Available online at www.sciencedirect.com
SCIENCE DIRECT®

NORTH-HOLLAND

Industrial Marketing Management 32 (2003) 667–676

INDUSTRIAL MARKETING MANAGEMENT

# Antecedents and consequences of relationship intention: Implications for transaction and relationship marketing

V. Kumar[a,*], Timothy R. Bohling[b,1], Rajendra N. Ladda[c,2]

[a]Department of Marketing, University of Connecticut, 2100 Hillside Road, Box U1041, Storrs, CT 06269-1041, USA
[b]IBM Corporation, Americas Market Intelligence, 4111 Northside Parkway, Atlanta, GA 30327, USA
[c]University of Connecticut, 2100 Hillside Road U1041, Storrs, CT 06269-1041, USA

Received 1 May 2003; received in revised form 1 June 2003; accepted 2 June 2003

## Abstract

The terms *relationship marketing* (RM) and *loyalty* have been extensively promoted in marketing literature. Advocates of RM and loyalty have argued that RM leads to loyalty and loyalty leads to profitability. However, currently available evidence questions these arguments. We propose a term *relationship intention*. Relationship intention is willingness of a customer to develop a relationship with a firm while buying a product or a service attributed to a firm, a brand, and a channel. We build a multi-item scale for measuring relationship intention. We propose a framework, wherein we argue that the relationship intention is influenced by the customers' perceived firm equity, perceived brand equity, and perceived channel equity. We propose the consequences of relationship intention as being low cost to serve, price premium, word-of-mouth promotion, and company advertisement. We also argue that relationship intention moderates the association between lifetime duration and profitability. Finally, we discuss the managerial implications of relationship intention in terms of transaction and RM.


*Keywords:* Relationship intention; Transactional intention; Relationship marketing; Transaction marketing; Loyalty; Lifetime duration; Profitability; Brand equity; Firm equity; Channel equity

## 1. Introduction

Social psychology literature states that a good predictor of what individuals will do is their stated intention (Fishbein & Ajzen, 1975). On the other hand, conventional wisdom suggests that the best predictor of future behavior is past behavior. Purchase intention-based research has dominated the marketing literature for more than two decades. However, in the mid-1990s, with the computational revolution and the availability of behavioral data, marketing researchers were able to increasingly depend on behavioral data. Armstrong, Morwitz, and Kumar (2000) stated that both intentions and past behavior are useful for forecasting future behavior. In this paper, we attempt to build a framework that combines a customer's actual behavior (duration of stay with a firm) and the customer's behavioral intention (intention to build a relationship). We then conceptualize the effects of both purchase intention and actual behavior on customer profitability.

A buyer firm (hereafter referred to as Customer) may repeatedly buy from a supplier firm (hereafter referred to as Firm) because of one or more of many factors such as price advantage, inertia, convenience, trend, social influence, high switching costs, and their emotional attachment with the firm. Firms should therefore ask the question, "Do these customers really want to build a relationship with us?" If the answer is "No," it means that these customers do not possess an adequate level of emotional attachment with the firm, which makes them want to build a relationship with the firm. If firms mistake these No customers as "loyal customers" based only on their observed behavior, the firm would end up investing incorrectly in building relationship with these reluctant customers. Thus, if a firm can find which of these customers really intend to build a relationship, it will be able to better target these candidates to invest in a relationship building.

* Corresponding author. Tel.: +1-860-486-1086; fax: +1-860-486-8396.

*E-mail addresses:* VK@business.uconn.edu (V. Kumar), tbohling@us.ibm.com (T.R. Bohling), RLadda@business.uconn.edu (R.N. Ladda).

[1] Tel.: +1-404-238-4504.

[2] Tel.: +1-860-486-2098.

0019-8501/$ – see front matter © 2003 Elsevier Inc. All rights reserved.
doi:10.1016/j.indmarman.2003.06.007

In this paper, we develop an argument that relationship intention, defined as the willingness of a customer to develop a relationship with a firm, is as important as the customer's actual behavior. We also propose that a customer with a high relationship intention is more profitable in the long run. A customer with no relationship intention may not be profitable to a firm, if the firm attempts to build a relationship with this customer. It may also seem straightforward that it is easier to build a relationship with customers with high relationship intention. But, one of the major objectives of this paper is to find how relationship intention develops. We contend that a firm can improve customers' relationship intention by acting upon the antecedents of relationship intention. We will understand, explore, and discuss the antecedents of relationship intention and its consequences. First, we define and develop the relationship intention construct. Second, we develop a conceptual framework to describe the antecedents and consequences of relationship intention. Third, we understand how the relationship intention moderates the association between lifetime duration and profitability. Finally, we suggest strategic recommendations based on relationship intention.

## 2. Literature review

The term *relationship marketing* (RM) was coined by Berry (1983) as attracting, maintaining, and enhancing customer relationships. Since then, RM has been extensively discussed in marketing literature, and has been an area of interest for many marketing researchers. Marketing literature has extensively advocated RM (Grönroos, 1994; Jackson, 1985; Weitz & Jap, 1995). Weitz and Bradford (1999) suggest an emerging partnering role for sales people by implicitly assuming that RM is always better than transaction marketing (TM). TM as defined by Baker, Buttery, and Richter-Buttery (1998) is a short-term approach where the focus is solely on the transaction at hand. Alexander and Colgate (2000) suggest RM strategy for retailers of financial services. Wulf, Odekerken-Schröder, and Lacobucci (2001) argue that retailers benefit from investing in consumer relationship. Storbacka, Strandvik, and Grönroos (1994) argue that the association between the length of the relationship and customer profitability is positive. Marketing researchers have also asserted that RM leads to loyalty and loyalty leads to profitability. Reichheld (1996) claims, "A climbing defection rate is a predictor of a diminishing flow of cash from your customers. As a customer relationship with a company lengthens, profits rise." Reichheld, Markey, and Hopton (2000) show customer loyalty to be one of the fundamental drivers of company profitability.

However, recently, many studies have argued that the association between loyalty and profitability is not as strong as the previous studies have argued. Dowling and Uncles (1997) alert, "Contention that loyal customers are always profitable is a gross oversimplification." Recently, many studies have cautioned us that RM may not always be the right approach. It is important to note that both RM and TM strategies have their own advantages and disadvantages. Ganesan (1994) argues, "Insufficient understanding of a customer's time orientation can lead to problems, such as attempting an RM when TM is more appropriate." Thus, managers have to assess costs and benefits of relationship building and ask themselves, "Is relationship building always worth the cost incurred?"

Reinartz and Kumar (2002) argue that much of the common wisdom about customer retention is bunk. They further argue that to get strong returns on relationship programs, companies need a clearer understanding of the association between loyalty and profitability. The ultimate objective of any firm is profitability. If on one hand, a firm is very good at developing customer relationships, but incurs a high cost in maintaining them, the firm may not be profitable. On the other hand, if a firm is very successful at getting new customers, but incurs a high cost on customer acquisition, the firm may not be profitable. Reinartz and Kumar (2002) point out that it is very important to know when to lose a customer. It is not necessary that all the long-term customers would be profitable and that all the short-term customers would be unprofitable. Reinartz and Kumar (2000) show that some short-term customers can be profitable and some long-term customers can be less profitable. Based on currently available empirical evidence, there is a weak correlation between lifetime duration (amount of time a customer remains with a firm) and customer profitability (Reinartz and Kumar, 2000). Reinartz and Kumar (2000) also disproved four major claims made by loyalty advocates (see Table 1). Obviously, any firm would need transactional customers (even with the razor-thin margins) to maintain cash flows. Firm should let these customers leave if they want to because it may cost the firm more to build relationships with these customers and they may cease to be profitable.

Repeat buying does not necessarily imply true loyalty and should not be seen as a reason for developing a relationship. Repeat buying can have many reasons other than a true intention to build a relationship. Burnham, Frels,

Table 1
Claims and counterclaims about loyalty

| Loyalty claims | Counterclaims |
|---|---|
| (1) It costs less to serve loyal customers. | (1) The long-term customers need more attention and their expectations from the firm rise. |
| (2) Loyal customers pay higher prices for the same bundle of goods. | (2) This is not necessarily true in noncontractual setting. |
| (3) Loyal customers market the company. | (3) This cannot be true if the customers do not possess attitudinal loyalty. |
| (4) Profits increase over time. | (4) This is not necessarily true in noncontractual setting. |

References: Reinartz and Kumar (2000, 2002).