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Why customers won't relate: Obstacles to relationship marketing engagement[☆]

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ABSTRACT

Due to the challenges associated with reaching consumers using traditional marketing approaches, firms increasingly rely on relational marketing tactics to increase customer patronage with the firm. Yet, consumers often actively avoid relational devices. Thus, firms have a heightened interest in factors that affect customer engagement in relationship marketing efforts. This research provides an empirical test of a model based on equity theory and previous findings regarding psychological engagement. The model predicts whether customers are willing to engage in different relational tactics offered by firms, measured by a formative, actionable Relationship Program Receptiveness (RPR) Index. The results indicate customer perceptions of the inconvenience and anticipated benefits, two factors controlled by the firm, affect RPR. In addition, customer factors, including general privacy concerns, involvement and shopping frequency, affect RPR. Managerially, the results suggest specific actions firms can take to increase the likelihood that consumers engage in relational marketing efforts.

1. Introduction

Identification of factors that encourage or hinder consumer engagement in relationship marketing programs is important to marketing managers who are trying to make decisions regarding investments in different aspects of the relationship marketing program. Consumer participation in relationship marketing activities has the potential to yield important benefits for the firm, which include increased share of wallet and profitability (Meyer-Waarden, 2007; Verhoef, 2003). However, despite the purported benefits of relationship marketing practices for both the consumer and the organization, relationship marketing practices receive criticism for their failure to yield desired results (e.g. Rigby et al., 2002; Fournier et al., 1998; Mitchell, 2002; Noble and Phillips, 2004; Reinartz and Kumar, 2002). One reason programs fail is customers fail to participate in the relationship marketing programs. Thus, understanding the factors that affect a customer's willingness to engage in relationship marketing programs is vital for organizations—particularly if these factors can be understood before an organization makes major investments in relationship building efforts.

Relationship marketing strategies are typically designed to gather information in order to help firms identify and retain their best customers and to maximize customer value and profitability. Relationship marketing programs are a key instrument in relationship marketing, which is described as "the ongoing process of engaging in cooperative and collaborative activities and programs with immediate and end-user customers to create or enhance mutual economic value at reduced cost" (Parvatiyar and Sheth, 2000, p. 9). Examples of relationship marketing tactics used in such programs include: (1) loyalty card programs, (2) company credit cards, (3) opting in for personalized offers delivered via mailing and (4) via e-mail lists, and (5) rebate offers (Berry, 1995; Bolton et al., 2000; Noble and Phillips, 2004).

There are examples of how each of these tactics has been employed with favorable outcomes for the firm. Loyalty card programs, like supermarket loyalty cards or airline frequent flyer programs, often result in increased sales, less interest in competitive offers (Nako, 1997), increased share of wallet and increased lifetime value (Meyer-Waarden, 2007). Shoppers who sign up for private label credit cards tend to be the retailer's best customers who want access to increased purchasing power (personal spending increases 5–10% on average), to show affinity for the brand, and to receive communications from the retailer (Ferguson, 2006). Consumers can also receive ongoing communications by signing up for company mailing lists (e.g. Executive Dry Cleaners opt-in direct mail), which promotes an"" ongoing dialogue and positively increases customer

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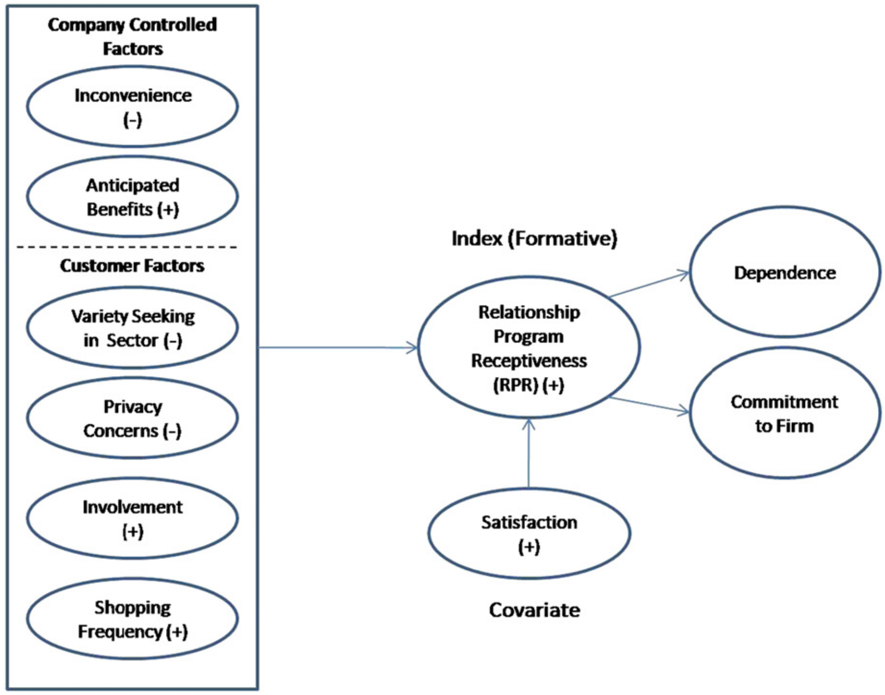

Fig. 1. Conceptual model.

share (Verhoef, 2003). Similarly, consumers can opt-in to enhance their dialogue with the firm online through the online newsletters (e.g. the Whole Foods Fl@vors e-newsletter). Consumers can also enroll to receive rebates in exchange for personal information and patronage at stores including drugstore.com and Dunkin' Donuts, which can increase the frequency or urgency of purchase behavior (Noble and Phillips, 2004).

A customer's RPR, which includes measures of the consumer's intent to engage in these five different relational tactics, captures the consumer's desire to engage in relationship marketing tactics offered by the firm. Testing the model (Fig. 1) provides information about the relative importance of company-controlled relationship marketing program characteristics (inconvenience and benefits) and customer factors (privacy, variety seeking, involvement, and purchase frequency) on RPR. The study also validates the formative RPR index by demonstrating a positive relationship between RPR and commitment and dependence. The RPR index provides an actionable measure, in that, it can help marketers predict what factors (e.g., privacy issues, customer involvement) influence consumer utilization of relationship marketing tactics, and thus, illustrate what aspects of the company or the customer need to be targeted to help enrollment in these relational tactics. Identifying these factors also becomes critical to decision-makers who are trying to estimate return on investments into their relationship marketing programs (Rust et al., 2004).

2. Conceptual model and background

The key goal of the present study is to develop a comprehensive operationalization of a customer's desire to engage in specific types of relational behaviors with a company, including: registering for the company's mailing list, registering for the company's e-mail list, signing up for loyalty cards, applying for a company credit card, and sending in rebate offers. These types of exchanges of information between consumers and the company represent cooperative and collaborative activities [between retailer and customer]…to create or enhance mutual economic value at a reduced cost (i.e., the definition of relationship marketing as proposed by Parvatiyar and Sheth, 2000) (cf. Noble and Phillips, 2004). These five behaviors form customers' willingness to engage in a company's relational marketing tactics, or relationship program receptiveness (RPR). RPR is a formative construct because (1) the direction of causality is from the indicators to the construct, (2) the indicators do not necessarily covary with one another, and (3) a change in the indicators results in a change to the construct under study (Jarvis et al., 2003).

In RPR, the costs (what is given) associated with customer participation in relationship marketing programs are weighed against the benefits (what is received). This conceptualization is consistent with research in equity theory (Adams, 1965; Houston and Gassenheimer, 1987; Huppertz et al., 1978; Oliver and Swan, 1989). When consumers see the inputs (costs) versus outputs (benefits) of a relational tactic as too costly, the relationship is avoided. However, it differs from traditional measures of perceived value because it is an action-oriented construct that captures the customer's intention to engage, an outcome of the costs and benefits associated with the program. This is consistent with our desire to develop a managerially useful measure that predicts engagement in a firm's relationship marketing program.

The Marketing Science Institute defined engagement as “customers' behavioral manifestation toward a brand or firm beyond purchase” (Marketing Science Institute, 2010, p. 4). Although the main actor (customer versus employee) distinguishes customer engagement with a firm from employee engagement with a firm, the extensive research on employee engagement with a firm is useful for understanding customer engagement with a firm. For example, employee engagement has frequently been treated as a behavioral construct because the psychological state of engagement manifests itself in an employee's discretionary effort (e.g. Kahn, 1990). The goal of the behavioral approach is to add interpretive value to the understanding of the engagement construct so the understanding can be tied back to management practice.

Kahn (1990) proposed that employee engagement is associated with three psychological conditions: meaningfulness, safety and availability. People are more willing to expend additional effort if they feel they will be protected and rewarded in a way that matters to them. Less is known about the factors that affect engagement in relationship marketing programs. In one exception, Noble and Phillips