understand the nature of these relationships. Just like a one-dimensional view of human relationships ignores the differences among friendships, acquaint-

tances and romantic attachments, marketers ignore the multiple dimensions of customer-brand relationships to their peril.

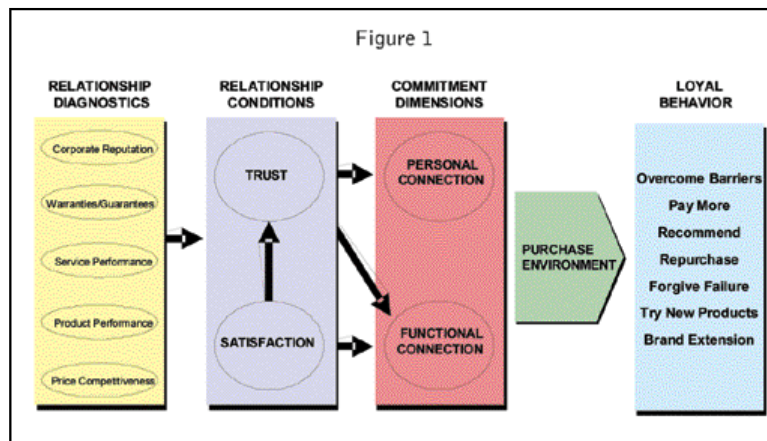
The idea that customers form personally- and functionally-based bonds helps explain one of marketing's most notorious episodes: The Coca-Cola Company's decision to introduce a new-and-improved version of the classic beverage. While blind taste tests convinced Coke executives a new formula would strengthen customer loyalty, the fallout of their decision to launch New Coke revealed they had overlooked important relationship benefits and responses not captured in traditional performance-attitude frameworks. Customers felt betrayed by Coke's alteration of their trusted brand, a negative customer response to a demonstrably superior product that can only be fully understood under a relationship light.

Trust and satisfaction redefined

Transactions begin to transform into relationships in response to trust. In fact, any personal relationship, whether real or metaphorical, is built on trust (Delgado-Ballester and Munuera-Alemán, 2001).

Without trust, relationship building is stifled as relationships are suspended in a precarious state of vulnerability to competitive action or performance failure. Trust tells customers that the brand is looking out for them when they are not looking, that it will do whatever it takes to make them happy and it is going to be responsive to their needs. It is the perceived motivation of the brand that is at trust's core and the catalyst behind the transformation of transactions to relationships.

Brands express these altruistic motivations by doing such things as resolving problems quickly, providing consistently good food, and greeting customers with friendly, efficient employees. Trust resides in the dissatisfied customer who happily marches into a favorite retail store fully expecting a quick and conflict-free resolution to a problem. Under similar circumstances, distrust leads to raised blood pressure, grumpy customers and inevitable conflict.



In the Trust-Based Commitment model (Figure 1), satisfaction and trust develop from a series of individual encounters with a brand's products and services. The key to understanding how activities provide relationship return on your investments is in differentiating between the activities that build trust and those that promote satisfaction. In the retail category, for instance, store environment, high-quality products and easy-to-find merchandise all lead to satisfaction, while resolving problems with attentive, pleasant employees and standing behind products lead to trust.

Together trust and satisfaction combine to provide the conditions necessary for enduring customer-brand relationships characterized by relationship commitment.

Relationship dimensions: personal and functional connections

We can tap into the interpersonal relationship metaphor to illuminate the nature of customer-brand relationships. Figure 2 suggests at least four relationship types based on the relative strength of functional and personal connections. And, as in human relationships, differences between personal and functional connections result in different relationships with different outcomes.

Customers with strong functionally-specific relationships may view their brand relationships like "partnerships" formed to achieve discrete functional outcomes, free of personal investment.

Highly personally-connected customers invest in more emotive bonds

seeking to reap relational benefit. Such bonds are likely more elaborately formed and regretfully severed, like interpersonal "romance."

Disconnected customers are in relationships akin to "acquaintances" where interaction and benefit are incidental and fluid.

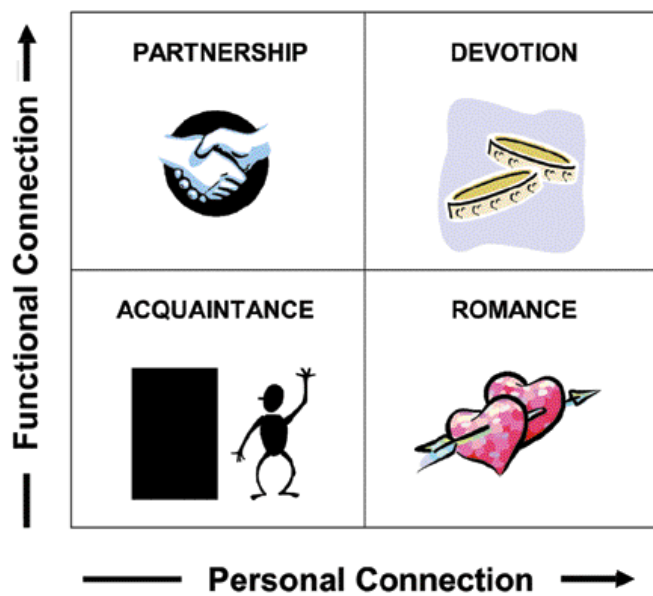
Finally, customers who describe strong personal and functional connections might be described as "devoted," offering a company many of the attending benefits associated with interpersonal devotion, such as immunity against failure and partner generosity.

Just as relationship commitment is comprised of functional and personal connections, satisfaction and trust contribute uniquely to each relationship dimension. For instance, personal connections are primarily a function of high levels of trust. Customers who trust that a brand has their best interests in mind, is responsive, and will quickly resolve issues will form relationship bonds with a personal character and begin to enjoy ensuing benefits. Similarly, customers who are habitually satisfied with the brand's products will often form functional connections.

This all may sound very irrational from a customer's perspective, but benefits of brand attachments do provide rational benefits and enhance visceral direct consumption. They also provide personal benefits not usually considered by marketers, like affiliation, meaning and cognitive consistency (Fournier 1998).

There are broad implications to tak-

Figure 2



ing a relationship view of your interaction with customers, one of the most important of which is as a guide for competitive positioning. As demonstrated in the case studies reported below, competitive advantage can be gained by companies that understand how relationships are formed and sustained. The Trust-Based Commitment relationship model formalizes the processes by which transactions are transformed into profitable customer connections.

Fast-food and retail case studies

In order to test the Trust-Based Commitment framework, we collected and analyzed survey data from retail and fast-food customers. These product categories were selected to for their broad range of combined service and product performance characteristics and relationship benefits.

During Wave I, close to 4,000 customers of 20 fast-food restaurant brands and 21 retail brands completed online surveys approximately 30 to 40 minutes long, answering questions on a wide range of topics including behavior, attitudes and demographics.

Wave II followed up with the same respondents approximately four months after the initial survey. The primary goal of Wave II was to test the behavioral legitimacy of the initial

relationship disposition in an environment relatively free of instrument bias. Key survey topics in Wave II focused on such things as share of spending and frequency of visits, and total spending at store locations.

Understanding the maps

The first step in the analysis was to turn theoretical ideas into concrete and reliable measures of key relationship constructs using factor analysis methodology. Brands were then scored on each multi-item relationship “factor.” In order to simplify brand comparisons, factor scores were translated into indices where a score of 100 represents the study average on each factor. So, for instance, a score of 125 is 25 percent higher than industry average.

On the maps in Figure 3, the dimensions plotted on the vertical and horizontal axes are personal connection and functional connection. The quadrants are divided at the industry average. A brand in the upper-left quadrant for instance, is above average on functional connection, but below average on personal connection. We call these functional relationships. Conversely, personal relationships fall in the lower-right quadrant. Committed relationships, exhibited by high personal and functional connection, are in the upper-right quadrant,

balanced against disconnected relationships in the lower-left quadrant.

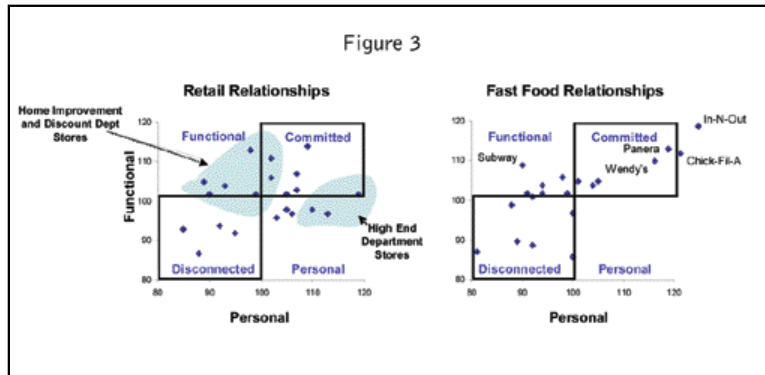
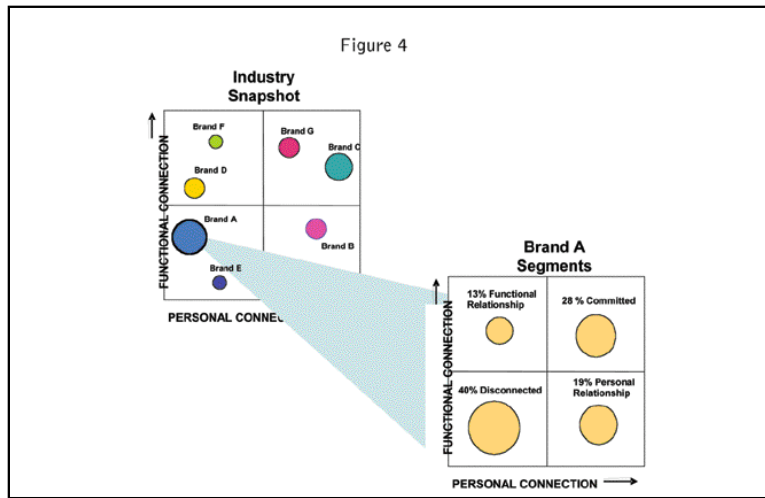
Mapping relationships in competitive space

If a picture tells a thousand words, then the relationship map reveals volumes about the nature of customer relationships and their competitive implications. Customer relationships take many forms based on the primary dimensions of personal and functional connection. When these connections are used to map brands against one another, the unseen structure of competitive customer-brand relationships is revealed. And this is more than just an interesting twist on brand mapping; one’s position on the relationship map has direct implications for marketing activity.

On the retail map, for instance, brand clusters emerge that suggest brand strengths and weaknesses as well as differences in strategic options. For instance, the most successful department store brands cluster into the lower-right or “personal relationship” quadrant. This suggests that to be competitive in this space a brand must provide professional service and generous return policies that support trust-building and personal connections. The reward for these investments is customers who say they will pay a premium for products and will shop in your store as a leisure activity – both profitable customer attitudes. In the same way, home improvement stores and discount department stores are strong on the functional dimension, suggestive of functional requirements like product selection and value for the money. Their reward is high volume.

The first thing one might notice about the fast-food map is that there are no brands in the lower-right quadrant, which is high on personal connection and low on functional connection. This appears to reveal that, while a legitimate retail store position may focus primarily on personal relationship characteristics, fast-food relationships must be built on a solid functional foundation.

Functional relationships in this context are essentially built on food taste, food choices and value for money.



Subway, through its focus on healthful options, appears to have separated itself from the fast-food pack through primarily functional relationships. Wendy's, on the other hand, has utilized personal connections to carve out its own space among national hamburger chains. The most relationship-formidable fast-food brands are regionally-focused brands such as In-N-Out Burger, Chick-Fil-A and Panera Bread.

Not only do customers of different brands aggregate in comparative map positions, but a company's own customers can be segmented based on relationship type and strength. Figure 4 illustrates the emergence of relatively distinct customer groups for an individual firm. In this case, a ubiquitous fast-food brand may look competitively weak when its average customer is compared to that of specialized or regional fast-food brands, but when it maps its own customers it may discern a critical mass that have strong relationships with the brand. While 40

percent of the hypothetical brand's customers are disconnected, almost half are committed or, at least, have personal relationships with the brand. These customers are candidates for profitability segmentation or targets of innovation

Relationship outcomes

Relationship disposition has a direct impact on attitudes toward behavior. And whether customers have a personal or functional relationship indicates a bias toward certain positive, one

might even say, profitable behavioral attitudes. For instance, retail customers in the personal relationship quadrant are more likely to be willing to pay more for a store's products, use its Web site to purchase products and shop there as a leisure activity.

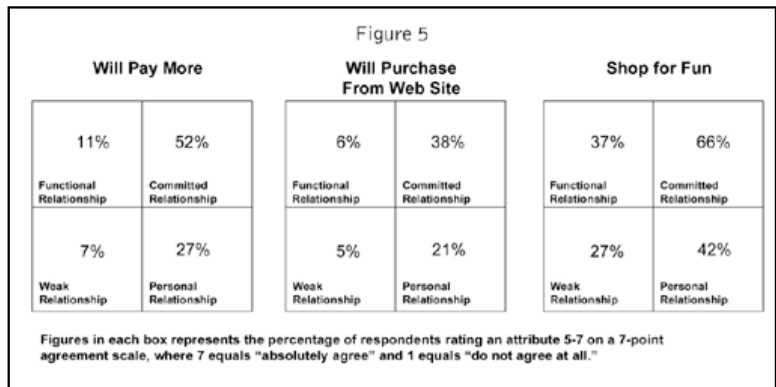
The functional dimension is more likely to suggest recommendations and selection of the brand as the customer's first choice when visiting retail stores in general.

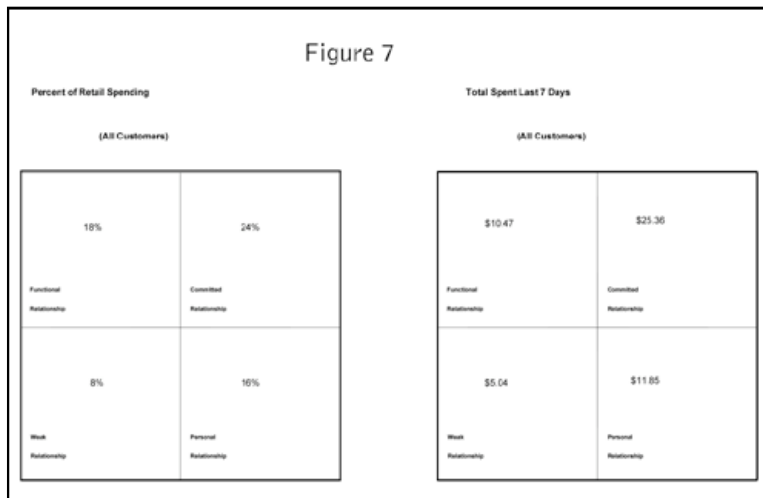
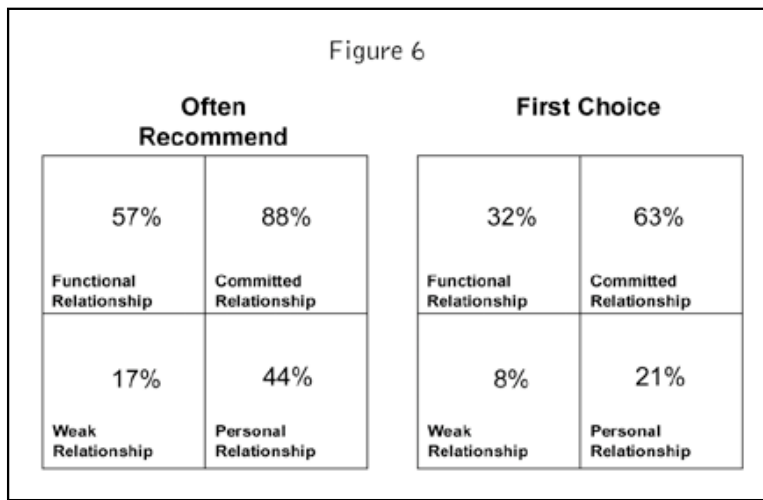
What is clear from Figures 5 and 6, however, is that relationships steeped in both functional and personal connections (or "committed" relationships) represent customers with the strongest attitudes toward a range of profitable behaviors. The committed customer objective becomes even more compelling when spending behavior is measured directly. In fact, committed retail customers reported spending over three times as much as other customers and claim a greater percentage of their retail spending at stores to which they are committed (see Figure 7).

The bottom line is that both personal and functional connections are required for a fully committed relationship, but niche competitive positions can take advantage of - or be legitimized by - the type of relationships customer have with brands.

Do relationships really matter?

The Trust-Based Commitment relationship framework opens the door to understanding previously unexplained behavior as a function of relationship motivations rather than just needs satisfaction. For instance, it explains how trust-based relationships may differ





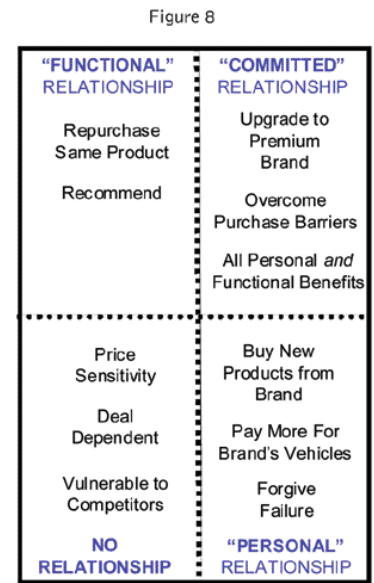
tiate relatively small regional brands from more established national chains in their local markets, and why customers are willing to go out of their way to visit some retail stores but will only shop at others if convenient. It also guides companies toward targeting relationship motivations when building a basket of brand benefits.

It is important, therefore, for companies to 1) understand what it will take to deepen commitment among current customers, 2) establish strong relationships with new customers and 3) assess on whom to focus their relationship efforts and resulting benefits. Questions such as “Is a brand transformation required?” or “Will performance adjustments enhance an already strong position?” are answered only in light of a solid relationship framework that clearly articulates relationship strength and its antecedents: trust and

satisfaction.

Once relationship measures are established and measured, companies can map their positions in competitive space, and marketing prescriptions and opportunities are then implied. For instance, companies whose customers have strong functional but weak personal connections will be required to focus on performance diagnostics and innovation, while those with strong personal connections to the exclusion of functional connections must be most careful with their image (Figure 8). Also, customers with strong personal connections respond more favorably to brand extensions and premium pricing, while disconnected customers rely heavily on competitive pricing and sales promotion.

Ultimately, brands which have established functional connections in the market and have earned personal



connections with their customers can have confidence that steps taken to fortify and build their market positions will be more positively received by their committed base. In this way, Trust-Based Commitment not only models a more direct connection between customer attitudes and behavior, but also reveals customer motivations previously hidden underneath a veil of anemic customer measures. | Q

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