DO RELATIONSHIP MARKETING INSTRUMENTS REALLY HAVE AN IMPACT ON SERVICE CUSTOMERS? INSIGHTS FROM A LARGE-SCALE FIELD EXPERIMENT

Thorsten Hennig-Thurau, Bauhaus-University Weimar, Germany
Michael Paul, Bauhaus-University Weimar, Germany
Georg Puchner, Bauhaus-University Weimar, Germany

SUMMARY

Service firms extensively use relationship marketing instruments (hereafter: RMI), that is marketing activities that aim at increasing customer retention; in the United States alone, service companies spent more than $1.2 billion on customer loyalty programs in 2003 (Gartner Inc., cited in Kumar 2008). Given such amounts of money spent, a thorough understanding of the effects RMI have on customers is crucial for profitable relationship marketing. Unfortunately, the findings of extant studies are conflicting which might be due to prevalent research limitations.

We aim at overcoming some of the most prevalent limitations. Namely, we (a) are the first to investigate the effects of RMI on both customer relationship perceptions (CRP) and observed customer relationship behavior (CRB) in contrast to studying only CRP or CRB. Our approach allows for a simultaneous consideration of direct and indirect effects of RMI, enabling researchers to disentangle the direct and indirect effects RMI might have on customers. We draw on attitude theory (e.g., Fishbein and Ajzen 1975) to explain how RMI influence CRB indirectly through CRP and build on behavior theory (Skinner 1938) to explain the direct link between RMI and CRB. We (b) employ a longitudinal design to draw causal inferences which is central for studying chains of effects as done here and that cannot be achieved in cross-sectional studies. We (c) apply a field experimental design to randomly assign customers to different experimental groups and a control group and, thus, control for self-selection biases. Finally, we (d) consider a 2x2 systematization of different theory-derived RMI instead of using only one specific RMI, enabling us to generalize findings for the different RMI. We use reward directness and the motivational nature of the reward to systematize RMI. Unlike indirect rewards, direct rewards are those that directly relate to a company's products. The motivational nature of rewards refers to the customers' motivation a reward targets at which can be economic or social. In summary, this is the first study that looks at the causal chain of effects of a theoretically derived typology of RMIs on both customer perceptions and behavior in a single field experimental design.

We conduct a 2x2 between-subjects field experiment in cooperation with an international airline. We develop manipulations for each of the four combinations of reward directness (direct vs. indirect) and motivational nature (economic vs. social). In addition to the four experiment groups, we have a control group. We contact all 181,839 customers of a major European country listed in the company's database per email with 1,950 remaining in the final sample. We measure both CRP and CRB at two times (i.e., before and after the manipulation), using established multi-item scales for CRP and actual customer revenues from the company's database for CRB. We include four CRP in our model: perceived relationship investments, relationship quality, calculative commitment, and repurchase intentions. The reliability and validity for all constructs is satisfactory in both surveys. We start the experimental manipulations by informing participants about their respective rewards ten weeks after sending out the first survey. We end the experiment after 24 weeks and then send out the second survey. We allow eight weeks for responses to arrive and then collect spending data from the database for the next 12 weeks. We do not use spending information before that point in time to ensure causality between perceptions and spending behavior. We measure all model constructs with post-manipulation values and control for pre-manipulation values to account for potential *a priori* differences between groups. Manipulation checks show that we effectively manipulated RMI. The model is tested with partial least squares structural equation modeling. Predictive power and overall goodness-of-fit (GoF) of our model are both satisfactory.

A key finding is that RMI impact CRB based on attitudinal learning processes. More specifically, we find that all four RMI result in increased perceived relationship investments. No direct effects of RMI are found for the other CRP which are only affected through perceived relationship investment. In terms of effect size, we find that social indirect RMI have the strongest impact on perceived relationship investment and also the strongest total impact on the other CRP. As expected, CRP, in turn, influence customer spending. For the second route, the direct effect of RMI on CRB, our results show that only the economic direct RMI significantly influences spending behavior. This effect is in line with RMI triggering

behavior through operant learning. However, we find no such effect for the other three RMI. The total effect of the RMI on customer spending which summarizes direct and indirect effects is significant for the economic direct RMI, but not for the three other RMI which indicates that behavioral learning-based effects on customer spending dominate attitude learning-based effects. We predict post-manipulation revenues for the economic direct RMI and find that it leads to a revenue increase of 25.5 EUR (or 48.6%) and a contribution margin increase of 22.7 EUR per customer. References are available upon request.

For further information contact:
Thorsten Hennig-Thurau
Department of Marketing and Media Research
College of Media
Bauhaus-University Weimar
Helmholtzstr. 15
99425 Weimar
Germany
Phone: +49.3643.58.3822
Fax: +49.3643.58.3791
E-Mail: tht@medien.uni-weimar.de