



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

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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.

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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.

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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).

and Mahajan (2003) contend that various types of switching costs influence consumers' intention to stay with the current service provider. They empirically prove that even within the industries where switching costs are low, the level and types of switching costs explain the consumer's intention better than the consumer's satisfaction does. They further argue that apart from financial switching costs, there can be procedural switching costs also (cost of learning, set up, evaluation, and time).

Reinartz and Kumar (2003) empirically proved that customers' exchange characteristics and observed heterogeneity among them affect the profitable lifetime duration of the customers. We can interpret from this that customers' exchange characteristics and observed heterogeneity moderate the relationship between lifetime duration and profitability. This is because higher profitable lifetime duration could be interpreted as stronger association between duration and profitability. Thus, along with relationship intention, customers' exchange characteristics and observed heterogeneity also moderate the association between lifetime duration and profitability. Exchange characteristics include purchase frequency, purchase amount per incidence, and purchase composition, while observed heterogeneity implies the demographic characteristics of the customers. Reinartz and Kumar have discussed these two themes in detail. In this paper, we would like to focus our discussion solely on relationship intention.

3. Relationship intention

We define 'relationship intention' as an intention of a customer to build a relationship with a firm while buying a product or a service attributed to a firm, a brand, and a channel. As we will discuss later in this paper, a customer may start buying with no initial relationship intention, but will develop relationship intention based on the equity the customer perceives in the firm, the brand, and the intermediary (hereafter also mentioned as a channel) associated with the product. We construct relationship intention as a continuum (see Fig. 1). One end of the continuum shows absence of relationship intention, while another end shows a high degree of relationship intention.

When a customer has no relationship intention, we define that the customer possesses transactional intention. As the name suggests, transactional intention is a short-term and opportunistic attitude of the customers. There is an absence

of an intention to build any relationship with the firm. The customers with transactional intention buy without any involvement or buy because it is forced on them. Customers may be forced to buy because of the switching costs, low prices, more convenience, inertia, trend, social influence, etc. These customers do not have any affinity or affection towards the firm, the brand, or the channel. These customers can switch anytime if the situations are favorable to do so. These customers do not add value to the firm in the long run. However, a positive aspect about these customers is that they are very helpful in keeping the business going. Customers with transactional intention generally constitute a major volume of any business.

On the other hand, customers with high degree of relationship intention are strongly willing to build a relationship with the firm. They do not have to be forced to buy. This attitude of the customers is more long-term and the customers having high relationship intention are not opportunistic. Rather, they may be willing to pay more to keep the relationship going. These customers possess a high affinity towards, are emotionally attached to, and possess great amount of trust in the firm, the brand, the intermediaries, or any combination of these. These customers add significant amount of value to the firm in the long run. However, these customers often constitute a small fraction of the customer base in any firm. The challenge for the firms is to identify these rare customers correctly and nurture relationships with them. These customers are less likely to switch unless they encounter a big setback in terms of their trust and emotional attachment. Short-term instabilities such as convenience or price do not affect these customers. For example, a customer who possesses high degree of relationship intention towards a particular supplier firm will make all possible efforts to buy from that firm.

We would like to enlighten the point that relationship intention is different than attitudinal loyalty. Attitudinal loyalty focuses on customer's favorable/unfavorable disposition towards the firm. However, relationship intention construct focuses on the will of a customer to develop a relationship with a firm. Thus, it is quite possible for a customer to have high attitudinal loyalty but low relationship intention.

It may also appear that the relationship intention is correlated with the length of the duration a customer stays with a firm. However, as we discussed before, there are many factors other than a pure relationship intention that force a customer to keep buying from a firm. Thus,

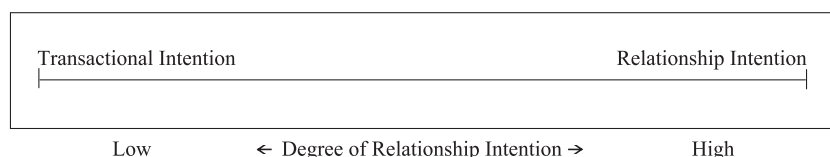


Fig. 1. Relationship intention continuum.

relationship intention does not necessarily affect the length of lifetime duration of a customer. For example, it is possible that a customer buys from a firm for a long time and still does not have any emotional attachment or a will to develop a relationship with the firm. Also, if a customer has a will to develop a relationship, it may not matter whether that customer has been buying from the firm for a shorter or longer duration. Thus, relationship intention and the amount of time a customer stays with a firm need not be correlated. Rather, we contend that relationship intention moderates the association between lifetime duration and profitability. In other words, for a given duration, profitability will increase with increasing relationship intention. We will discuss these concepts in detail in subsequent sections.

In summary, we argue that perceived firm equity, perceived brand equity, and perceived channel equity are antecedents of relationship intention. We then discuss about the consequences of relationship intention, which include low cost to serve, price premium, word-of-mouth promotion, and company advertisement. Next, we propose a measurement scale to measure relationship intention. We, finally, explain how the relationship intention moderates the association between lifetime duration of a customer and profitability.

3.1. Measurement of relationship intention

As previously discussed, a customer develops an intention to build a relationship with a firm while buying a product or a service. Based on the scale suggested by Mathwick (2002) for measurement of online relationship orientation and our discussion about relationship intention, we have developed a 16-item seven-point Likert scale measurement. These 16 items are broadly categorized into the following five categories.

1. *Involvement*. A customer with a high amount of intention to build a relationship will get involved in the product of the firm. Involvement as defined by Unger (1981) is the degree to which a person would willingly engage in an activity. We build the definition of involvement as the degree to which a person would willingly intend to engage in a relationship activity without any coercion or obligation. Involvement will also cause great satisfaction while purchasing a product from the particular firm, great sense of identification with the firm, and emotional involvement with the firm for the product or service. Involvement also causes a customer to feel guilty or uncomfortable while buying similar product from another firm.
2. *Expectations*. Whenever a customer buys some product or service, the customer automatically develops some expectations. The more the expectations from the firm, the more will be the concern about the firm. The more the concern, the more will be the intention to build relationship because the customer really cares about the firm and would like to see some enhancement in the

firm's products or services. This means that a customer with higher expectations will be more likely to develop relationship than a customer who is indifferent and develops no expectations.

3. *Forgiveness*. A customer who is willing to build a relationship with a firm is generally forgiving even if the customer generates expectations. That means, even if sometimes the expectations are not fulfilled, the customer will still give another chance to the firm, as the relationship is more important for the customer. The unfulfilled expectations can be for quality or price. Thus, higher forgiveness will show higher relationship intention.
4. *Feedback*. As noted above, a customer with high relationship intention develops high expectations. Similarly, a customer with high relationship intention will tend to communicate those expectations to the firm in form of a feedback, whether it is positive or negative. At the same time, the customer will not expect any reward for doing so. On the other hand, a customer with no relationship intention may also send feedback to a firm but it may be negative feedback. The customer will also expect some reward or payback in return. Thus, a customer who likes to provide feedback without any expectation of returns possesses a high quantity of relationship intention.
5. *Fear of relationship loss*. If a customer is concerned about the consequences of loss of relationship (with the people in contact for that purchase or with the brand), the customer shows how high intention towards relationship building. The loss of relationship with the personnel and the loss of relationship with the brand are discussed by Burnham et al. (2003).

Please refer to Appendix A for the proposed scale and the detailed items within each category for development of the relationship intention construct. The scale details follow the format suggested by Bruner and Hensel (1992).

4. Conceptual framework

Our first contention is that a transaction is a necessary but not a sufficient condition for building relationship intention. Customer starts dealing with any firm with a transaction. This may or may not be accompanied by a will to develop a relationship. Thus, for the first or the first few purchases, a customer possesses transactional intention. However, once the initial purchases are made, a customer chooses to continue or stop buying. A customer chooses to continue either because the customer intends to build a relationship or is forced to continue (for example, a contractual situation). If the customer is buying because the customer is forced to continue for various reasons as we discussed before, the customer is still said to have transactional intention. If a customer wants to build a relationship and therefore continues to buy, then the customer is said to have relationship

intention. The relationship intention may grow over time as customer starts perceiving the value of the firm, the brand, the channel, or any combination of these. On the contrary, if there is no perceived value in at least one of these, a customer may not develop an intention to build a relationship even if the customer stays with a firm for a long time. Thus, our first proposition is:

Proposition 1: *Customer's intention to develop a relationship does not necessarily depend on time.*

4.1. Antecedents of relationship intention

There can be many reasons why a customer intends to buy a particular product of a particular firm, of a particular brand, from a particular channel. A customer may like the overall firm, and for that reason the customer may buy from that firm. Similarly, a customer may be attracted to the firm because the customer really likes the brand and is ready to pay a premium price for getting that particular brand only. Finally, a customer may like the intermediaries such as brokers, retail stores, channels, which might be the reason the customer is buying the product. Thus, there are three factors that explain the relationship intention. We propose that the relationship intention has three antecedents, viz., perceived brand equity, perceived firm equity, and perceived channel equity (see Fig. 2).

4.1.1. Perceived firm equity

Firm equity is the amount of positive effect the firm name has on the customer response to the firm's products or services. Firm equity is implicit in marketing literature whenever brand equity is mentioned. However, we separate firm equity from brand equity because a firm can have multiple brands. Each brand will have its own brand equity. For example, in case of P&G, there is brand equity associ-

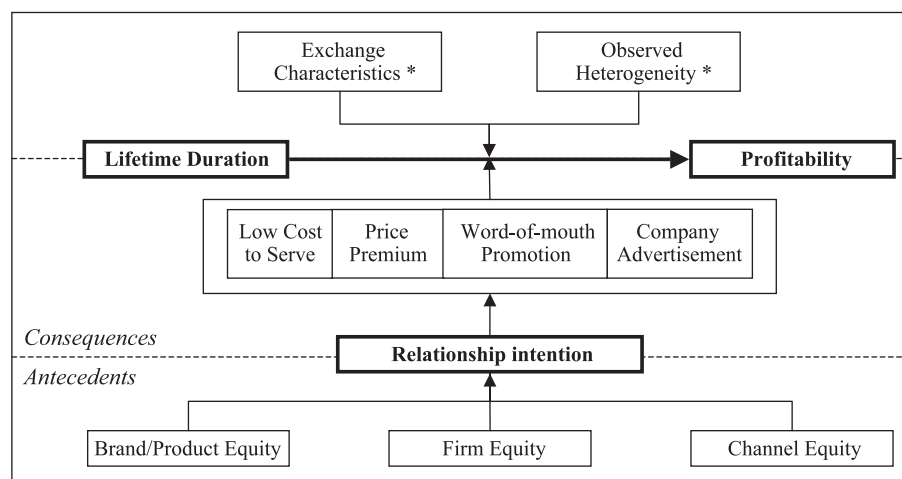
ated with every product, but the firm equity is almost absent or lower than the brand equity as many retailers may know the products by the brand names, not the firm name. At the same time, Coke has many products. Coke has a great amount of firm equity, but some of the Coke brands may not have a good amount of brand equity such as Cherry Coke. However, firm equity is built through individual brand equities, customer satisfaction, purchase of multiple brands (cross buying), and by developing attitudinal loyalty. It also signifies that the firm equity is different from the algebraic sum of individual brand equities and thus, it is different from the brand equity. Another important example to note is of Dell Computers. There is a great amount of firm equity that exists with Dell. Dell has several brands such as Dimension, OptiPlex, Precision, and many others. But Dell computers are identified as Dell, not by their brand names. Thus, in this case, firm equity dominates brand equity. Firm equity lets customer identify the products by the firm name and thus multiple brands of the firm will be benefited by firm equity. Customers with high firm equity are likely to show high degree of relationship intention. We propose that firm equity will have a positive effect on the relationship intention. Hence,

Proposition 2: *Relationship intention will increase as perceived firm equity increases.*

The risk of relying only on firm equity is underperformance of one brand may affect image of other brands also.

4.1.2. Perceived brand equity

"Brands vary in amount of power and value they have in marketplace (Kotler, 2003)." Kotler defines brand equity as the positive differential effect brand name creates on customers' response to product or services. For example, P&G's each brand has developed its own brand equity.



* Note: Exchange Characteristics and Observed Heterogeneity are discussed by Reinartz and Kumar (2003).

Fig. 2. A conceptual framework of relationship intention.

P&G's each brand is known by itself, not known as a P&G product. Keller (1993) summarizes that the brand equity is based on brand awareness and the brand image. Brand awareness is in effect based on brand recognition and brand recall. Thus, the more the brand is recognized and the more the brand can be recalled by the customer, the higher is the brand awareness, which leads to higher brand equity. Similarly, higher brand image leads to higher brand equity (Keller, 1993). Along with the brand image and brand awareness, perceived quality also plays a major role in determining brand equity as the brand is associated with the product and the product is associated with the quality. Customer who is attracted to a brand either because of brand awareness or brand image is likely to develop a relationship with the brand. The more the brand equity, the higher will be relationship intention. Thus, we propose that the brand equity will positively affect the relationship intention.

Proposition 3: *Relationship intention will increase as perceived brand equity increases.*

This may not be a relationship developed with the firm or the channel associated with that brand (P&G example). Firms should be careful while developing pure brand equity. A brand equity developed for one brand may not be beneficial for another brand of the same firm. If a customer stops liking a particular brand, the chances of buying another brand from the same firm will be as low as the chances of buying a brand from any other firm in the same product category.

4.1.3. Perceived channel equity

Channel equity is the amount of positive effect a particular channel or channel member will have on customer response to a particular product. Channel is a broad term and includes every entity between the producer and the customer. Examples of channel members are the intermediaries such as distributors, wholesale agents, brokers, etc. Thus, some customers may buy a brand because of the higher channel equity. For example, a customer may choose a particular distributor because the customer likes the distributor. A customer may choose a particular broker or a sales person based on personal relationships with the intermediaries and the service provided by these intermediaries. The best examples are online Internet channels such as IBM, Amazon, and e-Bay. These channels have made the Internet purchase so easy that many customers just buy from these channels irrespective of the price levels. Thus, we propose that channel equity will have a positive effect on relationship intention.

Proposition 4: *Relationship intention will increase as perceived channel equity increases.*

However, as a customer is not directly related to the firm or to the brands, there are great chances that the

customer might switch if broker/sales agent advises him/her to do so, or if the customer moves from one location to another, there will be high chances that the customer will choose the most convenient store from the new place. Thus, we also propose that even if the association between channel equity and relationship intention is positive, it will not be as strong as the associations stated in Propositions 3 and 4.

It is very important to note that all the three forms of equity may or may not exist in each scenario. For example, in case of P&G, the firm equity does not exist. Each brand has its own brand equity. Any combination of these three may exist when a customer buys a product or a service. When all these three equities work together, the relationship intention will be very high as in IBM's case. IBM's ThinkPad notebook computers are known by their own brand name. IBM has built strong firm equity and because of direct sales through IBM.com, IBM has earned substantial channel equity also. If there is high amount of brand equity and low firm equity, the customer may switch if that particular brand starts performing poorly. If there is high amount of channel equity and low brand and firm equities, a customer may switch once the channel stops fulfilling the customer's needs anymore. For example, if a multiple product provider firm stops selling some of the products, some customers may stop buying from the firm. If there is absence of all the three equities and still a customer is buying, it clearly means that the customer is buying just because of some short-term advantages such as price, rewards, or convenience. These customers do not possess relationship intention. As discussed before, the absence of relationship intention itself is a transactional intention. Thus, it is implied that if a customer is not influenced by brand, firm, or by channel, then the customer is attracted by the price, or other constraints imposed on him/her, which implies a transactional intention.

4.2. Consequences of relationship intention

The consequences of relationship intention include high price premium, low cost to serve, high word-of-mouth promotion, and high company advertisement, which ultimately lead to high profitability if customer stays longer. Given the relationship intention is high,

- A customer will always be willing to pay a higher price premium just to keep the relationship going. This customer will give more importance for the relationship than the price of the product. As a result, the customer will be very less sensitive to the price of the product. These customers will have an emotional involvement with the firm, the brand, or the intermediary. This customer will tend to identify himself/herself with the firm name, brand name, or the name of the intermediary. This customer will also have developed personal relationships with the people they come across while

making a transaction. Thus, as the relationship intention grows, the relationship bonds and ties become so strong that the customer will not mind paying a premium price while buying the product.

- A customer with high relationship intention will be less costly to serve. The customer will be considerate. The customer will be knowledgeable about the product/service, will be self-sufficient, and will not need hand holding. The customer will not have too many demands, which will reduce the cost of serving him/her. For example, consider a business-to-consumer (B2C) case where there are two customers of a computer company who own similar computers. One customer has high relationship intention and the other has low relationship intention. If both are having a same problem with their computers, the former will be less likely to make frequent calls to technical support unless he/she really cannot fix the problem than the latter that will make frequent calls even if the problem is minor. Here, we assume that both the customers have same degree of expertise in the computers.
- A customer will spread positive word-of-mouth around among friends, relatives, and colleagues and may influence them to buy. In this way, new customers will be attracted to buy a product without having to spend on their acquisition. This is most important in the cases where the buying cycles are too long and getting new customers free of cost is more important as the existing customers may not come back soon to purchase. Especially in business-to-business (B2B) cases, references arising out of positive word-of-mouth play a very important role for the firms.
- A customer will advertise the company name, company logo, brand name, and slogans. The higher the relationship intention, the higher will be the willingness of a customer to advertise the firm, the brand, and the channel. The customer will want to identify with the firm, the brand, or the intermediary. For example, if there are two customers, one with a customer who has a great amount of relationship intention, will go out of the way to display the logo, brand name, slogans on clothes, key chains, pens, cars, caps, computer desktop screens, and so on.

A customer with high degree of relationship intention will exhibit the above characteristics, which ultimately means that the longer the customer stays with the firm, the higher the profits the customer brings to the firm. Relationship intention does not directly affect the amount of time a customer stays with a firm. For a given duration, the profitability from the customer will increase with increasing relationship intention. The relationship intention and lifetime duration have their main effects on customer profitability. Lifetime duration and relationship intention also interact with each other. Thus, we propose that relationship intention moderates the association between lifetime duration and profitability (see Fig. 2).

Proposition 5: *The association between lifetime duration and profitability is moderated by the degree of customer's relationship intention. In other words, the higher the relationship intention, the stronger will be the association between lifetime duration and profitability.*

A major question can arise in readers' mind, "Is the relationship intention same as loyalty?" This is a valid question. However, as we have already discussed, there can be many cases where a customer does not possess relationship intention and still the customer buys a particular product mainly because of short-term factors such as price, convenience, etc. Also, there can be a customer who possesses high relationship intention towards the product, but does buy the product, maybe because of reasons such as inconvenience, unavailability, or the customer's disappointment with the brand, firm, or channel, etc. In this paper, our major contention is that the relationship intention and the lifetime duration are independent constructs and we attempt to integrate these two independent constructs. We also try to find the customers who possess high relationship intention but do not buy and those who possess no relationship intention but do buy. Identifying these customers will help us target specific marketing strategy based on the relationship intention.

Previously in this paper, we proposed a measurement scale for relationship intention. Similarly, we can develop scales to measure perceived firm equity, perceived brand equity, and perceived channel equity independently. A major goal of this paper is to understand the relationship intention construct. Thus, we focus our attention on Relationship Intention scale (see Appendix A).

5. Implications

This research attempts to fill the gap between research using intention data and research using actual behavioral data that existed for many years. We try to establish the fact that company reality influences the customer's intention. The intention along with the actual behavior determines future behavior of the customer.

Relationship intention as we discussed is one of the most important parameters that enables marketers to identify the potential of the customer to stay longer as well as to be profitable. As we propose, if the relationship intention is high, the association between lifetime duration and profitability will be positive and stronger. Thus, it makes sense to make investment in building these relationships. These relationships will always be profitable in the long run. Thus, strategically, these relationships will make sure that the company sustains its performance in the long run. In such situations, RM approach will be the best suited to deal with these customers.

On the other hand, if the relationship intention is too low or near zero, we propose that the association between lifetime duration and profitability will be weak, or might

be negative at times. Thus, it is not worth investing in building relationships with these customers. Rather, companies should make it a point to earn as much as possible from these customers in the short run and let them go if they want to. Companies should choose to invest minimum in the relationship with the customers who do not possess any intention to build a relationship. TM approach is best suited here. TM approach has a numerous advantages of its own. The major advantage of TM is it generates quick cash to be rolled back into the business. To survive in the short run, TM approach is needed and to survive in the long run, the RM approach is needed. Any firm needs both transaction as well as relationship-oriented marketing approaches.

The antecedents of the relationship intention are also of very high importance to the marketers. Relationship intention is positively associated with the brand equity and thus by increasing brand equity, relationship intention can be improved. The brand equity can be improved by increasing brand awareness, by improving brand image, and by improving perceived quality. Relationship intention is also associated with the firm equity. Increasing individual brand equities, customer satisfaction, encouraging cross-buying, and increasing attitudinal loyalty can increase firm equity. Channel equity should be carefully increased, as there are potential risks involved in this. As we discussed before, if the brand equity and firm equity do not exist and there is a great amount of channel equity, there is high possibility that the customer may leave whenever the same channel will offer some other brand from some other firm. Thus, channel equity development should always be accompanied by attempts to improve brand equity and firm equity to be able to attain sustainable long-term performance.

It is very important to note that the proposed framework can be applicable in B2C as well as in B2B domains. In B2C domain, study subjects will be an individual customer. In B2B settings, study subjects can be the person who influences the purchase (influencer), who makes the purchase decision (decision maker), and/or who actually buys from the supplier (buyer). On the supplier side, either a sales person or a sales team is involved. As shown in Fig. 3, the relationship structure can become more complex in B2B

Table 2

Transaction marketing versus relationship marketing

Transaction marketing	Relationship marketing
Focus on the deal at hand	Focus on future deals along with the deal at hand
Push price	Promote value
Short-term thinking and acting	Long-term thinking and acting
Build the business on deals	Build the business on relationships
Acquire profitable customers	Retain existing profitable customers
Short-term empathy	Long-term empathy and rapport
Incentive provided for doing the deal	Incentive provided for developing long-term relationship
Product and selling focused	Expectations, perception, and trust and focused
Race for a sale result	Swift, strong, safe, and enduring results through relationship building
Less focus on after-sales support and service	Strong after-sales support and services
After-sales support and service seen as a cost	After-sales support and services seen as an investment in the relationship
Transaction is the end	Transaction is just the beginning

Adapted and modified from Baker et al. (1998).

setting. As shown in the figure, the buyer side has the firm itself and people involved in buying (influencer, decision maker, and/or buyer). The supplier side has the firm itself and people involved in selling (sales person or sales team). Relationship can evolve between firms, between people and between firm and people (see Fig. 3).

Companies must conduct a thorough analysis of the business and identify the right customers for developing relationships based on their relationship intention. Depending upon the degree of relationship intention, the firm needs to adopt appropriate strategies to deal with these customers. As discussed before, marketing literature has discussed about TM and RM strategies in detail. We have summarized the two strategies from Baker et al. (1998) and their appropriateness depending on the degree of relationship intention.

5.1. Transaction marketing

As the name suggests, TM is a short-term marketing approach, where the emphasis is on the current transaction (see Table 2). TM is more tactical and involves short-term thinking and acting. The major focus of the TM is to always look for new customers and build the business on deals. TM does not need any structure for ongoing business such as frequent-user clubs and memberships. Amount of sales is the most important metric of performance in TM. After-sales-service and support costs are considered as added costs. In short, a deal is a start as well as the end of relationship in the TM approach. Generally, the TM approach is best suited in the mass market or commodity business, where the number of transactions forms the backbone of the business and marketers cannot survive without transactions (Baker et al., 1998). Being a short-term profit maximization strategy, TM focuses on maximizing profits from customers with transactional intention who

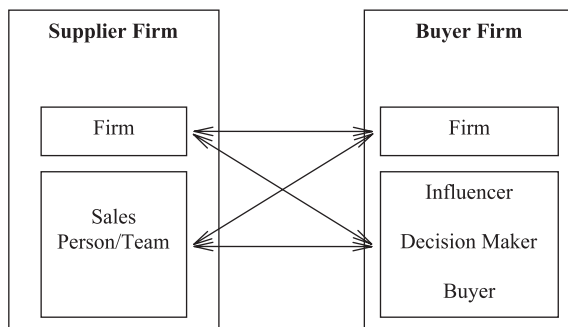


Fig. 3. Relationships in B2B setting.

have very low or no relationship intention. Thus, TM will ensure that the firm is exploiting the current opportunity from the customers with transactional intention.

5.2. Relationship marketing

Being at the other end of the relationship continuum, there is a presence of maximum relationship. As per Baker et al. (1998), RM is a long-term marketing approach, where the emphasis is on future transactions than the current ones (see Table 2). RM is more strategic and involves long-term thinking and acting. The major focus of RM is to retain existing customers, develop and nurture relationships with them, and build the business on the relationships. RM needs to be supported by a structure, such as frequent-users club. Customer turnover is one of the most important metrics of performance in RM. After-sales-service and support costs are considered as long-term investments in the relationship. In short, the deal is just the beginning of a long-term relationship. The assumption in the RM is that building relationships is always profitable or loyal customers are always profitable. RM focuses on nurturing the relationship and tries to maximize the profits over long-term for the customers who are likely to stay. Thus, customers with high degree of relationship intention can be best served by the RM approach.

6. Conclusions

We proposed that relationship intention is an important parameter that helps marketers, and discussed about which marketing approach is well suited for the customers. We also defined three antecedents driving relationship intention, viz., brand equity, firm equity, and channel equity. These antecedents are proposed to be positively affecting relationship intention, and relationship intention influences the association between lifetime duration and profitability. The relationship intention does not necessarily change over time if the firm equity, the brand equity, and the channel equity also do not change over time. Finally, there are marketing implications of this framework, which suggest us to follow the TM and RM approaches according to relationship intention.

There are two limitations important to be noted here. First, only extremes of relationship intention continuum, their importance, and their implications are discussed. The intermediate levels on this continuum need to be explored. Second, we have implicitly assumed that there is no negative side to the relationship intention continuum, where a customer has an intention to build a negative relationship. This can also have major implication for managers.

This conceptual model lays a foundation for further research. Operationalization and measurement of the constructs, development of methodology, determination of data collection, and finally, empirical testing need to be conducted for empirical evaluation of the model. Further, the model can be tested across various industries, markets, firms, brands, and channels.

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Appendix A

Scale Name: Relationship Intention

Scale Description: A 16-item, seven-point Likert-type scale measuring the degree to which a customer intends to develop a relationship with a firm without any coercion and obligation.

Administration: The maximum score any customer can get is $16 \times 7 = 112$ and the minimum score any customer can get is $16 \times 1 = 16$. Thus, the Relationship Intention scale will follow a continuum between 16 and 112. Higher scores on the scale indicate that respondents have a high intention to build relationship with the firm, whereas lower scores on the scale indicate that respondents have a low intention to build relationship with the firm.

Comments:

- The scale items are referred to a particular product offered by a particular firm.
- This scale will be subject to appropriate reliability and validity tests when data are collected and empirical analysis is conducted.
- The data will be subject to factor analysis to confirm the categorization of the items.
- The last question is included to test validity of the 16-item scale.

Scale Items:

I. Involvement

1. I/We get involved in the process when I/We buy the product.
2. I/We gain a great amount of satisfaction when I/We buy the product.

Strongly disagree				Neutral															Strongly agree
1	-----	2	-----	3	-----	4	-----	5	-----	6	-----	7							

3. I/We am emotionally attached with the product.
4. I/We like to be identified with the firm as a customer of the product.
5. If I/We happen to buy similar product from other firm, I/We generally feel guilty.
- II. Expectations
 6. I/We have my own expectations about the product when I/We buy the product.
 7. I/We care about the quality of the product.
- III. Forgivingness
 8. I/We do not care if the quality of the product is below normal levels.
 9. I/We do not care if the quality of the product is below that of the competition.
 10. I/We do not care if the price of the product is higher than normal.
 11. I/We do not care if the price of the product is higher than that of the competition.
- IV. Feedback
 12. I/We like to provide positive feedback about the product to the firm.
 13. I/We like to provide negative feedback about the product to the firm.
 14. I/We always provide feedback expecting something in return.
- V. Fear of relationship loss
 15. When I/We think about stopping buying the product, I/We fear about losing the relationship with the firm name.
 16. When I/We think about stopping buying the product, I/We fear about losing the relationships with the people I/We interact with while buying the product.
- VI. Intention to build a relationship (for validation)
 17. I/We really intend to build a positive long-term relationship with the firm for the product.

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