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A Modified Framework of Service Encounter Types for the Application of Relationship Marketing in Services

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Abstract – Many firms believe that the best way to inculcate loyalty and retain customers is to establish connections with them through relationship marketing. Unfortunately, only about half of the firms surveyed in a recent study indicated any level of success with it. The significant attention directed toward service classification suggests legitimate differences among service types that may moderate the effectiveness of relationship marketing efforts. This paper proposes a typology of service interactions that takes into account three critical dimensions of relationship marketing: anticipated future interaction, channel of interaction, and customer involvement. Corresponding propositions are offered to guide further research.

Keywords – Relationship marketing, Service relationships, Services, Service encounter

Relevance to Marketing Educators, Researchers and/or Practitioners – This paper extends the conversation regarding the application of relationship marketing in services. Researchers can use the proposed framework and research propositions to further research in the field, and better equip business practitioners with the means to implement relationship marketing techniques more efficiently and effectively.

Introduction

Many firms now assert that relationship marketing practices are the best, if not only way to inculcate loyalty and retain customers. However, despite the $11 billion spent annually on relationship marketing around the world, only about half of the firms in a Forrester Research study indicated any significant success with the approach (Band, 2009). (Sheth, Parvatiyar & Sinha, 2012) are among researchers who describe relationship marketing as fragmented and yielding mixed results. A common assumption that complicates relationship marketing research is that all relational exchanges are identical (Palmer, 1994; Sheth, Parvatiyar & Sinha, 2012). Further, a significant number of relationship marketing researchers have focused on B2B relationships and attempted to apply many of the same concepts to B2C relationships (Möller & Halinen, 2000).
However, the two types are distinctly different in terms of structure (organization-to-organization versus organization-to-individual) and the motivations of the parties involved (Kumar, Venkatesan & Reinartz, 2006; Palmer, 1994).

Further, relationships are affected by the contexts in which relational exchanges occur. Similar to Sheth and Parvatiyar (1995), Palmatier, Dant, Grewal and Evans (2006) suggest that links between relationship marketing antecedents and their consequences can shift in cases where exchanges occur via intermediary rather than direct channels, in business versus consumer markets, among individuals instead of organizations, or involving services as opposed to goods-based offerings. The unique nature of services presents an organic platform for relationship marketing, and service marketing researchers have made significant contributions to understanding the practice (Möller & Halinen, 2000). Unlike manufactured goods, services are often produced, delivered, and consumed in the presence of customers, with customer input considered vital to successful service delivery. The exchange of information that naturally occurs during this process, along with the interpersonal interaction that frequently accompanies service delivery, supports relationship building. However, with an approximate success rate of only 50%, many questions remain regarding the application and implementation of relationship marketing for services.

This article suggests that unrealized relationship marketing benefits may be due to the uniform manner in which service firms have applied relationship marketing strategies and tactics. While the literature acknowledges a large number of service categories and numerous service typologies (Lovelock, 1983), relationship researchers have generally overlooked the ways that different service types affect relationship marketing effectiveness. Understanding differences between and commonalities among services may provide better guidance regarding if, when, and how firms should form relationships with their customers. It is important to keep in mind that not all consumers want to engage in relationships with their service providers (Fernandes & Proença, 2013; Johns, 2012; Sheth, Parvatiyar & Sinha, 2012), and that having a large number of consumers that do is not a guarantee of profitability (Sheth, 2002). Firms must identify appropriate strategies and tactics for implementing relationship management programs as well as potential opportunities for developing competitive advantages, improving efficiencies, and addressing weaknesses.

The outline for the rest of this article is as follows: the next section reviews current research on service typologies based on a paradigm established by Gutek and her various co-authors. Subsequent sections present theoretical arguments for including involvement as an added dimension, offer corresponding propositions, and discuss managerial and research implications.
Theoretical Background

Marketplace interactions exist along a continuum anchored by relational exchanges at one end and discrete transactions at the other (Mohr & Nevin, 1990). Considered the basic units of relationship marketing, relational exchanges differ from discrete transactions in that the latter have distinct beginnings and ends. Discrete transactions are of short duration, lack inter-party history, and do not anticipate future interaction. According to Macneil (1978), completely discrete transactions are unlikely in practice, given that such marketplace isolation is rare. An example of a discrete transaction is a traveler buying gas away from home at an unbranded (or unfamiliar brand) independent gas station. The traveler pays cash and never expects to return to the area or deal with the gas station again. The absence of a brand precludes the establishment of any expectations based on prior experience. The cash payment and immediate delivery of the product constitute the entire exchange, which is not influenced by any anticipation of future dealings between the two parties.

At the opposite end of the continuum, relational exchanges represent past experiences or anticipated future interactions that have the potential to influence current exchanges. This can include pre-purchase interactions that may or may not be associated with the current exchange. Post-purchase promises include, but are not limited to, product or service delivery, warranties on the part of the firm, and promises of future payments on the part of the customer. According to (Dwyer, Schurr & Oh, 1987, p.12), “Most important is the fact that a relational exchange transpires over time; each transaction must be viewed in terms of its history and its anticipated future.” By their very nature, relational exchanges frequently hold social implications that make them more complex than discrete transactions. As marketplace interactions move toward becoming relational exchanges, trust becomes a central component (Morgan & Hunt, 1994). This is particularly true for services with high-credence attributes—that is, where consumers might encounter difficulties in evaluating the service, and therefore are required to trust that the service will be properly performed by a qualified provider. Many firms address uncertainty and trust issues by offering performance (e.g., branding, certification) and/or after-purchase promises (e.g., guarantees, service contracts, warranties), thus rendering service exchanges relational in nature (Bitner, 1995). Marketplace interactions move along the above-described continuum as the number and complexity of promises increases and the interactions become more relational. The promise of repeat business and wallet share motivates many service organizations to develop relational exchanges through relationship marketing.

Popularized by Berry (1983) as a new way to view customer-firm interactions, relationship marketing has since received considerable research and managerial attention. Rather than focus on capturing a large number of discrete transactions, relationship marketing efforts among firms focus on
establishing, developing, and maintaining relationships with customers over a series of interactions—in the words of (Palmer, Lindgreen & Vanhamme, 2005, p.316), “The focus is, therefore, on the relationship rather than the transaction.” Relationship marketing has been described as a theory, paradigm, strategy, and tactic (Palmer & Bejou, 2005; Palmer, Lindgreen & Vanhamme, 2005), and defined in terms of a broad orientation toward a firm’s internal and external relationships, as well as a narrow set of specific activities undertaken to create relationships (Agariya & Singh, 2011). It has often been suggested that relationship marketing exists opposite to transactional marketing in the same manner that relational and discrete transactional exchanges are analyzed as occupying two ends of a continuum (Sheth, 2002). Many researchers now view relationship marketing as a universally accepted paradigm, while others suggest that transactional and relational marketing can co-exist within the same organization if a firm properly understands its role in the interaction and market segments (Lindgreen & Pels, 2002; Möller & Halinen, 2000; Sheth, 2002).

A number of comparisons and analogies have been made between marketplace and social relationships—that is, the buyer-seller connection that Levitt (1983) compares to a marriage. However, unlike social psychologists and sociologists who use multiple perspectives to study social relations, relationship marketing researchers have consistently preferred a narrow focus on the organization’s efforts as opposed to both the firm and consumer (Fernandes & Proença, 2013; Finne & Grönroos, 2009; Sheth & Parvatiyar, 1995). The literature is filled with investigations of what firms can do to affect such relationships, with marketers largely analyzed as active parties and consumers as objects to be acted upon (Möller & Halinen, 2000). Firms have the motivation to become active participants in these relationships in order to reap relational benefits. As famously noted by Adam Smith (Smith, 1814, p.21), “It is not from the benevolence of the butcher, the brewer, or the baker that we expect our dinner, but from their regard to their own interest.” For their part, consumers selfishly engage in marketplace relationships in order to reap certain benefits. It has been suggested that consumers engage with relationship marketing for the psychological and sociological benefits associated with reduced choice decisions and rewards offered through relationship marketing programs (Sheth & Parvatiyar, 1995). However, the desire to reap such benefits can be tempered by a customer’s product category involvement (De Wulf, Odekerken-Schröder & Iacobucci, 2001).

Communications and social psychology researchers have identified involvement as a key motivating factor in relationship development (Prager & Roberts, 2004)—in short, both parties must willingly engage in the relationship for it to mature and prosper. Intimacy, a key characteristic of enduring marriages, has been described by Robinson and Blanton (1993) as a product of involvement between relationship partners. In the marketing literature, involvement is often defined and measured in the contexts of advertising (Petty
& Cacioppo, 1981; Yoon & Tinkham, 2013), product selection and evaluation (Lee, Yun & Lee, 2005), satisfaction (Oliver & Bearden, 1983), and other aspects of consumer behavior (Karmarkar & Tormala, 2010; Laurent & Kapferer, 1985; Petty, Cacioppo & Schumann, 1983)—domains that share the characteristic of personal relevance. Zaichkowsky (1985, p.342) defines involvement as “a person’s perceived relevance of the object based on inherent needs, values, and interests.” Highly involved customers are more likely to engage in active search behaviors, extensive decision making processes, and active information seeking. Services researchers are particularly interested in involvement because of the interaction required between customers and service providers, and the implications of co-production for perceived service quality, satisfaction, and operational efficiencies (Bienstock & Stafford, 2006).

Some relationship marketing researchers have acknowledged the significance of customer involvement, which has been shown to affect how relationship investments are perceived (Kinard & Capella, 2006) and the willingness of customers to engage in relationships with service providers and organizations (Varki & Wong, 2003). Perceptions of service quality are also affected by both customer involvement and the nature of interactions with service providers (De Wulf, Odekerken-Schröder & Iacobucci, 2001; Gabbert & Hogg, 1999). McColl-Kennedy and Fetter Jr. (1999) suggest that the nature of any service interaction is best defined in terms of two categories: professional and non-professional. Similar to Webster (1988), their research indicates that on average, customers are less involved in professional than non-professional services. Last, Riley and De Chernatony (2000) posit that the main differentiating factor in consumer involvement is whether customers perceive that their relationships are with service providers or with service organizations or brands.

Given its significance to both services marketing and relationship marketing, involvement is proposed in this paper as an important consideration for managers interested in implementing relationship marketing programs. Important aspects of relationship development can be efficiently captured by joining a previously proposed typology of service interactions (Gutek, Bhappu, Liao-Troth, et al., 1999; Gutek, Cherry, Bhappu, et al., 2000) with the involvement construct. Gutek and her various coauthors have proposed a framework that corresponds to the relational exchange concept by differentiating among service encounters (closely linked with discrete transactions), service relationships (similar to relational exchanges), and pseudorelationships that possess qualities of both discrete transactions and relational exchanges.

Service encounters consist of individual interactions between customers and either providers or organizations. The two parties have no prior or anticipated future relationship, and the customer does not recognize the provider as a preferred or designated individual from which the service is received. The service encounter is analogous to a discrete transaction, and as such there is
little incentive for either the customer or service provider to engage in relationship building activities such as information sharing or establishing commitment and empathy. Unlike pure discrete transactions, however, customers involved in service encounters may have prior knowledge of the provider, organization, or brand. As an example, imagine a couple of modest means who decide to celebrate their ten year wedding anniversary by splurging on an once-in-a-lifetime meal at the most expensive restaurant in town. They have obviously heard of the restaurant and may have some preconceived notions about the experience, but they have no intentions of ever returning. Based on his prior experience, the waiter also has no expectations of serving the couple in the future. Under these conditions, neither party has much incentive to develop a relationship—in fact, the potential exists for competing interests in the form of the couple wanting to savor the experience by staying longer than the average customer (thus putting higher-than-average demands on the wait staff for their “perfect evening”) or leaving a modest tip. The waiter is interested in having the couple leave quickly in order to increase his earnings.

Repeated interactions between service providers and customers are referred to as pure service relationships. Common examples involve medical care, real estate transactions, hairstyling, and financial advice—services marked by customization and tight bonds between customers and service providers rather than service organizations or brands. The mutually beneficial relationships that tend to develop over time are not dependent on customer freedom of choice among service providers. Gutek et al. (1999) have suggested that a service relationship can exist even if the customer never interacts with the service provider or utilizes its services, since the main criterion is the customer’s recognition of a preferred or designated service provider. For example, an insurance firm may assign a physician to a client, and even though the client never uses the services of that physician, a service relationship exists by virtue of the assignment. At the other extreme, a customer and service provider may get to know each other not only as role occupants, but also as acquaintances or friends (Gutek, Bhappu, Liao-Troth, et al., 1999; Price & Arnould, 1999).

Bitner (1995) believes that such service relationships emerge from promises made and fulfilled one interaction at a time: “From the customer’s perspective, service relationships are built from these encounters; each encounter tests the organization’s ability to keep its promises” (p. 248). Customers enter service relationships to reduce choice, stress, and uncertainty, which in turn increases their sense of well being and quality of life (Bitner, 1995). Relationship predictability and associated comfort can discourage customers from defecting to other providers that offer better services or lower prices. In agreement with this idea, Gutek et al. (1999) posit that service relationships are self-sustaining, and that the mix of anticipated future interactions and shared customer-service provider history is sufficient for maintaining the connection: “No oversight is required to maintain a relationship; high-quality delivery of service can be

maintained simply by the dynamics of the relation” (Gutek, Bhappu, Liao-Troth, et al., 1999, p.219).

Pseudorelationships are defined by repeat customer contact with a service organization, but with a higher likelihood of using a different service provider—in other words, customers anticipate future interactions with the service organization, but not with a preferred outlet. For example, customers are unlikely to have preferences as to which McDonald’s locations they patronize. In these scenarios, customers become familiar with an organization’s services and procedures, but without becoming acquainted with any individual service provider.

In cases where multiple interactions occur, the service provider has an opportunity to gain knowledge about the customer, build rapport, and develop a one-to-one relationship. The resulting information can be used to customize the service provider’s “interpersonal approach and/or the service offering for the specific customer” (Gwinner, Bitner, Brown, et al., 2005, p.136). Although pseudorelationships do not facilitate the establishment of one-to-one relationships between a service provider and a customer, they do allow the organization to capture data on purchases, product selection, and other personal customer information that can be shared among service providers so as to support one-to-one relationship building and improve service customization. Customization is most complete when extensive data is acquired, analyzed, and utilized, and when intangible cues can be identified and acted upon.

Gutek’s typology of service interactions described in the previous section captures anticipated future interactions (discrete, repeated, or continuous service) as well as interaction channel (service provider or organization/brand). As suggested in the communications and human relationship literature, involvement is a significant motive in relationship development and can vary among service customers. Thus, three significant components that determine relationship development can be captured by integrating the involvement concept with the typology discussed by Gutek and her co-authors: anticipated future interaction, channel of interaction, and customer involvement. By doing so, customer-service provider relationships can be further categorized in terms of high and low involvement: low/high-involvement service encounters, low/high-involvement pseudorelationships, and low/high-involvement pure service relationships (Table 1).

Since customers do not fully attend to a service during low-involvement interactions, there is little motivation for the customer to engage in relationship building. Conversely, customers engaged in high-involvement interactions are more attentive and more motivated to develop relationships with either the service provider, service organization, or both. Further, the opportunity to enact social norms (a common relationship marketing goal) is particularly significant in high-involvement interactions, where customers have heightened interest in the service, and where service providers offer a higher level of customization.
(Gutek, Bhappu, Liao-Troth, et al., 1999; Gwinner, Bitner, Brown, et al., 2005). However, in low-involvement interactions there is less emphasis on the social components and subsequent social norms of service encounters and greater emphasis on service outcomes (Gutek, Bhappu, Liao-Troth, et al., 1999). High-involvement pure service encounters are relational in nature; in the same manner as social relationships, customers look for commonalities and cues to assess relationship potential (Macneil, 1978).

Table 1 Modified Service Interaction Typology for Relationship Marketing in Services

<table>
<thead>
<tr>
<th>Service Encounter</th>
<th>Low Involvement</th>
<th>High Involvement</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Future interactions are not anticipated; consumers are not highly engaged in the service interaction.</td>
<td>Future interactions are not anticipated; consumers are highly engaged in the service interaction.</td>
</tr>
<tr>
<td></td>
<td>ex: Tourist souvenir shop.</td>
<td>ex: Pleasure cruise.</td>
</tr>
<tr>
<td>Pseudorelationship</td>
<td>Future interactions with the service organization are anticipated, but interactions are with different service providers. Consumers are not highly engaged in the service interaction.</td>
<td>Future interactions with the service organization are anticipated, but interactions are with different service providers. Consumers are highly engaged in the service interaction.</td>
</tr>
<tr>
<td>Service Relationship</td>
<td>Future interactions with the same service provider are anticipated. Consumers are not highly engaged in the service interaction.</td>
<td>Future interactions with the same service provider are anticipated. Consumers are highly engaged in the service interaction.</td>
</tr>
<tr>
<td></td>
<td>ex: Locally owned auto mechanic shop.</td>
<td>ex: Physician, attorney, hair stylist.</td>
</tr>
</tbody>
</table>
Based on this background, the first set of propositions is expressed as:

**Proposition 1a:** Customers in high-involvement service encounters are more receptive than customers in low-involvement service encounters to relationship building efforts on the part of service organizations.

**Proposition 1b:** Customers in high-involvement pseudorelationships are more receptive than customers in low-involvement pseudorelationships to relationship building efforts on the part of service organizations.

**Proposition 1c:** Customers in high-involvement pure service relationships are more receptive than customers in low-involvement pure service relationships to relationship building efforts on the part of service organizations.

Any relational bonds that develop between consumers and service providers must be developed and resolved during single service encounters in which future interactions are not anticipated. Pseudorelationships occur when customers return to familiar service organizations but interact with different service providers, often more than one. Pseudorelationship bonds can develop and resolve at two levels. Similar to service encounters, they may develop and resolve between customers and service providers during the course of single interactions. Even though no direct or personal long-term relationship is formed, individual interactions may be influenced by a customer’s past and anticipated future interactions with a firm. Similarly, researchers such as Edvardsson and Strandvik (2000) and Finne and Grönroos (2009) suggest that with the exception of discrete transactions, service interactions with past histories and aspects of the present and future entail a time dimension. Thus, as with pure service relationships, customers may form bonds with organizations over the course of repeated pseudorelationship interactions, with individual interactions providing opportunities for one-to-one relationships to emerge and subsequently influence customer relationships with their respective organizations (Oliver, 1997). Pure service relationships exist when customers interact with the same providers each time a service is obtained. Relationships with both service providers and organizations can evolve simultaneously when they are the same entity—for example, a private practice physician. Customization, individual attention, and personal relationship development have the greatest potential to emerge in such situations.

Based on this background, the second set of propositions is expressed as:

**Proposition 2a:** Customers in high-involvement service encounters are less receptive than customers in high-involvement service pseudorelationships to relationship building efforts on the part of service organizations.

**Proposition 2b:** Customers in high-involvement service encounters are less receptive than customers in high-involvement service relationships to relationship building efforts on the part of service organizations.
In contrast to high-involvement pure service relationships, low-involvement service encounters represent a class of service interactions where neither the customer nor service provider anticipate future interactions. Further, the customer is less likely to desire engagement with the service provider—examples include hurried meals or low-involvement service (e.g., auto) repairs where customers are task-oriented or have little interest in the service. In such cases, customers are more likely to want to obtain the service in the most efficient manner possible and to forgo what they perceive as unnecessary relationship engagement. Relationship marketing efforts may be viewed negatively if they are perceived as hampering the service process. Accordingly, the final proposition is written as

**Proposition 3:** Relationship-building efforts exert negative effects on customers in low-involvement service encounters.

**Discussion**

Linking existing relationship marketing knowledge with an appropriate service interaction typology supports a better understanding of when and how relationship marketing efforts should be applied. Researchers have classified services according to various characteristics, but discussions on how services should be categorized have made it clear that all services should not be treated in the same manner, and that no single strategy such as relationship marketing can be uniformly applied to all service types (Lovelock, 1983). The typology presented in this paper addresses this concern, which likely accounts for inconsistent results from empirical investigations as well as disappointment expressed by managers. The modified typology presented herein is based on (Gutek, Bhappu, Liao-Troth, et al., 1999; Gutek, Cherry, Bhappu, et al., 2000) incorporation of future anticipated interactions between customers and service organizations and/or providers, plus customer level of involvement (high or low) and service interaction type. Involvement and anticipated future interactions are two key influences determining relationship development (Gutek, Bhappu, Liao-Troth, et al., 1999; Hess, Fannin & Pollom, 2007), therefore their fluctuations in service environments are likely causes of changes in relationships.

Given the substantial resources allocated to relationship marketing efforts, this knowledge can be of significant benefit to managers who seek to maximize those efforts. In a high-involvement pure service relationship, for example, a patient may choose to go to a private practice physician for treatment of a chronic heart condition. The patient is highly involved in the treatment of this potentially life-threatening illness, the patient and physician interact on a one-to-one basis, and the physician is more likely to develop a customized treatment plan. While outcome is clearly important, the social component of the relationship is a significant factor given the situation, and relationship-building efforts are likely to be well received by the patient.
In contrast, in a separate situation the same patient may be in need of a routine flu shot. Recognizing that little difference exists among providers of this service and that the quality of the vaccine is the same, the patient may visit a physician, local drug store, pharmacy, or primary care facility with which he or she does not have a relationship. The primary concern of the patient in this situation is utility—cost and/or convenience (Bienstock & Stafford, 2006). Relationship building efforts are likely deemphasized because the service provider must allocate limited resources in support of operating efficiency—the higher the percentage of low-involvement customers, the fewer the potential benefits from relationship marketing efforts. From the customer perspective, relationship-building activities may also be viewed negatively for the same reasons: the desire for efficiency and utility. Still, if service providers correctly utilize relationship-building methods, they may reap the benefits of positive behavior outcomes in the form of positive word-of-mouth, repurchase intentions, and willingness to pay premium prices.

References


Author Information

Gary D. Futrell earned his PhD in Marketing from Florida State University, and is currently an Assistant Professor of Marketing at Valdosta State University (Valdosta, GA). He has presented at a variety of academic and professional conferences, and recent publications have been in the area of relationship marketing and services marketing.
Modified Framework of Service Encounter Types