



# *TRANSFORMATIONAL RELATIONSHIP EVENTS*

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DEPARTMENT OF MARKETING

# Exchange Events Can Resonate with Customers

- Negative
  - *“The [ABC] Airlines folks have UP TO TODAY earned and kept my business, I trust them to fly me there and back on time mostly and the flight crew are friendly. I had trusted them to do the right thing by me, and not be part of a scam that tricks people into signing up for magazine subscriptions.”* (ABC customer blog post)
- Positive
  - *“A passenger on my flight misdirected... I found myself in the Southwest employee parking lot...a female SW employee, seeing that I was crying hysterically and was distraught, walked up to me and offered to help...I just wanted you to know how much I appreciated her kindness and that it really amazed me how she went out of her way to sympathize and help with my situation.”* (Letter to Southwest Airlines from passenger)

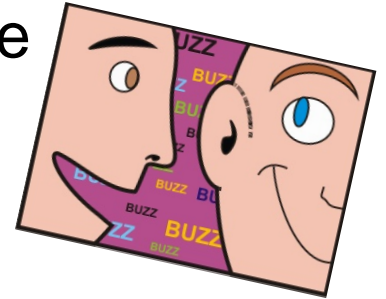
## Motivation

# But Predicting Their Impact is Tough...



- How can one of our best customers become a frothing-at-the-mouth **brand terrorist** overnight?

- How can a customer experience a drastic failure in our core service but remain **loyal**?



- How can we spend **SO MUCH MONEY** on loyalty programs and events but get so little payoff?

# Agenda

## Introduction

## TRANSFORMATIONAL RELATIONSHIP EVENTS

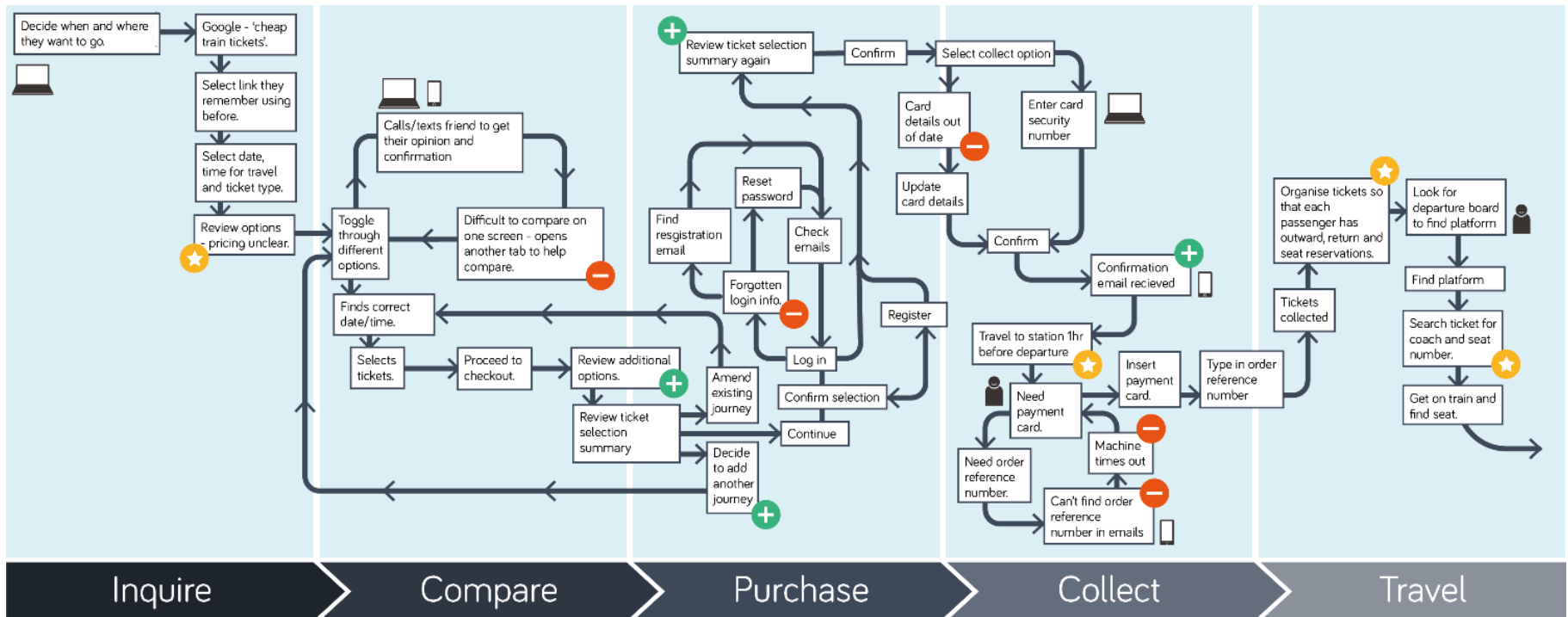
- Study 1: “Proof of concept” (archival data)
- Study 2: Mechanisms of TREs (lab experiment)
- Study 3: Effects of TREs on firm performance (field study/survey)

## Conclusion / Implications

## Motivation

# Exchange Events Can Resonate with Customers

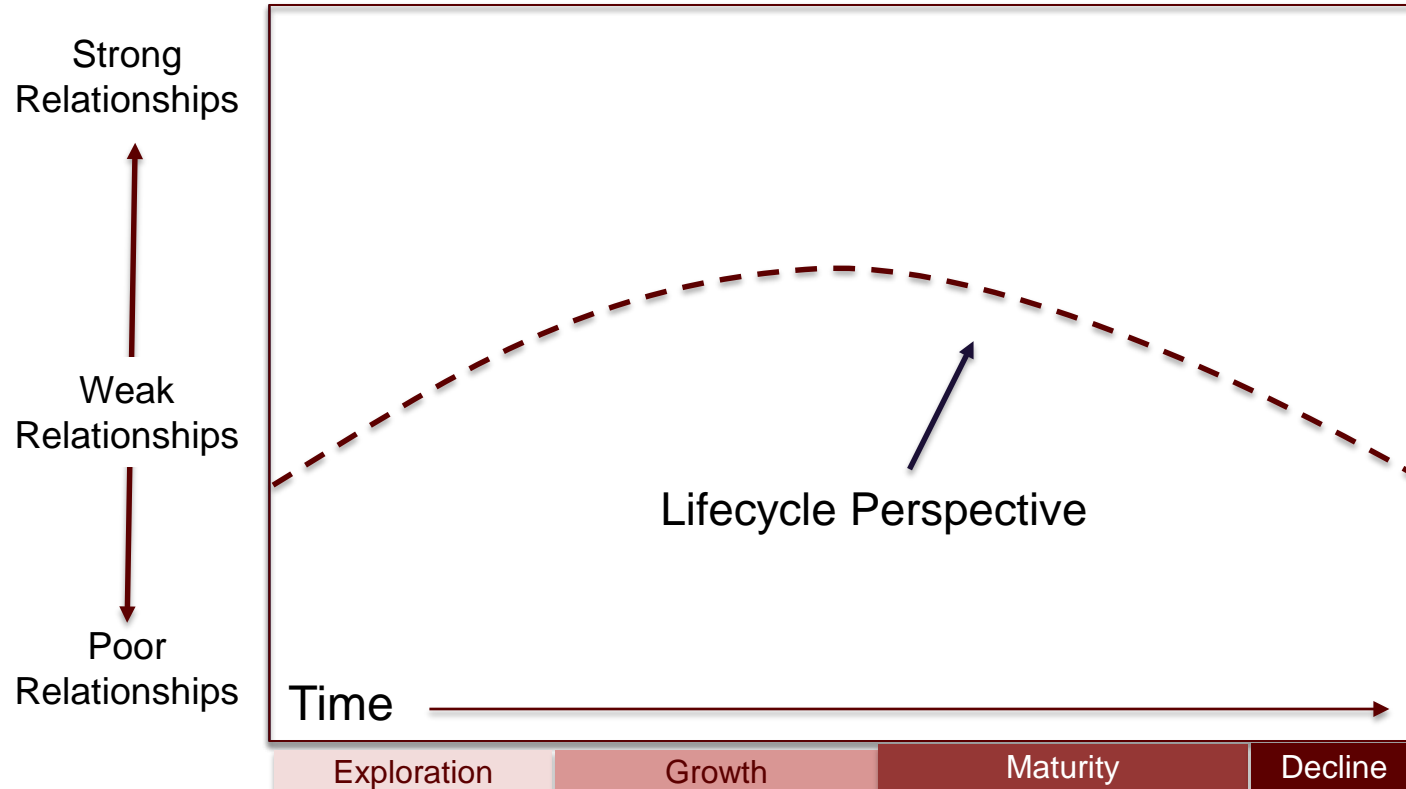
***Exchange events: customer interactions with a seller's personnel, products, services, or technology.***



## Motivation

# But *How* do Events Impact Relationships?

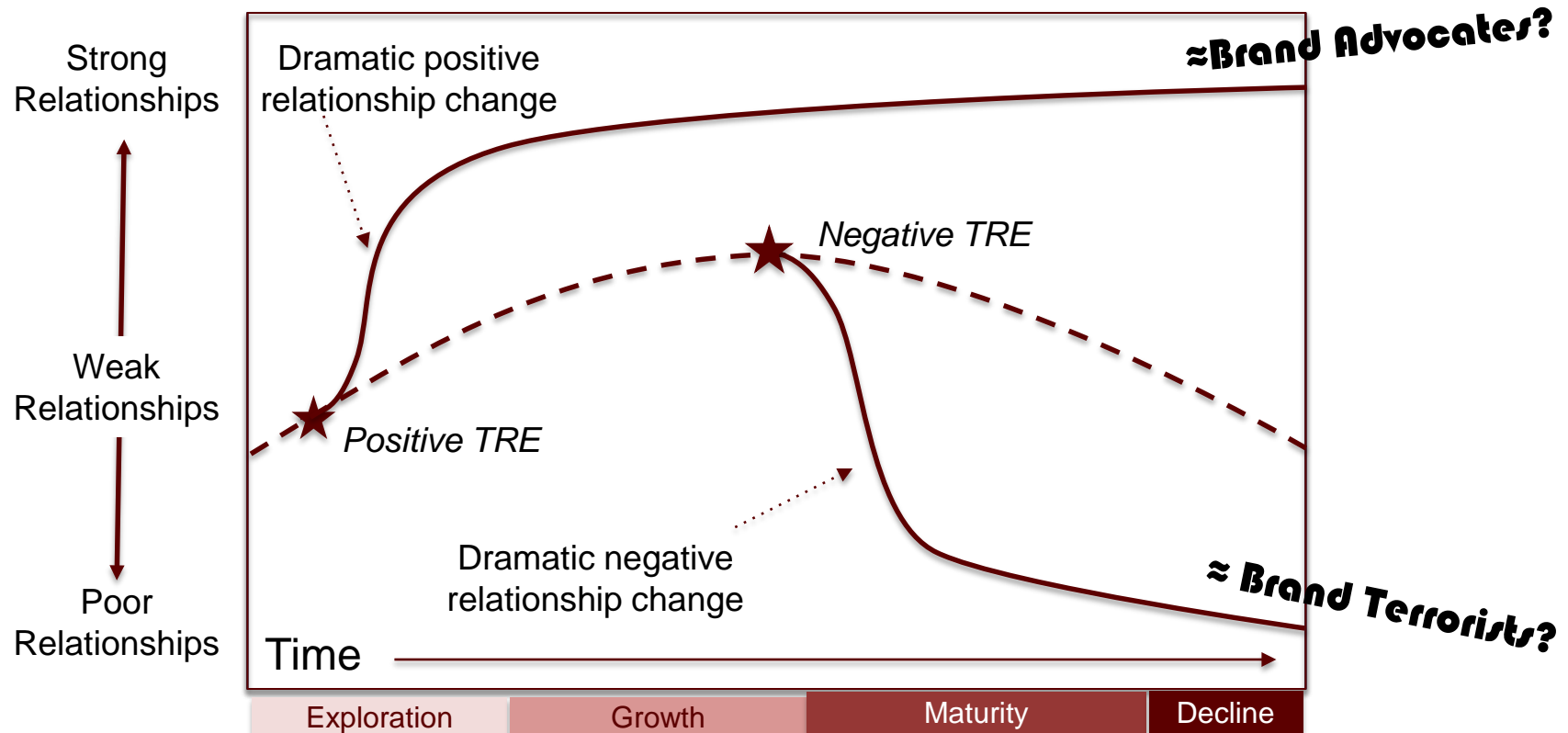
“[I]n these moments ... relationships are built—*one encounter at a time*” (Bitner 1995, p. 248).



## Motivation

# But *How* do Events Impact Relationships?

**Transformational Relationship Event (TRE):** An event between exchange partners that disconfirms *relational expectations* to a degree (+/-) that results in dramatic, discontinuous changes to the relationship's trajectory.



**RQ**

## **What Makes Some Events Transformational and Some Forgettable or Incremental?**

**Does it Matter?**

**Can You Do Anything About It?**



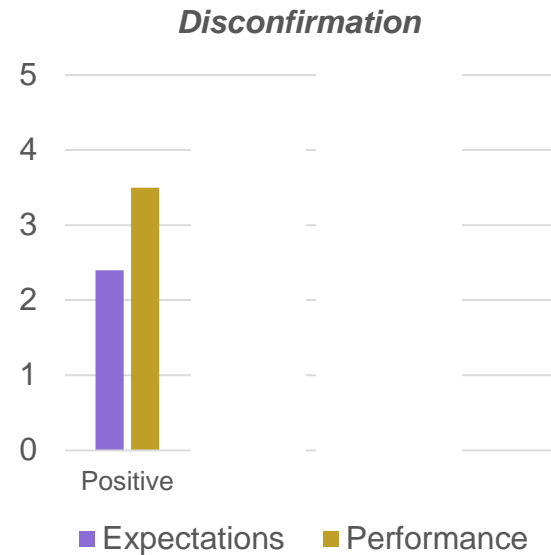
## Theoretical Foundation

# Expectations Are Critical To Customer Response to Exchange Events

EXPECTATIONS  
vs  
REALITY

Customer's Expectations

**Disconfirmation:**  
individual comparison of the event against a predetermined standard (i.e., expectation)\*



Customer Perceptions of Actual Performance



*\*Zone of tolerance/indifference: the range from minimum to maximum acceptable levels around the standard*

**Theoretical  
Foundation**

**Critical distinction:  
*Two Different Types of Expectations ...***

**EXPECTATIONS**  
**vs**  
**REALITY**

**Customer's Expectations**

***PRODUCT***  
**Expectations**

VS

***RELATIONAL***  
**Expectations**



Money/Performance  
Gains/Losses  
Attributions

Trust  
Commitment  
Friendship  
Help the other



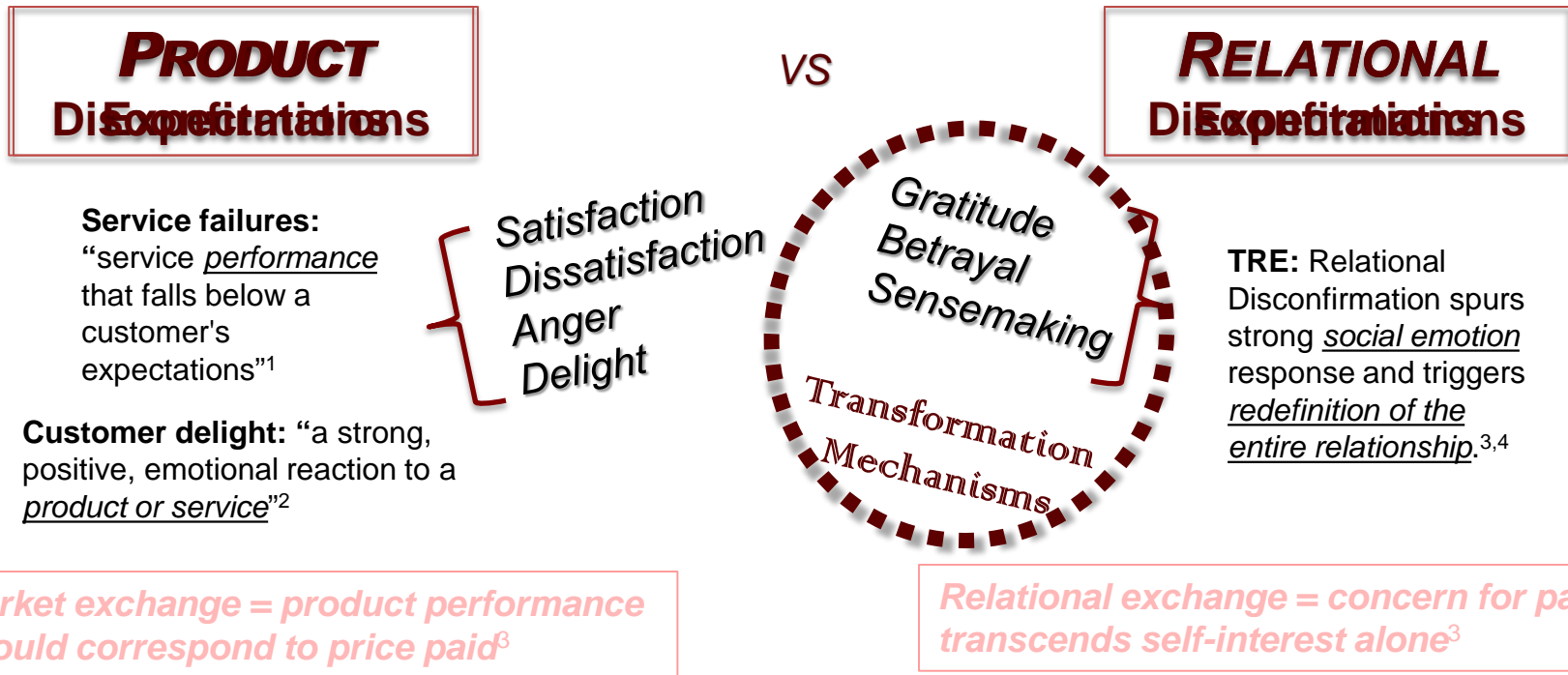
*Market exchange = product performance  
should correspond to price paid*

*Relational exchange = concern for partner,  
transcends self-interest alone\**

**Theoretical  
Foundation**

**Critical distinction:  
*Two Different Types of Expectations...***

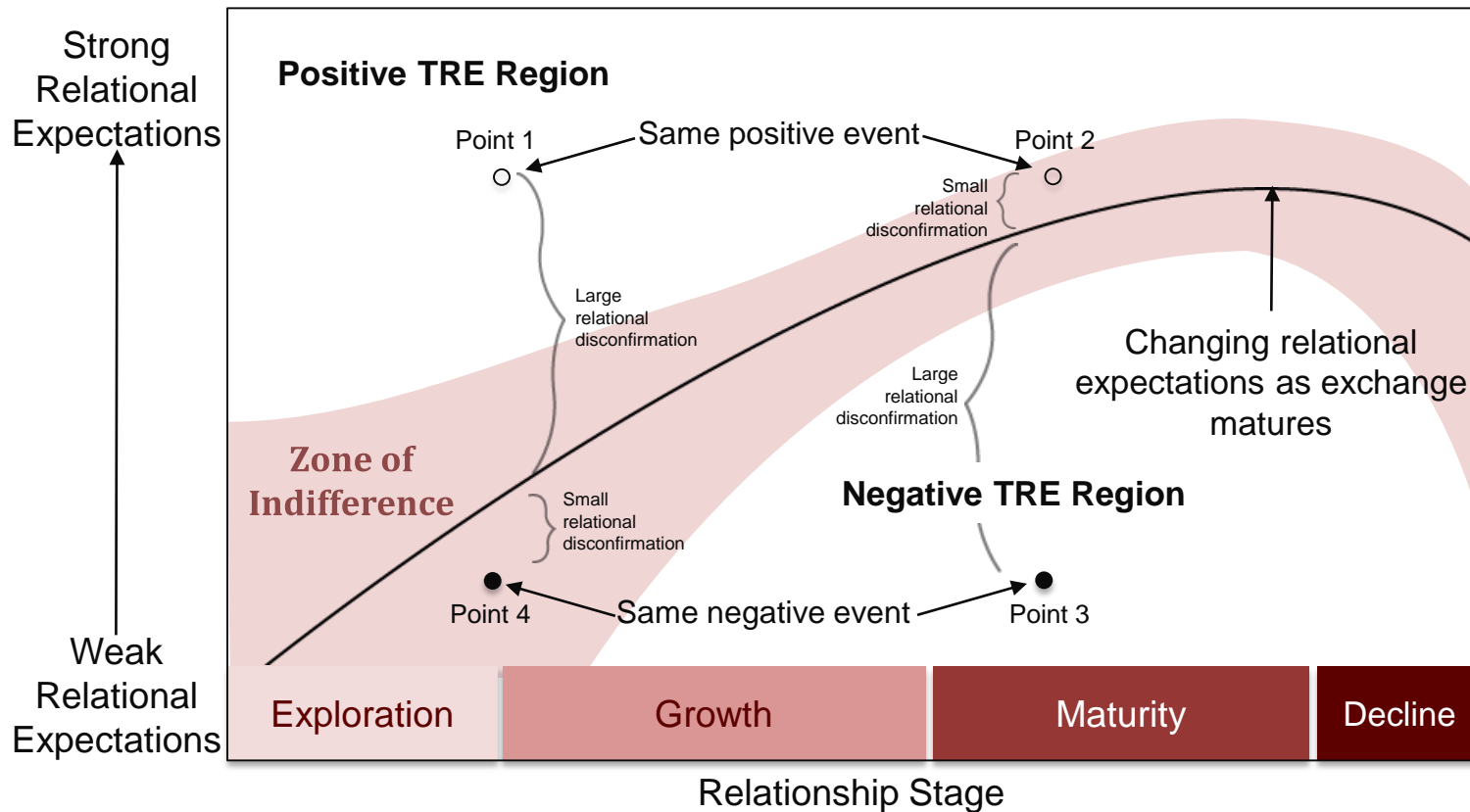
**... And Their *Disconfirmations* Result in  
*Two Different Types of Thoughts and Emotions***



<sup>1</sup>Hofman and Bateson 1997; <sup>2</sup>Oliver, Rust, and Varki 1997; <sup>3</sup>Fiske and Tetlock 1997; Aggarwal 2004

## Theoretical Foundation

# Relational Expectations *CHANGE* as the Relationship Matures



### Takeaway

Same event can have dramatically different impact depending on underlying relational expectations.

# Agenda

Introduction

## **TRANSFORMATIONAL RELATIONSHIP EVENTS**

- Study 1: “Proof of concept” (archival data)
- Study 2: Mechanisms of TREs (lab experiment)
- Study 3: Effects of TREs on firm performance (field study/survey)

Conclusion / Implications

## Study 1

# Initial “Proof of Concept” in Banking Context, Relational vs. Product Events

**Context:** Banking Industry – Actual customer complaint data

**Objective:** Determine if concept behind TREs, *that violations of relational expectations differ in impact from violations of product expectations*, is evident “in the real world”

**Sample:** Propensity score matched sample of 8,798 customers of a financial institution (B2C context)

**Design:** Longitudinal field study; Matched sample of complaining and non-complaining customers; after complaint period (Jan-June 2013), we *examined actual customer retention 15 months later* (Sept. 2014).

\*Complaints coded as *product* or *relational*.

**Analysis:** Binary logistic regression

# Study 1

# Results

TABLE 2

Study 1 Results: Understanding the Role of Relational Expectations in Product and Relational Disconfirmations

Exogenous Variable	Hypothesis	Regression Coefficient	p-value
Constant		-.24	.05
Customer age (years)		-.00	.47
Average number of accounts		.24**	.00
Customer transaction frequency		.00	.13
Total share of wallet		.72**	.00
Total account balances		.07**	.00
Relational expectations (customer tenure in years)		.04**	.00
Negative product disconfirmation		-.30**	.00
Negative relational disconfirmation		-.26*	.05
Relational expectations* <u>negative product</u> disconfirmation	H <sub>1a</sub>	.02*	.05
Relational expectations* <u>negative relational</u> disconfirmation	H <sub>1b</sub>	-.02*	.04

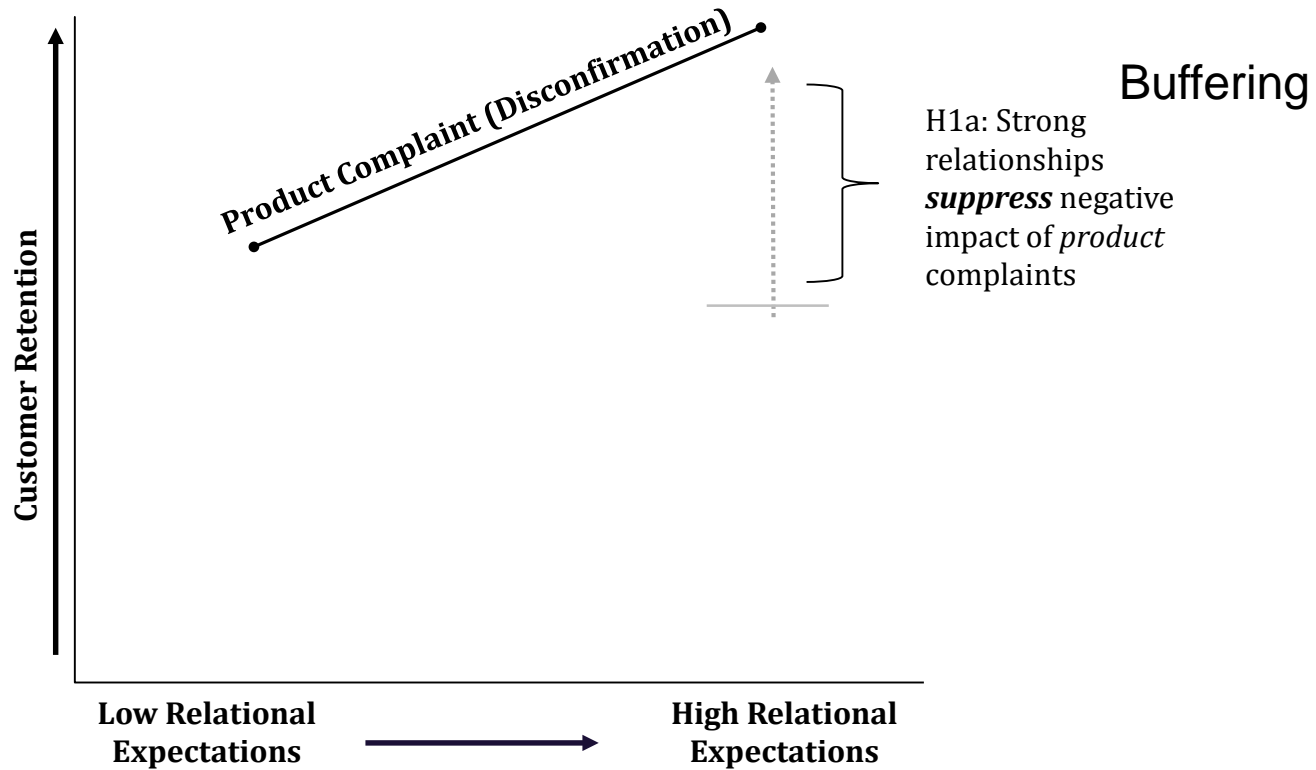
\* $p < .05$ ; \*\* $p < .01$  (one-tailed).

*Higher relational expectation increased likelihood of retention*

*Higher relational expectations **Decreased** likelihood of retention*

## Study 1

# Relational vs. Product Events in Banking Industry





## Study 1

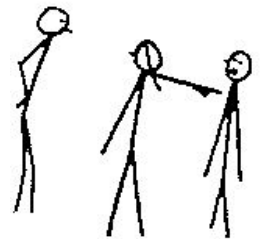
# Results

Wait a minute ... Aren't strong relationships with customers a *good* thing?



YES!! With high relational expectations, customers give us some grace in the face of product failures.

**BUT** recognize that high relational expectations *increase the risk* when there is a relational failure. They raise the stakes...



blame

## Study 2

# Extension to a Restaurant Context and Test of Transformation Mechanisms

**Context:** Restaurant Industry

**Objective:** Test theoretical effects of TREs on transformational mechanisms, customer emotions (gratitude, betrayal), cognitions (sensemaking), compared to other similar events; pos and neg events

**Sample:** 316 participants recruited through Mturk (restaurant context, B2C)

**Design:** Parallel Experiments: Positive and negative events; 2 (type of disconfirmation) x 2 (strength of relational expectations) experimental design

**Analysis:** Analysis of Covariance (ANCOVA)

## Study 2

# Scenarios and Manipulations

All Participants ...

Brennan's is an upscale restaurant near your house. The owner, Chris Brennan ...



Half

Half

**Low** relational expectations...



**High** relational expectations...

## Controls

Alternatives/switching costs

Relationship age

**Product expectation: ~\$17.00**

Brennan's will accommodate any customer's special requests as long as they are willing to pay the associated costs. You feel the owner is very knowledgeable and works hard to provide good products. You use Brennan's loyalty card because it saves you money and earns you points towards rewards. If you refer someone to Brennan's, you receive a discount on your next visit, as an incentive. You realize the restaurant has many customers and you feel you are just one of many Brennan's customers.

You have a strong relationship with Brennan's who always goes out of the way to care for your special requests. You feel Chris has taken a personal interest in you and makes a point to always greet you. You use Brennan's loyalty card because you know it saves the restaurant money and you enjoy helping Brennan's. You have gone out of your way to refer several friends and family to Brennan's because you want to contribute the restaurant's success. Although the restaurant has many customers, you feel you are part of a special Brennan's family.

## Study 2

# Scenarios and Manipulations

Your parents are coming to town and you decide to take them to Brennan's.

### Product Disconfirmation

*Negative*

*Product expectation: ~\$17.00*

*Positive*



When you arrive at the restaurant, you ask for a recommendation and the hostess describes their seasonal entrées. You choose one for your meal. The dish arrives shortly after you order and is of high quality to other dishes you have had at the restaurant. When you get the bill, you notice the seasonal entrée cost \$25.00. You pay and leave.



When you arrive at the restaurant, you ask for a recommendation and the hostess describes their seasonal entrées. You choose one for your meal. The dish arrives shortly after you order and is of high quality to other dishes you have had at the restaurant. When you get the bill, you notice your entrée cost \$9.00. You pay and leave.

### Relational Disconfirmation

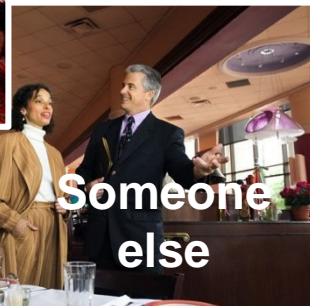
*Negative*

*Positive*

When you arrive at the restaurant, you see a hostess and smiles at you. She informs you that your parents are coming and there is a very long wait.

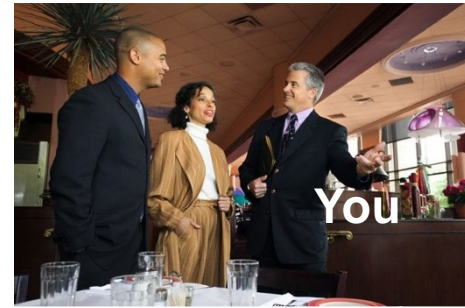


**You**



**Someone else**

The hostess, "This is our best table and then personally. After a long wait, you are seated at a table in the dining room." Chris personally greets you and says, "Welcome to Brennan's. You are one of my favorite customers."



**You**

When you arrive at the restaurant you see a hostess and smiles at you. She informs you that your parents are coming and there is a very long wait.



**Someone else**

The hostess, "This is our best table and then personally. After a long wait, you are seated at a table in the dining room." Chris personally greets you and says, "Welcome to Brennan's. You are one of my favorite customers."

## Study 2

# Results: Experimental Tests of How TREs Work

Dependent Variable and Condition (Type of Disconfirmation)	Negative Model				Positive Model			
	Test of 2x2 Interaction		Comparison of TRE Condition with Other Cells		Test of 2x2 Interaction		Comparison of TRE Condition with Other Cells	
	Hypotheses	F(1,108)	Low Relational Expectations	High Relational Expectations	Hypotheses	F(1,120)	Low Relational Expectations	High Relational Expectations
<b>Test of Study 2 Hypotheses</b>								
Customer betrayal/gratitude	H <sub>2a</sub>	18.21**			H <sub>3a</sub>	7.16**		
Product disconfirmation		R <sup>2</sup> =.37	3.12ac	2.31b		R <sup>2</sup> =.32	4.34a	5.22b
Relational disconfirmation			3.72c	<b>5.20d</b>			<b>6.38c</b>	6.12c
Relational sensemaking	H <sub>2b</sub>	9.94**			H <sub>3b</sub>	6.94**		
Product disconfirmation		R <sup>2</sup> =.41	4.12a	3.34b		R <sup>2</sup> =.18	3.79a	4.19ab
Relational disconfirmation			5.25c	<b>5.99d</b>			<b>5.52c</b>	4.67ab
Relationship velocity	H <sub>2c</sub>	4.86**			H <sub>3c</sub>	7.26**		
Product disconfirmation		R <sup>2</sup> =.29	-0.31a	-0.27a		R <sup>2</sup> =.21	1.10a	1.37ab
Relational disconfirmation			-1.04b	<b>-1.83c</b>			<b>2.30c</b>	1.73b

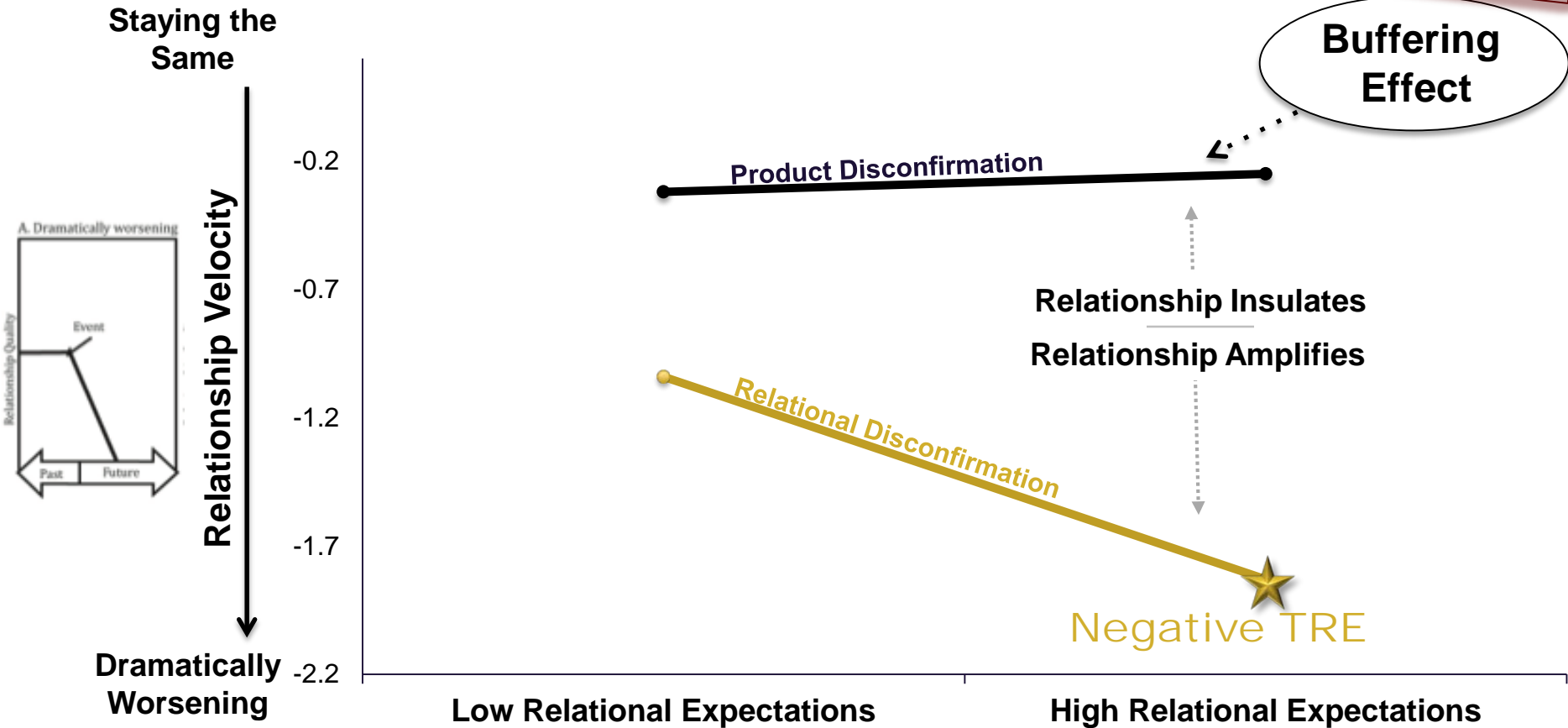
\*\* $p < .01$  (one-tailed for hypothesized effects)

**Notes:** For each measure, overall cell means with distinct subscripts differ significantly at  $p < .05$ . The boxed cell means represent the TRE condition for each comparison. Relationship velocity is measured with a visual depiction of the rate and trajectory of change, from -3 (dramatically worsening) to +3 (dramatically improving). Typicality (Positive: 3.10; Negative: 4.23) was entered into the model as a covariate.

## Study 2

# Negative TREs vs. Other Disconfirming Events

Negative TREs are 5 times more likely to dramatically worsen relationships than any other event



## Study 2

# Positive TREs vs. Other Disconfirming Events

Positive TREs are 2.5 times more likely to dramatically improve relationships than any other event

Dramatically Improving

Relationship Velocity

Staying the Same

2.4  
2.2  
2  
1.8  
1.6  
1.4  
1.2  
1

Positive TRE

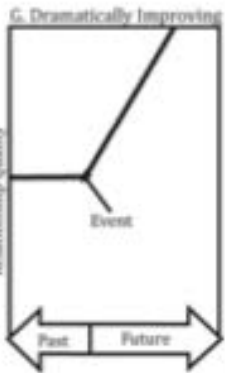
Relational Disconfirmation

Product Disconfirmation

Dramatic Impact  
Incremental Impact

Low Relational Expectations

High Relational Expectations



Study 2+

## Deeper Insights and Illustrative Quotes

### Buffering Effect In Action

**3X** more likely to report favorable attributions after a product disconfirmation when there is a strong relationship

*“I trust that they will make up for this problem on my next visit.” “It must have cost them more for the special.”*

(high relational expectations x product disconfirmation condition)



### Upper Threshold of Positive Events

**27%** participants in positive TRE condition that expressed at least one suspicious thought.

*“I would be a little suspicious. Why is Chris doing this?”*

(low relational expectations x relational disconfirmation condition)





## Study 2

# Results and Next Steps

1

TREs (large relational disconfirmations) **drive significantly higher transformational mechanisms** than other disconfirming events

2

Strong relationship

- **buffers** the effect of a negative *product* disconfirmations,
- but **intensifies** the effects of negative *relational* disconfirmations

3

Average effects of Negative TREs is **3.5 times** that of Positive TREs (consistent with negativity bias)

4

**Positive threshold** identified beyond which “**too desirable**” events elicit negative response (**customer suspicion**)

**Study 3:**

**How can firms manage TREs?**

## Study 3

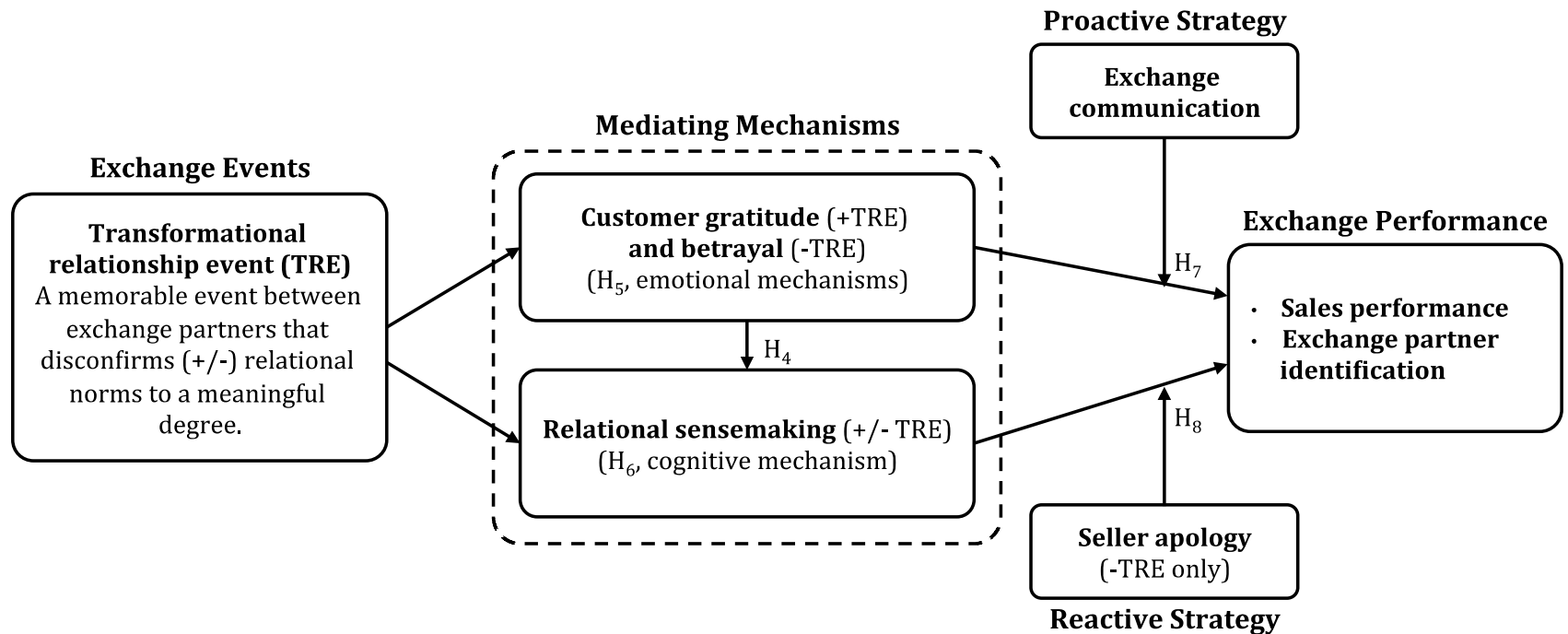
# How TREs Affect Firm Performance and Strategies for Managing TREs (B2B Supply Context)

Study 3

Study 2

FIGURE 3

Study 3: Effects of Transformational Relationship Events on Exchange Performance





### Study 3

# Research Context, Sample, Design, Analysis

**Context:** Fortune 500 manufacturing firm; durable goods industry; large customer based ranging in relationship age, account size

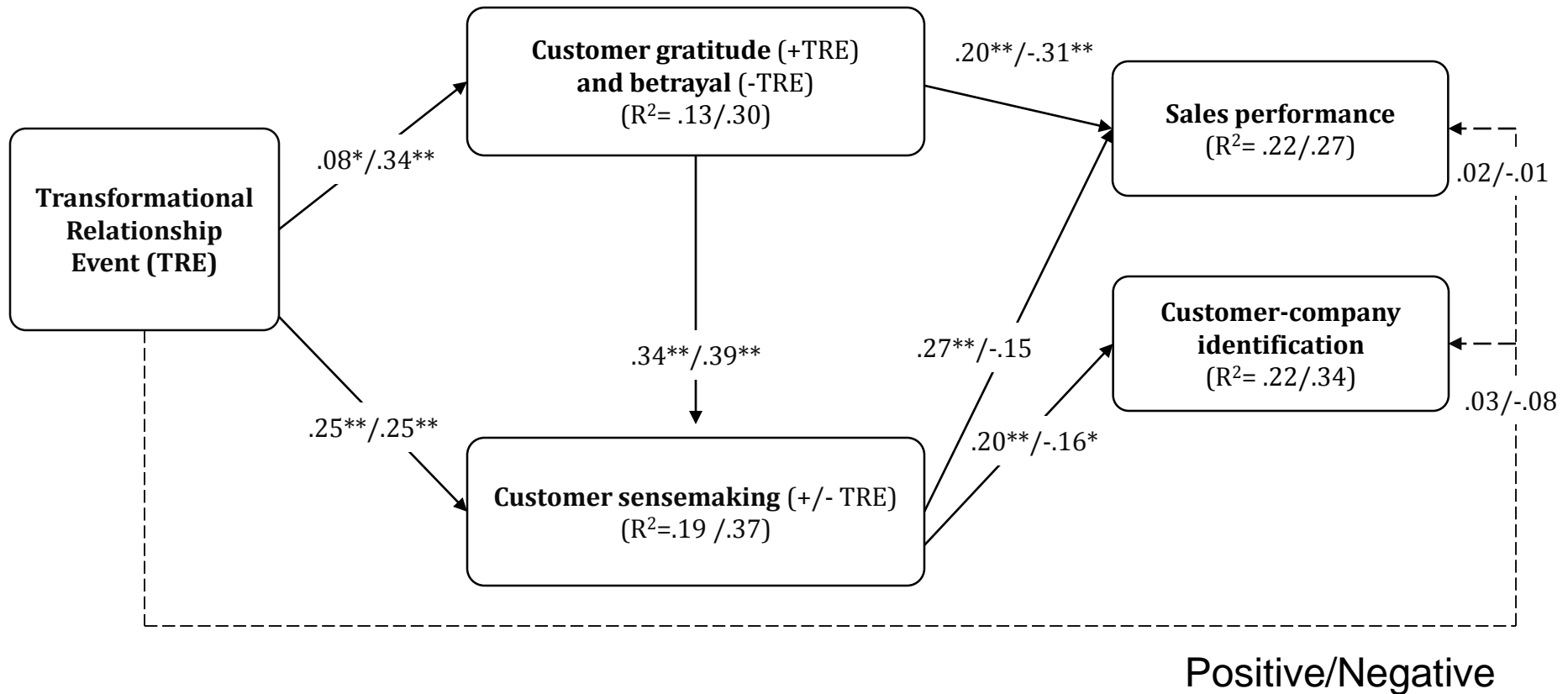
**Sample:** On-going channel relationships; former channel relationships; N=773 (626 positive events, 147 negative events)

**Design:** Field study; critical incident technique to identify exchange events

**Analysis:** Partial least squares to test overall nomological network and moderators

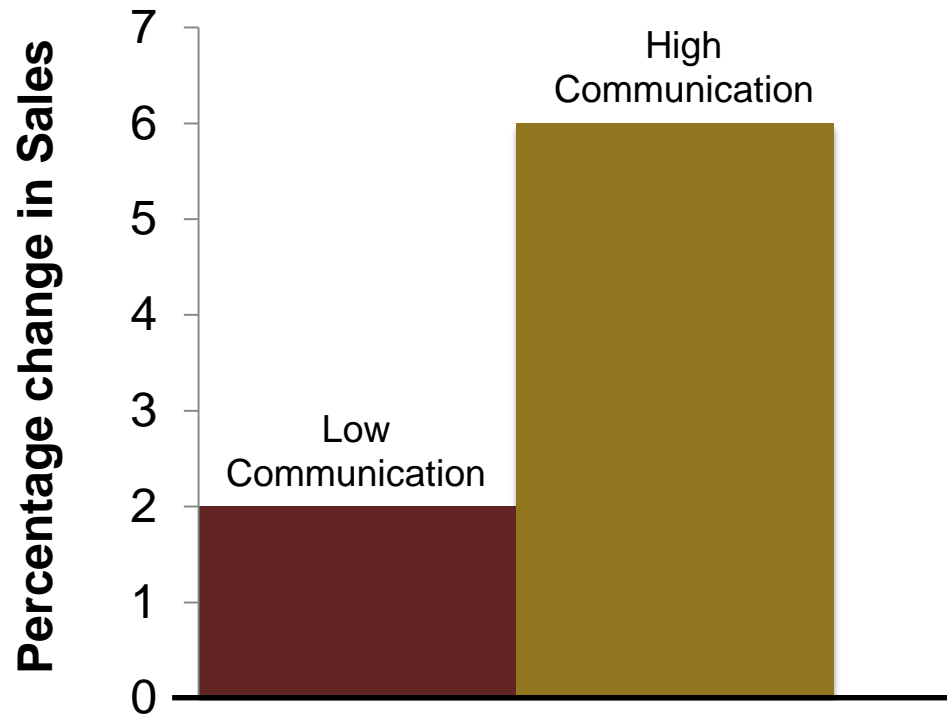
## Study 3

# Results: How TREs Impact Performance



## Study 3

# The Power of Effective Communication (Proactive Strategy)

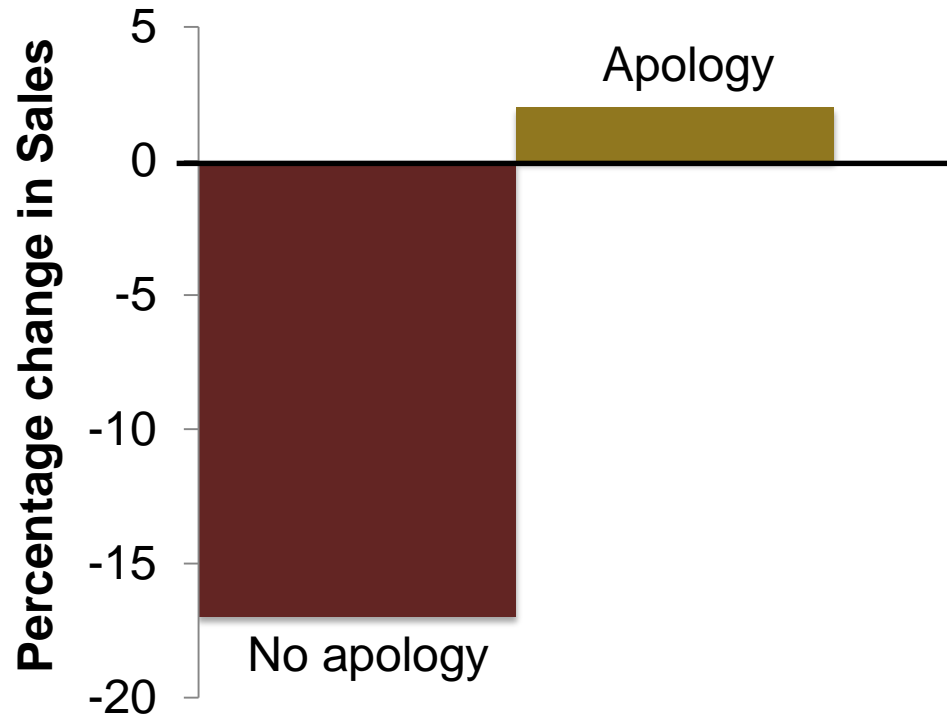


**Communication** –  
timely sharing of  
meaningful information

Amplifies effectiveness of positive TREs

## Study 3

# The Power of a Sincere\* Apology (Reactive Strategy)



Mitigates the impact of negative TREs

- \*Sincere apology =
  - Remorse
  - Taking Responsibility (without excuse)
  - Willingness to Make Restitution
  - Promise to Change
- (Miller et al. 2013)

# Agenda

Introduction

## TRANSFORMATIONAL RELATIONSHIP EVENTS

- Study 1: “Proof of concept” (archival data)
- Study 2: Mechanisms of TREs (lab experiment)
- Study 3: Effects of TREs on firm performance (field study/survey)

**Conclusion / Implications**

# What does this Mean for Business Managers?

1

## Customer engagement design and deployment

- “Window of disconfirmation” for calibrating rewards; must exceed zone of tolerance but fall below suspicion threshold
- More opportunities early (e.g. customer onboarding)
- Engagement that elicits and/or guides sensemaking (experiential)

2

## Customer research

- Measurement of **relational disconfirmation** to improve strategy
- Identify gaps in relational expectations between buyer and seller

3

## Dynamic customer segmentation

- Plateau in relationship trajectory = candidate for positive TRE
- Steep incline = potential brand advocates, e.g. referral programs
- Steep decline = minimize threat of brand terrorists

***Single events can spark transformational change that creates firms' most active (positive/negative) customers.***

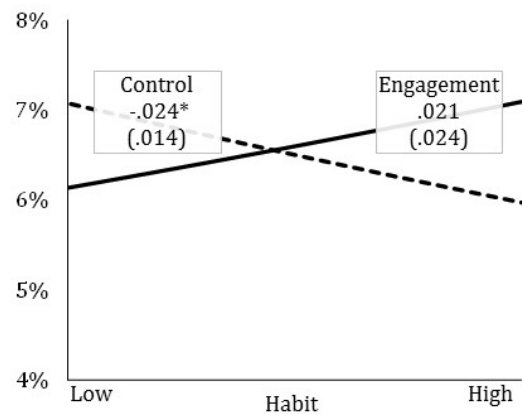


**Thank You**

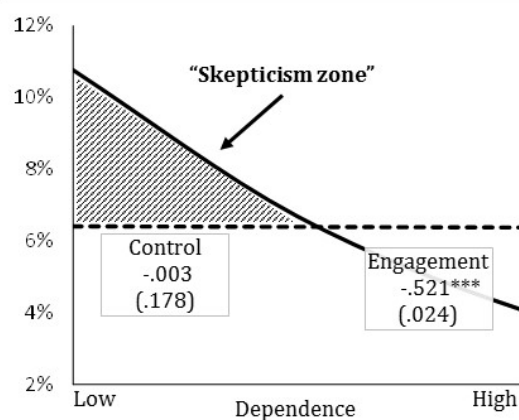
## Next Steps

# Transforming or Solidifying Customer Inertia: Balancing the Intended and Unintended Effects of Customer Encounters

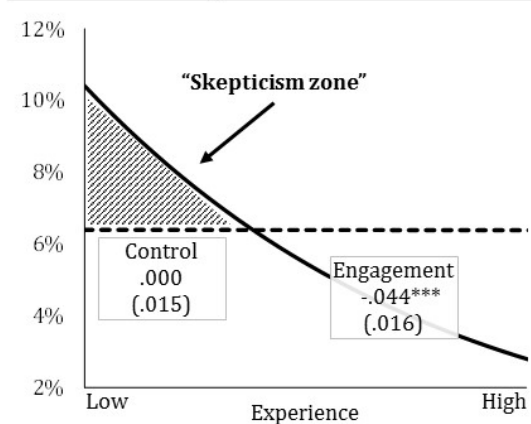
A: Effect of Habit on Defection Rate



C: Effect of Dependence on Defection Rate

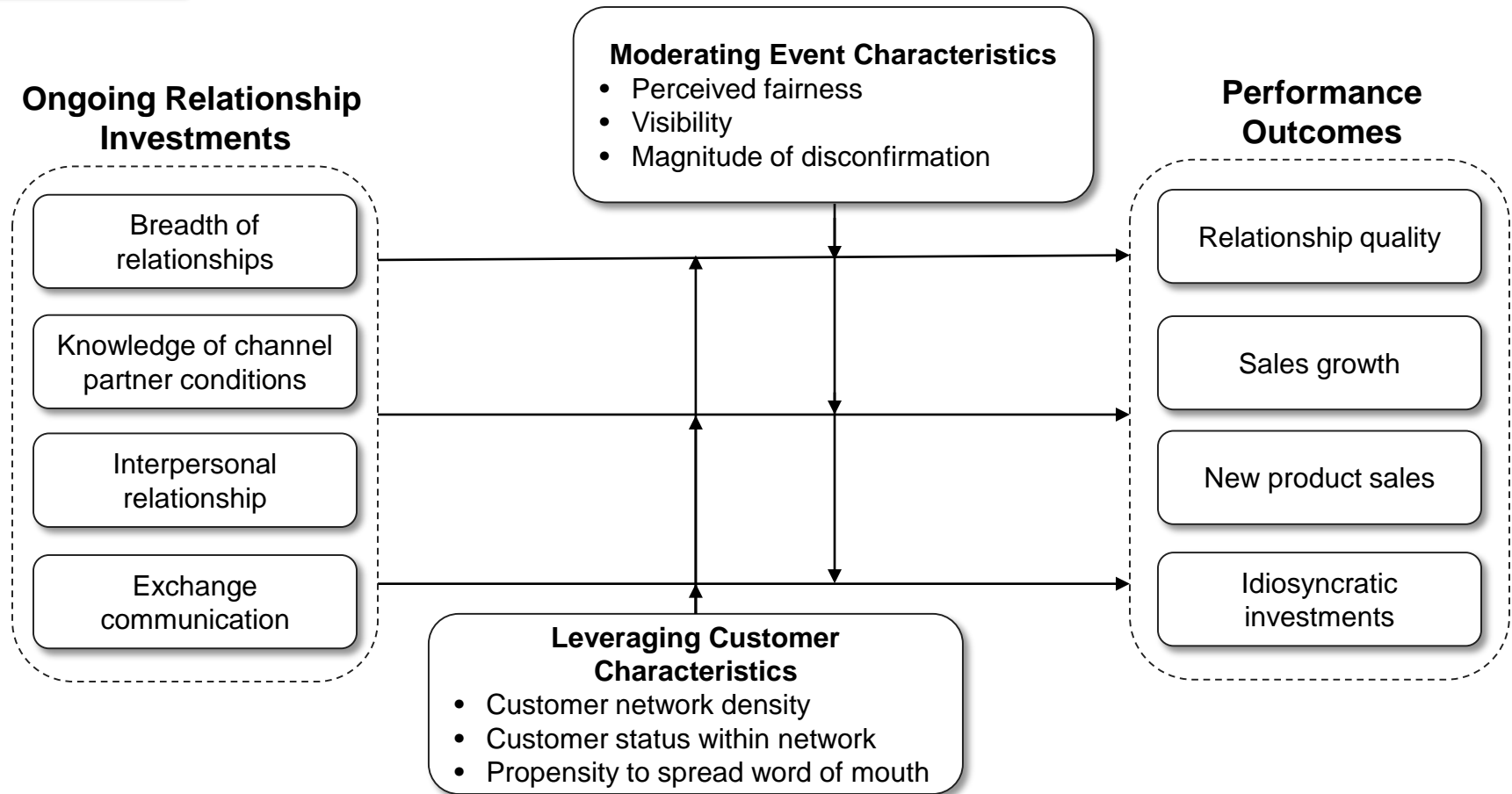


E: Effect of Experience on Defection Rate



- **Primary research question:** *How do customer encounters disrupt or solidify customer inertia?*
- **Data:** Matched sample of telecom customers; lab experiment **Analysis:** multinomial logit, ANOVA
- **Co-authors:** Henderson, Palmatier, Steinhoff
- **Revision requested at Journal of Marketing Research**

# Ripple Effects and the Development of Relationships Between Groups



- **Primary research question:** *how do discrete events affect the development of relationships between groups?*
- **Data:** Collected, matched sample of direct and indirect customers; **Proposed analysis:** HLM, network analysis
- **Co-authors:** Houston

# Back-up Slides

# Illustrative Quotes

## Negative Transformation

### Quote

I will warn my friend about this company. I can't believe I recommended them earlier.

Considering the difference in price I have to start questioning how much over the years I've been overcharged. Shake my hand and stab me in the back.

Oh, my God! AutoShop and Alex aren't what they seem to be. This is cheating. This is outright dishonest! How could he do that to me? I thought he was such a nice guy. And I had given him so much of business! He charged me for the part more than it actually costed. And how stupid was that to leave the original shipping bill on my seat! But, it is good that I know now what he really is. I would be careful next time, or perhaps I would shift to some other service provider.

### Interpretation

Transformed previous self as a loyal customer to an undesired self  
Questioning past interactions

Transforming past events

# Why Study Events?

- Up to **40% of “loyal” customers** under traditional RM strategies are **not profitable**.<sup>1</sup> And loyal customers can become **“brand terrorists”**
- US firms **lose up to half their satisfied customers** every 5 years **stunting performance** between 25-50%<sup>2</sup>, often these are attributed to **relational problems**
- Typical research methods such as cross-sectional design, aggregation and trend analysis **mask the effects of single events**
  - In many empirical studies single events are often treated as outliers and discarded
- In test of lifecycle theories, approximately one-fourth of relationships undergo **dramatic, transformational change**<sup>3</sup> and find that **a single event** can increase the likelihood of **relationship transformation** up to 58%<sup>4</sup>

## Background Research

# Research on Turning Points in Interpersonal Relationships

Reference	Context	Empirical Approach	Definitions and Descriptions (Conceptual Papers) or Findings (Empirical Papers)
Bolton 1961	Interpersonal relationships	Conceptual	"Turning points are ... episodes of interaction ... which crystallize tentative commitments ... by reassessments of self and other.... Interpersonal ... change is conceived ... not simply an addition or an unfolding of an existing theme, but a reformulation, an employing of a new vocabulary, a shift from one perspective to another.... Turning points [are] points of transformation" (pp. 236-37).
Huston et al. 1981	Premarital relationships	Trend analysis and dyadic survey	The type of turning point event is associated with one of four relationship trajectories (accelerated-arrested, accelerated, intermediate, prolonged), according to the respondent-generated longitudinal graphs of turning points and subsequent changes in the probability of marriage.
Lloyd and Cate 1984	Dissolved premarital relationships	Retrospective interview technique, longitudinal graph of change in relationship involvement	Four types of relational attributions for emerge turning points: (1) dyadic (both partners), (2) individual (one partner), (3) network, and (4) circumstantial. They vary by stage (e.g., dyadic associated with build-up and individual associated with decline) and rate of change (e.g., dyadic associated with moderate and rapid increase, individual associated with moderate and rapid decrease).
Baxter and Bullis 1986	Dyadic romantic relationships	Retrospective interview technique; longitudinal graph of change in relationship commitment	"In contrast to the image of relationship development as a process of creeping incrementalism with indistinguishable points of change,... findings ... support a view of relationship growth as ... discrete events that are accompanied by positive or negative explosions of relational commitment" (p. 486).
Planalp, Rutherford, and Honeycutt 1988	Friendships and romantic relationships	Modified diary technique, longitudinal survey	Events that undermine relational knowledge create uncertainty, which amplifies "emotional, cognitive, and relational response[s]" and prompts "changes in knowledge structures such as scripts, schemas, story grammars, frames" (pp. 516, 17).
Bullis and Bach 1989	Individual-organization relationships	Retrospective interview technique; longitudinal graph of change in identification	Turning points have both immediate and long-term effects on individuals' organizational identification that vary, such that events with "the greatest impact on identification are different from the events associated with ... stronger long-term effects" (p. 289).
Graham 1997	Post-divorce relationships	Retrospective interview technique; longitudinal graph of change in commitment	"Turning points capture ... an event or incident that has impact and import. Turning points trigger a reinterpretation of what the relationship means to the participants. These new meanings can influence the perceived importance of and justification for continued investment in the relationship" (p. 351).
McLean and Pratt 2006	Life stories of personal relationships	Longitudinal survey	Events can elicit two types of meaning: lessons and insights. Specifically, "Lessons are specific meanings that are often behaviorally driven and are applied only to similar kinds of events in parallel situations.... Insights are meanings that extend beyond the specific event to explicit transformations in one's understanding of oneself, the world, or relationships" (p. 715). In addition, a "Redemptive sequence, when bad turns to good in stories," is linked to more optimism and higher well-being in the relationship (p. 716).

# Differences in Lifecycle and Turning Point Theories of Relationship Development

## Lifecycle Theories

## Turning Point Theories

### Importance and impact of events

1

- Easily assimilated
- Incremental change mental model
- Builds on relationship history

- Contrasts mental models
- Alters perception of past events
- Defining moment for narrative

### Role of emotions in relationship change process

2

- Outcomes of relationship appraisal
- e.g. satisfaction, dissatisfaction

- Intense social emotions (KEY)
- Drives cognitions and behaviors
- e.g. gratitude, betrayal

### Reformulation of exchange partner self identity

3

- Change in outward/partner directed relationship variables (e.g. trust)
- Individual remains unchanged

- TREs prompt psychological reformulation of self-identity

### Change in “relationship trajectory”

4

- gradual movement through stages
- Assumes common trajectory

- Explosions of commitment
- Dramatic change in trajectory



# Study 1 & 2

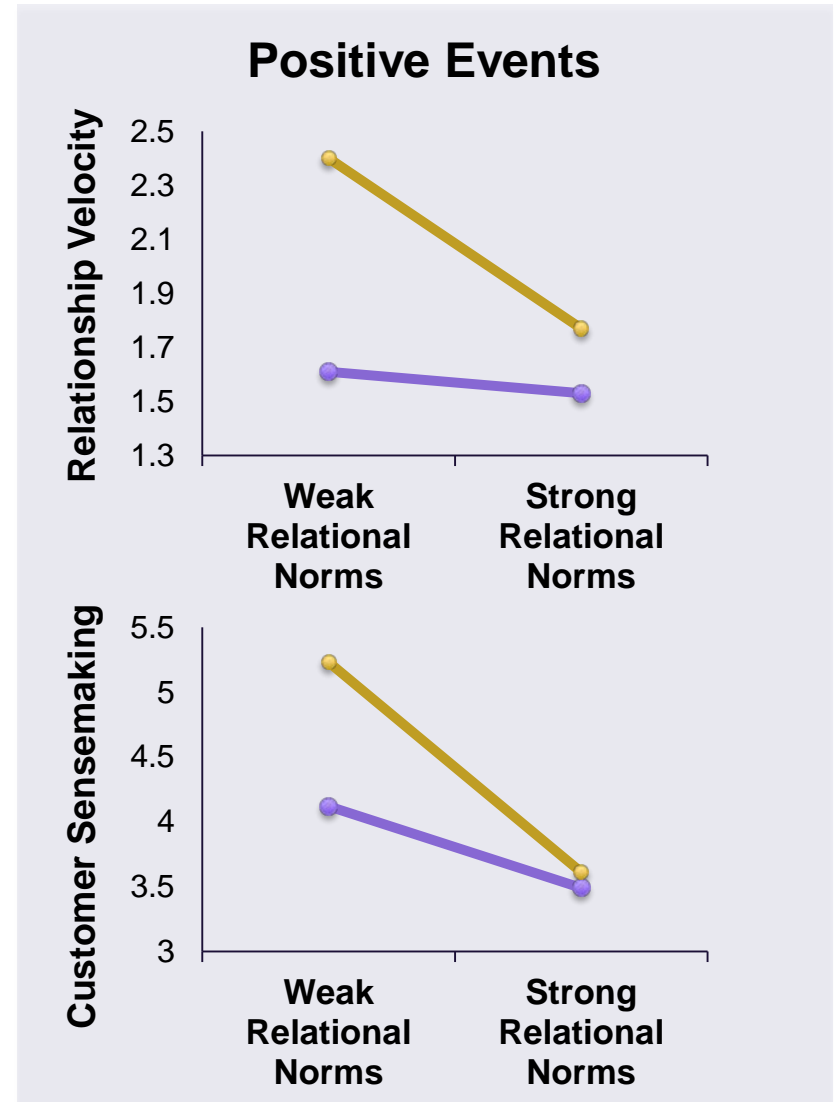
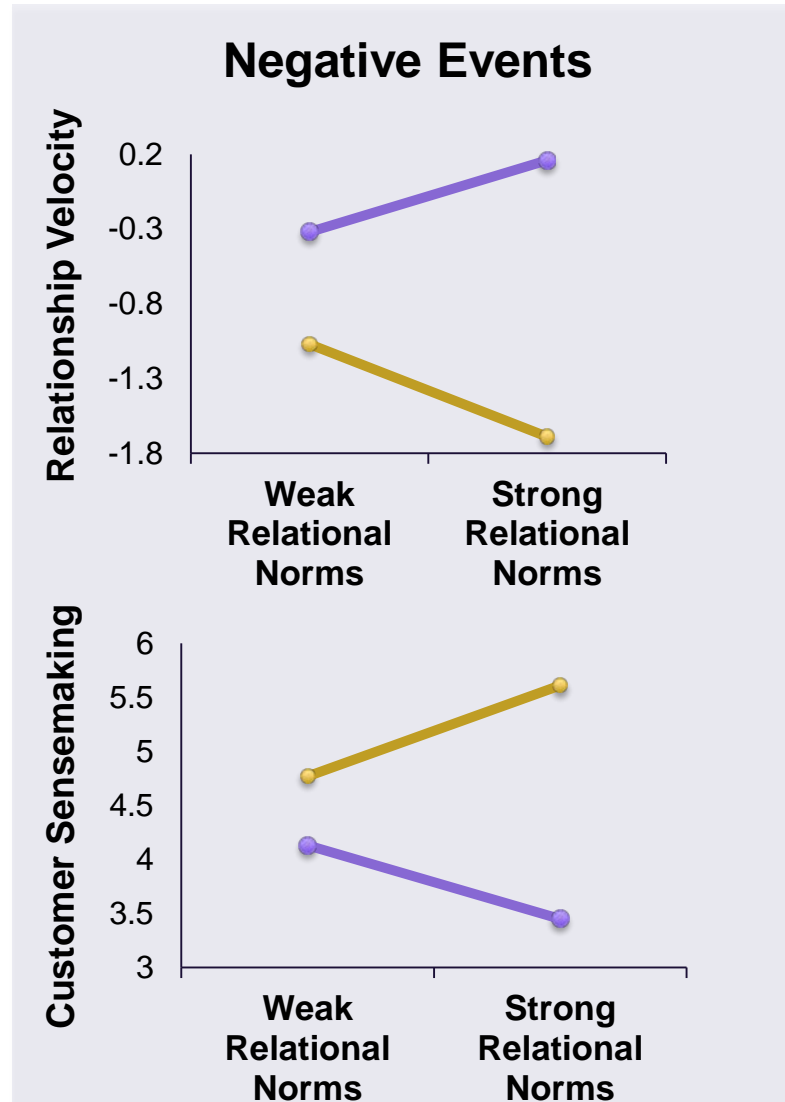
## Descriptive Statistics and Correlations

Constructs	Study 1			Study 2			1	2	3	4	5	6	7	8	9	10	11	12	13	14
	M	SD	AVE	M	SD	AVE														
1. Transformational relationship event (TRE)	4.14/4.48	1.58/1.61	.77/.92	2.91/3.11	0.74/0.84	.73/.73	<b>.92/.94</b> <b>.92/.89</b>	.73/.40	.59/.27	.69/.44	-.16/NA	.09/NA	NA/-.17	NA/-.16	NA/-.39	NA/-.18	NA/.13	NA/.10	NA/-.01	NA/-.18
2. Customer gratitude/betrayal	6.28/2.91	1.02/1.57	.83/.79	3.86/2.63	0.79/1.04	.83/.84	.17/.10	<b>.93/.94</b> <b>.94/.94</b>	.72/.63	.74/.55	-.17/NA	.07/NA	NA/-.43	NA/-.32	NA/-.53	NA/-.41	NA/.04	NA/.07	NA/.00	NA/.43
3. Customer reciprocating/punishing behaviors	5.22/2.59	1.32/1.67	.77/.89	2.97/1.92	0.74/0.90	.73/.84	.01/.31	.48/.37	<b>.91/.96</b> <b>.89/.96</b>	.63/.49	-.12/NA	.04/NA	NA/-.43	NA/-.39	NA/-.42	NA/-.39	NA/.07	NA/-.13	NA/.03	NA/-.31
4. Customer sensemaking	4.11/4.49	1.56/1.60	.77/.81	3.16/2.86	0.79/1.03	.79/.81	.51/.28	.27/.36	.35/.34	<b>.91/.93</b> <b>.92/.93</b>	-.14/NA	.06/NA	NA/-.32	NA/-.20	NA/-.37	NA/-.31	NA/.18	NA/.17	NA/-.08	NA/-.27
5. Typicality of event	3.52/4.46	1.62/1.45	.71/.62	NA/NA	NA/NA	NA/NA	-.13/NA	-.01/NA	-.05/NA	-.06/NA	<b>.88/.78</b> <b>NA/NA</b>	.12/NA	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA
6. Importance of good service	5.98/5.79	0.90/0.84	NA/NA	NA/NA	NA/NA	NA/NA	-.01/NA	.35/NA	.22/NA	.10/NA	.12/NA	<b>NA/NA</b> <b>NA/NA</b>	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA
7. Sales performance	NA/NA	NA/NA	NA/NA	9.97/ -7.15	26.18/ 23.07	NA/NA	NA/.15	NA/.27	NA/.26	NA/.32	NA/NA	NA/NA	<b>NA/NA</b> <b>NA/NA</b>	NA/.20	NA/.20	NA/.21	NA/-.17	NA/.09	NA/.06	NA/.20
8. Customer-company identification	NA/NA	NA/NA	NA/NA	3.61/3.18	0.74/0.81	.57/.56	NA/.05	NA/.43	NA/.36	NA/.26	NA/NA	NA/NA	NA/.23	<b>NA/NA</b> <b>.84/.80</b>	NA/.45	NA/.44	NA/.04	NA/.11	NA/-.06	NA/.43
9. Exchange communication	NA/NA	NA/NA	NA/NA	3.90/3.29	0.88/1.00	.62/.56	NA/.07	NA/.41	NA/.29	NA/.21	NA/NA	NA/NA	NA/.12	NA/.40	<b>NA/NA</b> <b>.82/.78</b>	NA/.47	NA/-.04	NA/.00	NA/-.02	NA/.41
10. Seller apology	NA/NA	NA/NA	NA/NA	NA/2.90	NA/1.03	NA/.83	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA	<b>NA/NA</b> <b>NA/.83</b>	NA/NA	NA/.27	NA/.01	NA/.27
11. Time since event (months)	NA/NA	NA/NA	NA/NA	45.53/ 43.51	111.61/ 77.68	NA/NA	NA/.09	NA/.01	NA/.05	NA/.05	NA/NA	NA/NA	NA/-.10	NA/-.04	NA/.05	NA/NA	<b>NA/NA</b> <b>NA/NA</b>	NA/.13	NA/-.09	NA/.07
12. Relationship age	NA/NA	NA/NA	NA/NA	6.36/6.18	2.47/ 2.51	NA/NA	NA/.02	NA/.02	NA/-.01	NA/.02	NA/NA	NA/NA	NA/.01	NA/.04	NA/.07	NA/NA	NA/.01	<b>NA/NA</b> <b>NA/NA</b>	NA/.08	NA/.00
13. Customer size	NA/NA	NA/NA	NA/NA	477.19/ 369.63	2689.33/ 2167.23	NA/NA	NA/-.06	NA/.01	NA/-.06	NA/.03	NA/NA	NA/NA	NA/-.06	NA/.01	NA/.04	NA/NA	NA/-.03	NA/.11	<b>NA/NA</b> <b>NA/NA</b>	NA/-.09
14. Exchange fairness	NA/NA	NA/NA	NA/NA	3.53/3.11	0.66/0.73	.82/.93	NA/.08	NA/.35	NA/.29	NA/.13	NA/NA	NA/NA	NA/.21	NA/.43	NA/.34	NA/NA	NA/-.03	NA/.03	NA/.03	<b>NA/NA</b> <b>.93/.93</b>

Notes: M = mean, SD = standard deviation, AVE = average variance extracted, TRE = transformational relationship event. Correlations are reported Study 1/Study 2 and positive (negative) correlations reported below (above) the diagonal. Cronbach's alphas are reported on the diagonal (positive/negative) with Study 1 above and Study 2 below.

Study 2+

# Evidence in Auto Services: TREs vs. Other Disconfirming Events



## Study 2 & 3

# TRE Scale Development Procedures

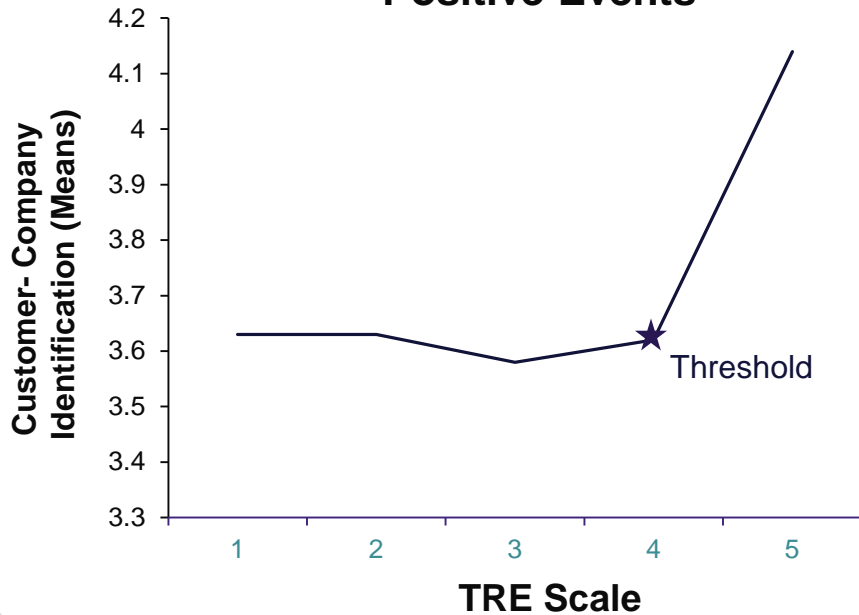
- 1. Construct definition and item generation:** Through a comprehensive review of turning point and marketing literature, along with 22 in-depth interviews with industry experts, we defined the construct and generated an initial set of 20 relevant items. Our measure must capture the *relational* perception–expectation gap; it is similar to Parasuraman, Zeithaml, and Berry’s (1994) service quality scale, which captures the *performance* perception–expectation gap.
- 2. Item reduction:** Expert judges examined the items for their clarity and representativeness. Items that explicitly or implicitly captured valence or an outcome of TREs, rather than a characteristic of the event, were removed. This step reduced the set to 12 items.
- 3. Reliability and stability assessment:** To reduce the items further, we used pretests with student respondents and reviews with managers. The internal reliability and stability of the items across samples and valence ensured the scale was equally valid for positive and negative events.
- 4. Validity assessment:** Study 1 provided the final test of internal, convergent, and discriminant validity of the TRE scale and verified the stability of the scale across positive and negative events.
- 5. Test of construct validity:** With Study 1, we ran a series of hierarchical regressions to assess the ability of the TRE measure to predict various, theoretically relevant constructs, such as emotional, behavioral, and cognitive responses; relationship velocity; relationship transformation (e.g., “My relationship with [target] will never be the same”); and memorability (e.g., “I will never forget what [target] did”), while controlling for extant indicators of relationship development (relationship age) and customer evaluations of exchange events (performance disconfirmation, event satisfaction). We retained a four-item scale for Study 2 that exhibited stability and reliability across samples, effectively captured both positive and negative TREs, and provided strong predictive capabilities (see Appendix A for items).

## Study 2

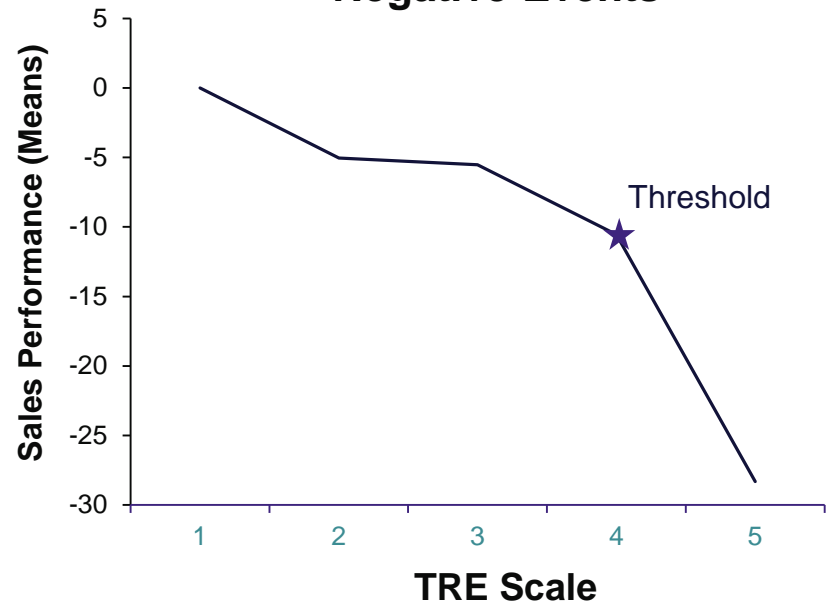
# TRE Scale Development (continued)

6. In Study 2, as a final assessment of the theoretical underpinnings of the TRE scale, we examined the discontinuous effects of large, relational disconfirmations, as illustrated in the following graphs, which helped norm the TRE scale.

### Positive Events



### Negative Events



## Study 2 & 3

# Illustrative Quotes and Key Words for Identifying TREs

### Illustrative Quotes

#### **Positive TRE**

*Hearing from [channel partner], regarding his trip to the golf tournament that was hosted by [target]. He was like a kid in a candy store recanting his trip ... [target] was obviously a great host as he still talks fondly today of his past trip.*

(current customer, relationship of 36–40 years, event 142 months ago)

*Our rep turned up at a car show on a Saturday 100 miles from his home to see a car that I had entered in the show.*

(current customer, relationship of 36–40 years, event 96 months ago)

#### **Negative TRE**

*I spent almost half a day getting trained and certified ... so my customers could get the extended warranty. A couple months later, [target] dropped the program. I want my half-day back. I have been in the ... industry over 30 years, and this has always been the [target's] way of doing business. Act like you are giving the [customer] something exclusive then turn around and screw them. I seriously don't know why any plumber in their right mind would sell [target]."*

(former customer, relationship of 11–15 years, event 50 months ago)

### Key Words and Phrases

#### **Positive TRE**

above and beyond, felt valued, grateful, helped me, care, appreciate, loyal, amazed, extra mile, blown away, heartfelt, moved, personal attention, hit home, went out of their way, appreciation, recognition, heartwarming, touched, thoughtful, will never forget, personalized, made it personal, we still talk about, unforgettable, unbelievable, shocked, thankful, nice people

#### **Negative TRE**

uncaring, dishonest, unbelievable, no longer matter, broke their promise, take responsibility, beware, warn, behind my/our back, cheating, con, ripped off, lied to, will never forget, reconsider my relationship, can't believe, swindled, let down, betrayed, humiliated, indifferent, act like, screw, no longer valued, destroy, accused, cold, uncaring, false promise, shocked, shattered, not being treated fair

# Study 2 & 3

## Constructs and Measures

	Item Loadings	
<b>Study 1 and 2: Constructs (Scale Sources)</b>	<b>Study 1</b>	<b>Study 2</b>
<b>Customer gratitude: Study 1 and 2</b> (adapted from Palmatier et al. 2009)		
Because of this experience, I (we) felt extremely grateful to [target].	.89/NA	.92/NA
I was (We were) incredibly thankful for what [target] did.	.93/NA	.95/NA
I was (We were) very appreciative of [target]'s efforts.	.90/NA	.80/NA
<b>Customer betrayal: Study 1 and 2</b> (adapted from Gregoire and Fisher 2008)		
Because of this experience, I (we) felt...		
... betrayed by [target].	NA/.92	NA/.87
...[target] took advantage of me (us).	NA/.94	NA/.93
...[target] misled me (us).	NA/.91	NA/.94
...[target] let me down when I needed them.	NA/.77	NA/NA
<b>Customer reciprocating behaviors: Study 1 and 2</b> (based on Dahl, Honea, and Manchanda 2003)		
Because of this experience...		
...I want (we wanted) to repay [target] in some way.	.85/NA	.92/NA
...I want (we wanted) to help them like they helped me (us).	.92/NA	.88/NA
...I want (we wanted) to return the kindness they showed me (us).	.86/NA	.77/NA
<b>Customer punishing behaviors: Study 1 and 2</b> (adapted from Gregoire, Tripp, and Legoux 2009)		
Because of this experience, I will punish (we punished) [target] in some way.	NA/.95	NA/.94
Because of this experience, [target] will receive(d) harsher treatment from me (our firm).	NA/.96	NA/.97
Because of this experience, I will penalize (our firm penalized) [target].	NA/.92	NA/.94

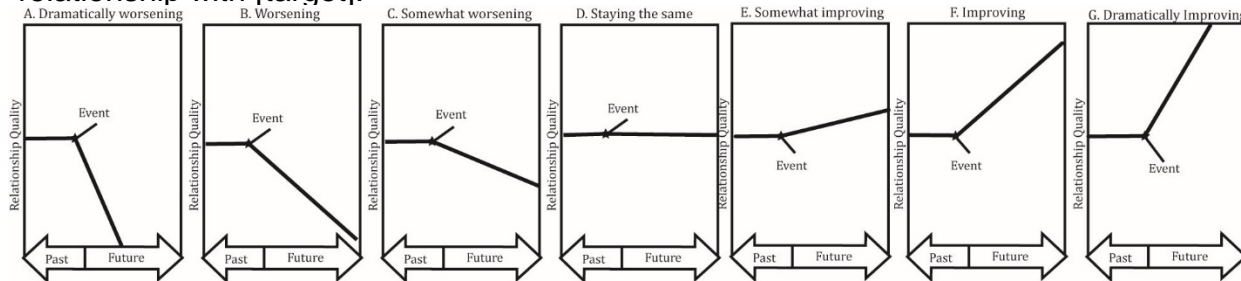
# Study 2 & 3

## Constructs and Measures (Continued)

Study 1 and 2: Constructs (Scale Sources)	Item Loadings	
	Study 1	Study 2
<b>Customer sensemaking: Study 1 and 2</b> (based on Weick, Sutcliffe, and Obstfeld 2005)		
Because of this event...		
...I (we) reconsidered our role in my (our) relationship with [target].	.90/.93	.85/.87
...I (we) redefined how this relationship works.	.89/.89	.91/.91
...I (we) thought about how this event changed my (our) relationship with [target].	.84/.88	.90/.93

### Relationship velocity: Study 1 (based on Palmatier et al. 2013)

Please choose which of the following images best depicts the change in trajectory of your relationship with [target].



### Transformational relationship event: Study 1 and 2 (developed for current study)

Considering your relationship with [target], please indicate how you viewed [target's] behavior.

I (We) did not expect this from my (our) relationship with [target].	.84/.90	.90/.91
The [target] representative's behavior was very unexpected.	.89/.88	.76/.64
I (We) did not think [target] would do something like this.	.90/.89	.90/.90
This event was outside of what I would have expected from the norms of our relationship.	.81/.92	.90/.80

# Study 2 & 3

## Constructs and Measures (Continued)

Study 1 and 2: Constructs (Scale Sources)	Item Loadings	
	Study 1	Study 2
<b>Customer-company identification: Study 2</b> (Ahearne, Bhattacharya, and Gruen 2005)		
When I (we) talk about [target], I (we) usually say “we” rather than “they.”	NA/NA	.69/.58
When someone praises [target], it feels like a personal compliment.	NA/NA	.81/.78
[Target's] successes are my (our) successes.	NA/NA	.80/.73
When someone criticizes [target], it feels like a personal insult.	NA/NA	.71/.74
<b>Exchange communication: Study 2 moderator</b> (Anderson and Narus 1994)		
Our firm and [target] keep each other informed about events that impact our relationship.	NA/NA	.68/.62
We speak with our [target] representative(s) on a regular basis.	NA/NA	.86/.78
We feel comfortable providing both positive and negative comments to our [target] representative(s).	NA/NA	.81/.82
<b>Seller apology: Study 2 moderator</b>		
The [target] employee apologized to us.	NA/NA	NA/.78
[Target] took accountability for the problem.	NA/NA	NA/.73
The [target] employee was very understanding.	NA/NA	NA/.86
<b>Relational disconfirmation: Study 1 manipulation check</b> (based on Hess et al. 2007)		
<b>Positive</b>		
[Target] really went out of their way for me.	.80/NA	NA/NA
AutoStop exerted extra effort to help me.	.91/NA	NA/NA
<b>Negative</b>		
I was treated poorly by the [target] employee.	NA/.92	NA/NA
I had a problem with how the [target] employee behaved.	NA/.88	NA/NA



# Study 2 & 3

## Constructs and Measures (Continued)

Study 1 and 2: Constructs (Scale Sources)	Item Loadings	
	Study 1	Study 2
<b>Relational norms: Study 1 manipulation check</b> (based on Kaufman and Stern 1988)		
I (We) consider(ed) [target] and I (our firm) to be a team.	.82/.84	NA/NA
I (We) know [target] values their relationship with me (us) as much as I (we) value my (our) relationship with them.	.86/.87	NA/NA
When it comes to [target], we often help each other out.	.92/.88	NA/NA
<b>Performance disconfirmation: Study 1 control</b> (Parasuraman, Zeithaml, Berry 1994)		
The cost of my repair...		
Was far less than I expected/Far greater than I expected	NA/NA	NA/NA
<b>Importance of good service: Study 1 control</b> (Hess et al. 2007)		
How important is it to you that you have a good interaction with [employees]?		
not important - very important	NA/NA	NA/NA
<b>Typicality of event: Study 1 control</b> (Hess et al. 2007)		
The situation described here is:		
characteristic of my experiences - not at all characteristic of my experience	.92/.92	NA/NA
not at all typical - extremely typical (R)	.53/.66	NA/NA
occurs frequently - occurs infrequently	.90/.90	NA/NA
<b>Exchange fairness: Study 2 control</b> (Samaha et al. 2011)		
Our earnings from [target's] business are fair given...	NA/NA	.86/.82
...the duties and responsibilities that we perform for [target].	NA/NA	.96/.95
...what [target] earns from our firm's sales.	NA/NA	.90/.93
...the contributions we make towards [target] marketing efforts.		



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