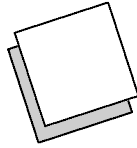


*An executive summary for managers and executive readers can be found at the end of this issue*



# Customer-relationship levels – from spurious to true relationships

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**Keywords** *Relationship marketing, Customers, Trust, Commitment, Motor industry*

**Abstract** *Relationship marketing (RM) has been widely accepted as an important determinant of long-term business success and is believed to be especially well suited for services because of the personal contact between customers and service providers. Past research has focused mainly on the advantages of RM for companies, while less attention has been paid to relationships from the customer's point of view. We suggest that relationships may be described as ranging from spurious to true, depending on customer-perceived relationship benefits, trust and commitment. A qualitative study of customer relationships was conducted in a car dealership, where profitability depends on customer commitment to both after-sales services and the car brand. Customer relationships were found to be more spurious than true. The study revealed that behavioural commitment to after-sales services was high, but that affective commitment was low to moderate. Customers were satisfied but did not perceive the services to be superior to the competitors' service offerings. They trusted authorised repair in general and did not feel that after-sales service would have more than a minor influence on their future car purchases.*

## Concept of relationship marketing

### Introduction

Relationship marketing (RM) has been defined as “the process of identifying and establishing, maintaining, enhancing, and when necessary terminating relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met, where this is done by a mutual giving and fulfilment of promises” (Grönroos, 2000, p. 98). The term “relationship marketing” was first introduced by Berry in 1983 (Berry, 2000), but the concept did not attract broader attention until the 1990s (Grönroos, 1996). Although the concept was new, the basic ideas can be traced back to early channel and business-to-business research (de Wulf and Odekerken-Schröder, 2001). Nordic researchers have also been emphasising the relational nature of services since the 1970s (Grönroos, 2000).

The positive benefits of RM for companies have generally not been contested, but can only be realised if customers are willing to engage in

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## Interpersonal nature of services

long-term relationships (Berry, 2000; Sheth and Parvatiyar, 2000) and to perceive them as valuable (Ravald and Grönroos, 1996; Sheaves and Barnes, 1996). Most research on RM has been conceptual and focused on company benefits, whereas research from the customer's perspective has been scarce (Singh and Sirdeshmukh, 2000; Odekerken-Schröder, 1999).

The interpersonal nature of services makes them particularly well suited for relationship building (Berry, 2000). RM offers customers individualised services, customised goods and other relationship benefits that are believed to increase satisfaction, trust and commitment (Berry, 1999, 2000; Garbarino and Johnson, 1999; Gwinner *et al.*, 1998). Trust and commitment have been considered essential for understanding relationships (Singh and Sirdeshmukh, 2000; Garbarino and Johnson, 1999; Sharma and Patterson, 1999; Tax *et al.*, 1998; Liljander and Strandvik, 1995; Morgan and Hunt, 1994). Relationships are believed to foster trust (Sheth and Parvatiyar, 2000; Gwinner *et al.*, 1998), and true relationships cannot develop without a build-up of trust between the parties (Berry, 1999; Sheaves and Barnes, 1996; Bitner, 1995). Trust is particularly important in credence-based services, which are characterised by high performance ambiguity, significant consequentiality and high interdependence between the parties (Singh and Sirdeshmukh, 2000).

## Continuum of customer relationships

### *Purpose and structure of the study*

This paper contributes to the literature on RM by studying relationships from the customer's point of view. It is suggested that customer relationships can be described along a continuum, ranging from spurious to true relationships, based on relationship benefits, trust and commitment.

A qualitative study was conducted among after-sales service customers of an authorised car dealer, i.e. a credence-based service. Car dealers within the European Union are exceptionally dependent on customer commitment to after-sales services for dealership profitability (European Commission, 2001; Autopolis, 2000). The aim of the empirical study was to identify customer-service relationship levels.

The company offered customers two different types of interaction with service employees:

- (1) a personal relationship with an appointed service representative; and
- (2) a pseudo-relationship where different employees perform the service from one occasion to the next.

## Personal service representatives

According to Gutek *et al.* (1999, 2000), customers with personal service representatives experience higher satisfaction, trust and commitment than customers in pseudo-relationships. For this reason, the study also focused on differences between customers in personal vs pseudo-relationships.

The paper is structured in the following way. First, spurious and true relationships are defined based on past brand loyalty and commitment research. Second, relationship benefits and trust are discussed. Third, the study and its findings are presented. The article concludes with a discussion of the findings, the limitations and future research directions.

### **Customer commitment: spurious or true relationships?**

Various but similar descriptions of loyalty and commitment are to be found in past research. Both have been portrayed as having a behavioural and an affective component (cf. Jacoby and Chestnut, 1978). For example, Morgan

and Hunt's (1994, p. 23) definition of commitment as "an ongoing relationship with another that is so important as to warrant maximum efforts at maintaining it" also implies strong affective and behavioural commitment to the company. In empirical research the term "loyalty" often refers to repeat patronage, while "commitment" is used to denote customers' affective preferences (e.g. Odekerken-Schröder, 1999). Oliver (1999, p. 34), on the other hand, defines loyalty as:

... a deeply held commitment to rebuy or repatronize a preferred product/service consistently in the future, thereby causing repetitive same-brand or same-brand-set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior.

### Outcomes of high affective commitment

Bloemer and Kasper (1995) also define loyalty as a commitment to buy a brand, but suggest that there is a continuum ranging from spurious to true loyalty, where spuriously loyal customers are less committed to the brand than the truly loyal ones. Only manifestly satisfied customers are believed to be truly committed (Bloemer and Kasper, 1995). These affectively committed customers buy the service because they perceive it to be superior to the competitors' offerings and not because of habit (Oliver, 1999; Dick and Basu, 1994). Several positive outcomes of high affective commitment have been identified, such as higher return intentions (Garbarino and Johnson, 1999; Odekerken-Schröder, 1999; Barksdale *et al.*, 1997), positive recommendation behaviour (White and Schneider, 2000; Berry, 1999) and enhanced customer co-operation and acquiescence (Berry, 1999; Morgan and Hunt, 1994).

### Determinants of customer commitment

Given the results of previous research on spurious and true brand loyalty (Bloemer and Kasper, 1995; Dick and Basu, 1994), we propose that customer relationships may also be described along a continuum from spurious to true on the basis of customer commitment, trust, and positively perceived relationship benefits (Gwinner *et al.*, 1998) or negatively perceived bonds (Liljander and Strandvik, 1995). Relational bonding with the seller (Berry, 2000; Gwinner *et al.*, 1988), with the product (Oliver, 1999), and with other customers (Oliver, 1999) are believed to be important determinants of customer commitment to a relationship. Customers in true relationships experience more relationship benefits that tie them to the company in a positive way.

### Spread of consumer distrust

Furthermore, the intangibility and heterogeneousness of services, combined with the spread of consumer distrust in companies, "positions trust as perhaps the single most powerful relationship marketing tool available to the company" (Berry, 2000, p. 164). This sentiment is echoed by Hart and Johnson (1999), who advocate the absence of "trust defects" as the most important factor in explaining customer commitment to service companies. It can therefore be assumed that true relationships are characterised by strong trust while spurious relationships could have trust defects.

Taking Bloemer and Kasper's (1995, p. 313) definition as a basis, we propose the following tentative definitions of *spurious* and *true customer relationships* (alterations or additions are written in italics):

A true customer-service relationship is (1) the biased (i.e. non-random) (2) behavioural response (i.e. purchase, *word-of-mouth*, *information sharing*[1] and *other positive behaviours*), (3) expressed over time, (4) by some decision-making unit, (5) with respect to *one service provider* out of a set of such *providers*, which (6) is a function of psychological (*cognitive and affective*) processes, *including the presence of trust, relationship benefits*

and the absence of negative bonds, resulting in service-provider commitment.

A spurious customer relationship is (1) the biased (i.e. non-random) (2) behavioural response (i.e. purchase), (3) expressed over time, (4) by some decision-making unit, (5) with respect to one or more alternative service providers out of a set of such providers, which (6) is a function of inertia, trust deficit, weak or absent relationship benefits and/or the existence of negative bonds.

**Degree of commitment**

Customers in both true and spurious relationships continue to buy the service and may appear to be equally satisfied based on their satisfaction score. The main difference is their degree of commitment expressed as the number of service providers and affective commitment. Affective commitment stems from perceived service superiority compared to alternative providers, and a strong preference for the service provider in question. High affective commitment provides resistance to counter-persuasion from competitors' offers (Oliver, 1999; Dick and Basu, 1994). Figure 1 illustrates different levels of affective commitment, relationship benefits and trust in a three-way matrix. Relationship benefits and different types of trust are discussed in more detail in the following sections. Although trust has been interpreted as a relationship benefit or bond by some researchers (Gwinner *et al.*, 1998; Halinen, 1996), it is most often posited as an independent construct and determinant of commitment (e.g. Morgan and Hunt), and the two concepts are therefore discussed separately.

**Extreme points on continuum**

Spurious and true relationships are extreme points on a continuum and other more specific states could be conceived between the two end points. For greater simplicity, behavioural commitment is also omitted. Since it is a continuum, it is difficult to draw a sharp line between the two end states, and they should be looked on as relative. At the lower end, customers may be behaviourally committed to the service but satisfaction is only latent. At the higher end, customers are more manifestly satisfied and more affectively committed to the service. Cooperative behaviours, which characterise true relationships (Berry, 1999), are also less likely to be found in spurious relationships. Strictly speaking, only quadrants 2 and 3 characterise true relationships with strong attachment based on relationship benefits and trust. The other quadrants could be looked on as opportunities for development towards a stronger relationship. Many relationships are likely to be characterised by low-moderate attachment, benefits and trust. Relationship benefits and trust are discussed next.

		TRUST			
		Calculus-based	Knowledge-based	Identification-based	
AFFECTIVE COMMITMENT	High	(1) <b>Spurious</b>	(2) <b>True</b>	(3) <b>True</b>	RELATIONSHIP BENEFITS
		(4) <b>Spurious</b>	(5) <b>Spurious/True</b>	(6) <b>Spurious/True</b>	
	Low	(7) <b>Spurious</b>	(8) <b>Spurious</b>	(9) <b>Spurious</b>	

Figure 1. Customer-relationship levels

## Perceived advantages

### *Relationship benefits*

Relationship benefits are perceived advantages that the regular customer receives over and above the core service (Gwinner *et al.*, 1998). These are rewards that the individual has gained over time by being a regular customer. The benefits tie him or her to the company by making it unattractive to switch providers. They may take the form of loyalty programmes, which are offered to all customers, or benefits that can be customised to individual consumers. It is a relationship benefit only when it is not offered to any customer who enters the store, regardless of relationship length. Moreover, companies may believe that they are offering benefits, but only customers can tell if they are experiencing any.

## Positive or negative bonds

Because relationship benefits act as bonds that tie customers to the service provider, there appear to be few conceptual differences between relationship benefits and positive relationship bonds. However, unlike relationship benefits, bonds could also be perceived as negative when they tie customers to a company in a negative sense (Bendapudi and Berry, 1997; Liljander and Strandvik, 1995). Customers with low affective commitment may continue purchasing a service because of being “locked in” by bonds (Bendapudi and Berry, 1997; Sheaves and Barnes, 1996; Liljander and Strandvik, 1995). For example, customers who take out additional warranty insurance for their car are forced to follow specific maintenance schedules at an authorised repair shop and cannot switch to any other shop.

## Financial, social and structural bonds

Empirical research on relationship benefits in services has been scarce. Berry (2000) proposed three relationship levels based on financial, social and structural bonds. Financial bonds, such as loyalty programmes, are considered the weakest form and may only lead to spurious relationships. Social and structural bonds are more closely related to true customer relationships. According to Berry (2000), RM relies primarily on social bonds, which involve regular communication with customers and service continuity through a personal service representative. Structural bonds offer value-adding problem solutions that are not dependent on individual service representatives, and which are difficult for competitors to copy. Structural bonds may be easier to establish in business-to-business contexts than with private customers. Liljander and Strandvik (1995) listed ten types of bonds and suggested that some of these, such as social, knowledge and psychological bonds, were more likely to be perceived as positive by customers, whereas others, such as economic, legal and technological bonds, could have a more negative lock-in effect. An empirical study of different services by Gwinner *et al.* (1998) identified a number of relationship benefits that were reduced to three main categories:

- (1) confidence/trust;
- (2) social benefits; and
- (3) special treatment.

Confidence/trust benefits were found to be the most important, followed by social benefits and special treatment. Furthermore, Hennig-Thorau *et al.* (2000) demonstrated that different customer segments experience different benefits. Relationships may also evolve from being more formal at the beginning, to becoming more close and social later on (Sheaves and Barnes, 1996).

It is thus likely that highly-committed customers in true relationships will experience more positive benefits than customers in spurious relationships do.

### **Customer vulnerability**

#### *Trust*

Trust may be defined as “confidence in an exchange partner’s reliability and integrity” (Morgan and Hunt, 1994, p. 23). It grows out of consistent and competent service and honest and fair treatment of customers (Johnson and Grayson, 2000; Berry, 1999; Morgan and Hunt, 1994). Trust is believed to be critical in long-term relationships (Berry, 1999; Bitner, 1995; Wilson, 1995; Morgan and Hunt, 1994), but there has also been evidence to the contrary (e.g. Grayson and Ambler, 1999; Doney and Cannon, 1997). Customer vulnerability, which is common in credence-based services, is believed to be the main driver of trust (Singh and Sirdeshmukh, 2000; Bigley and Pearce, 1998).

### **Simultaneous trust and distrust**

Trust and distrust are believed to have distinct, asymmetric effects on customer commitment (Singh and Sirdeshmukh, 2000; Wilson, 1995), but simultaneous trust and distrust towards separate elements of the service is also possible (Lewicki *et al.*, 1998). Trust is put to the test when the company does not live up to its promises (Bitner, 1995), or if the service fails in other respects. A study of complaining customers (Tax *et al.*, 1998) showed that prior positive experiences mitigated the effect of poor service recovery on commitment but not on trust.

*Sources and types of trust.* Different sources (Johnson and Grayson, 2000) and types of trust (Lewicki and Bunker, 1996) have been distinguished in the context of trust and distrust.

Johnson and Grayson (2000) list four different sources of trust:

- (1) generalised trust, based on the firm’s reputation, for example;
- (2) personality-based trust;
- (3) system-based trust, focused on regulating authorities; and
- (4) process-based trust, arising from interpersonal or customer-firm interaction.

Process-based trust is most often investigated in economic studies.

### **Three levels of trust**

Lewicki and Bunker (1996) proposed three qualitatively different types of trust. These were derived from research on romantic relationships and adjusted to work relationships, but could, in our opinion, also be applied to customer services. The three proposed levels of trust are:

- (1) calculus-based;
- (2) knowledge-based; and
- (3) identification-based.

The authors suggest that people may move from calculus-based to knowledge-based and identification-based trust, but customers may also remain at the same stage throughout a relationship. Although they stress that one stage is not necessarily inherently better than any other, there does appear to be a difference from a customer-relationship perspective, based on assumed customer reactions to violations of trust in the three stages. We have interpreted the stages as they could be applied to customer-service relationships.

### **Calculus-based trust**

Customers with calculus-based trust have trust in the service provider because they believe it to be in the provider's best interest not to suffer the loss of reputation and profits that a violation of trust would lead to. They believe in the benevolence of the provider, but the belief is based on the cost of deterrence. Even small inconsistencies in performance could have a large detrimental effect on trust perceptions. Calculus-based trust may take different forms for different services, but we feel that it is unlikely to be combined with high affective commitment.

### **Knowledge-based trust**

Knowledge-based trust, as the name suggests, is based on knowing the service firm well and being able to anticipate its actions. It could be related to knowledge bonds (Liljander and Strandvik, 1995) and confidence benefits (Gwinner *et al.*, 1998), and represents a generalised expectancy that has progressed over a longer period of time. Effective two-way communication is important for knowledge-based trust to develop because it ensures that the parties exchange information about their preferences and approaches to problems. The relationship will be nurtured in the knowledge that if it is neglected, it will lose its strength and fade away. Customers have to be willing to share information with the company, and the company has to be willing to learn about customers' needs and problems and to develop its services accordingly. The effect of a violation of trust depends on the extent to which the events were under the company's control. Temporary events may be ignored and trust will eventually be restored.

### **Identification-based trust**

Customers with identification-based trust have full confidence in the service company and believe that it will act in their best interests. The service provider has in-depth knowledge of customers' needs and desires, and customers perceive that their desires are fulfilled. Shared values (cf. Berry, 2000; Morgan and Hunt, 1994) characterise this type of trust, and customers tend to defend the company against criticism from outsiders. Identification-based trust may also be linked to identification benefits (Hennig-Thorau *et al.*, 2000) and to cultural and ideological bonds (Liljander and Strandvik, 1995). A violation of trust needs to be of great magnitude to dissolve the relationship. Because of the strong attachment that can be related to identification-based trust, quadrant 9 is considered an unlikely combination.

At the extreme points of the continuum from spurious to true relationships, customers at the spurious end are likely to express more calculus-based trust, while those in true relationships will be characterised by knowledge- or identification-based trust.

### **Empirical study**

The empirical study is structured in the following way. First, the research method is discussed and then some background information on the company and its service concepts is provided. Thereafter, the customer data collection is described and interpreted, and the findings presented.

#### *Research method*

Qualitative research methods are particularly well suited to the exploration and discovery of new concepts and their interrelationships (Patton, 1990). Commitment and trust are well-researched concepts in business-to-business studies but much less is known about private customer relationships. Empirical research on relationship benefits and different types of trust is also scarce. Because of the complex nature of customer relationships and, more specifically, of spurious and true relationships, a qualitative approach was chosen for this study. Because data is interpreted from the theoretical

## After-sales service

perspective outlined above, the qualitative approach taken here is more orientational (Patton, 1990, p. 85f) than naturalistic (Lincoln and Guba, 1985).

The study was designed to investigate customer commitment, benefits and trust in after-sales service relationships. Car-repair and maintenance services were chosen for several reasons. First, it is a credence-based service, which is difficult for customers to evaluate and customer trust is believed to be particularly important (e.g. Singh and Sirdeshmukh, 2000). Second, customers generally expect dependable car-repair services from all repair shops and other benefits will be needed to win higher customer commitment (Gwinner *et al.*, 1998). Third, customer commitment to after-sales service for new cars is particularly important for dealers within the European Union, where an association between car sales and after-sales service has been upheld by a block-exemption agreement (regulation 1475/95, European Commission, 2001). Although the distribution of profits between car sales and services varies between car brands and countries, margins on new cars are typically low and customer commitment to after-sales service is crucial for dealer profitability. In the case company, the customer-lifetime value of after-sales service matches the average profit that the dealer makes on the sale of a new family vehicle. Private customers tend to use an authorised repair shop for their new car until it is approximately five years old. Thereafter, most customers opt for cheaper spare parts than those offered by authorised repair shops.

## Diversified corporation

### *Case service background*

The dealership is part of a well-known diversified corporation that enjoys a good reputation in Finland. At the time of the study it consisted of five outlets, each of which offered a fleet of new and used cars, and a repair shop on the premises. The first outlet was established in the 1970s, and since then the dealership has expanded to five outlets, all of which are located in major cities in the south of Finland.

To gain a pre-understanding of the company, of differences between outlets and of customer relationships, interviews were conducted with 12 experienced company employees (the company director, managers, foremen, car sellers and mechanics) before customers were interviewed. The following descriptions of service concepts and employee perceptions of customer relationships are based on these interviews.

## Choice of two types of service

*Service concepts offered to customers.* A unique feature of the dealership is that it offers customers a choice of two different types of services, namely a personal-mechanic relationship and pseudo-relationship (Gutek *et al.*, 1999, 2000). Customers who want personal services are allocated a direct mechanic (DM). They make appointments directly with the mechanic, and deliver the car to and pick it up from him or her. Other customers deal with any available foreman in a pseudo-type relationship. In this case, customers either look at the car together with the foreman, who then distributes the work among the mechanics that he supervises, or they leave their car keys with a foreman at the reception desk. More detailed background information on the services is presented in the Appendix.

Two of the outlets offer the same service alternatives to customers, but in other respects the outlets are individually designed and may offer different facilitating or supporting services, such as different opening hours or customer-contact services. When direct mechanics are available at an outlet, customers are presented with the available alternatives when they purchase

**Perceived as trusted company**

their car. Thus customers are, at least in principle, able to choose the kind of relationship that they prefer. A summary of the services offered at the five different outlets is presented in Table I.

*Employee beliefs about customer relationships.* Employees were questioned on their beliefs of what made customers committed to the dealership, what relationship benefits they believed that customers experienced and the role of trust in customer relationships. This information was used to formulate questions and probes in the customer interviews. The employees expressed very similar beliefs. Well-performed after-sales service was believed to affect customer commitment to both after-sales and car sales. Employees expected customers to have generalised trust in the dealership, but the reputation of the company was believed to have only a marginal effect on customers' initial choice and future commitment. They believed that customers would perceive the dealership as a trusted company that delivered high-quality service at moderate prices. The following excerpt summarises this view[2]:

Thinking generally of . . . the benefits customers receive from us, we represent trustworthiness and the confidence of being a big company that works according to written standards, following certain specified principles. Doing business with us is secure, and reliable for the customer in terms of, let's say, returning after 2-3 years and we'll still be in the market. The customer can trust our continuity. The name of the parent company entails responsibility. The customer expects better service than he'll get from others. We're also expected to offer competitive services in terms of other dealers and repair shops. . . . There's a tremendous difference between car-repair services and car sales as a whole. You can sell almost anything to a customer once, but if the intention is to see the customer returning after two or three years for a new car, the service and the car repair have to be successful from the customer's point of view (Sales manager).

**Loyalty card**

A loyalty card given out by the parent company that also featured special offers on cars, services and spare parts was mentioned as a potential relationship benefit. However, this card can be obtained by anyone regardless of relationship length, and thus constitutes a weak financial bond (Berry, 2000). Apart from the personal service given by direct mechanics, employees were unable to name benefits that were specific to the relationship or that would distinguish the dealership from its competitors.

The employees were unanimous in their belief that DM customers were more satisfied and committed to the company than other customers. One direct mechanic described his experiences:

I have worked as a direct mechanic for 25 years . . . with regular customers there's no need to [give a price estimate], only if something unexpected or out of the ordinary happens, then [I] phone. . . . I've lost very few customers during my time as a direct mechanic. So, I assume that my customers are satisfied. I think that it's

Dealership outlets	Personal relationship Direct mechanic	Pseudo relationship Foreman and customer examine car together	Pseudo relationship Foreman/other employee receives car keys
Outlet A	Yes	No	Yes
Outlet B	Yes	Yes	Yes
Outlet C	No	Yes	Yes
Outlet D	No	Yes	Yes
Outlet E	Yes	No	Yes

*Table I. Relationship levels that are offered at the five car-dealership outlets*

a good indication that if there are disagreements, we solve them right away, with flexibility on both sides.

Employees other than direct mechanics based their perception of DM superiority on general beliefs within the company and on past customer-satisfaction surveys. DM customers had consistently exhibited a higher satisfaction index than the other customers.

### **Stratified personal sampling**

#### *Customer data collection and interpretation*

Personal interviews were conducted over the telephone with 34 customers in July-August 2000. Six to eight customers per repair shop were interviewed. Stratified purposeful sampling (Patton, 1990) was used to ensure variation in personal and pseudo-relationships. The sample was drawn from a population of 263 private car owners who had used any of the five car repair shops during one week in June 2000. A total of 90 customers had a direct-mechanic relationship, and of these 13 were interviewed. Of the remaining 173 customers who were categorised as having a pseudo-relationship with the repair shop, 21 were interviewed. Each customer was offered a voucher of FIM 50 for participation and only one customer declined to participate. The respondents' ages ranged from 22-72 years, and nine of them were female.

### **Open-ended questions**

The interview guide included general themes and follow-up questions, and probes were used when needed. The customers were first asked a few warm-up questions about their car, where they had bought it and which repair shop they used (even though the outlet was known to the interviewer), and if they used other repair shops. They were then asked questions on why they chose the dealer's repair shop, on perceived service quality, perceived relationship benefits, comparison to other repair shops, trust in the repair services, overall satisfaction and behavioural commitment to after sales and the car brand. All the questions were open-ended and the customers were able to express their opinions freely. A list of questions for probes was prepared. For example, on relationship benefits the customers might be asked if they perceived any benefits from being a regular customer at the repair shop, if they believed the service they received differed in any way from the services received by new customers or other regular customers, and if they believed that the customer relationship differed in any way from what they would experience at other repair shops. The interviews lasted between 15-45 minutes. They were all transcribed immediately after completion and analysed separately by the authors. For example, behavioural commitment to after sales was interpreted as customers' reported past and current usage, as well as future intentions to use the repair shop. Affective commitment was interpreted from the customers' reported satisfaction, expressed enthusiasm over the services, perceived service superiority compared to other repair shops and experienced critical incidents. A software program for text analysis was used to organise the data according to relationship benefits, trust and commitment, and other themes that emerged from the data. The interviews were also analysed as a whole, and each part was compared to the whole. Any consistencies or inconsistencies were taken into account when the concepts were interpreted. Interpretations were compared and discussed for consistency among the authors, but interpretation of the data, as always, remains subjective.

### **Findings**

The customers were categorised according to perceived relationship benefits, trust and commitment, and the results were compared with the information presented in Figure 1. The interpretations are relative rather than absolute. Complete commitment as described by Morgan and Hunt (1994) is rare and

### Small differences between customers

only one customer displayed it for the car brand itself. However, there were relative differences between customers and some could be interpreted as having a true customer relationship based on their past behaviour and current experiences. However, most customers were interpreted as having a satisfying but spurious relationship. Some general observations on customer commitment, relationship benefits and trust are followed by findings on the characteristics of customers in spurious and true relationships.

#### *Customer relationships*

The interviews were analysed for customer commitment, trust and relationship benefits, but even when the whole interview was taken into account, differences between customers remained small. Construct levels are relative and based on the current customer sample. Examples of construct interpretations are provided in Table II.

*Commitment.* In general, the interviewed customers were satisfied but perceived small differences between different authorised repair shops. Although several of them mentioned that very bad experiences would affect their future brand choice, satisfactory experiences were believed to have only a marginal effect.

Customers' behavioural commitment to after-sales services was high for all customers, but low in terms of future car-brand commitment. With the exception of one person who performed simple maintenance on the car himself, all said that they exclusively used the focal dealer's repair and maintenance services and that they had every intention of continuing to do so during their current car ownership. Even those who expressed some degree of dissatisfaction with the services had no intention of going elsewhere.

In contrast, affective commitment based on perceived service superiority and experienced satisfaction was lower than behavioural commitment. Twelve customers were very satisfied with the services, 18 were satisfied and four were somewhat dissatisfied, but none of them were prepared to "go the extra mile" to use the same repair shop in the future. They experienced hardly any benefits that could be interpreted as relationship benefits, but they trusted and used the repair shop because it was an authorised dealer. Car after-sales services are most often perceived as a necessary evil that does not easily arouse customer delight. However, delight is considered an important driver of customer loyalty and profits (Rust and Oliver, 2000).

### Effect of car sales on service usage

The focal dealership has calculated that over 90 per cent of its car buyers who reside in the region also use its after-sales services. Thus car sales have a strong effect on the usage of these services, although after-sales service seems to have only a marginal effect on future car sales.

Furthermore, contrary to expectations and bearing in mind the sample size, the interviews did not support the clear superiority of DM relationships. In general, DM customers liked the system and six of them were very satisfied, but they were not more satisfied than customers of the service outlets C and D, which had the most advanced "foreman examines car with customer" service. In a study of bank services, Colgate and Danaher (2000) also observed that pseudo-relationships may be just as successful as personal relationships if they are well implemented. Relationship proneness is known to vary between customers (Odekerken-Schröder, 1999; Fournier *et al.*, 1998), although empirical research is still scarce. Moreover, in a dealership, customers who are relationship prone may establish personal relationships with employees other than direct mechanics.

Construct	Examples
<i>Behavioural commitment after sales and car brand</i>	<p><i>Citations</i></p> <p>At least this time I didn't think [about the repair shop when I bought the car] . . . Well, in the region there's such a good choice of services that I don't think it's decisive. Of course, if it's this brand and you have bad experiences of it, then it may influence you so that you consider switching brands. So it correlates with the brand (A20, PS)[3]</p> <p>Yes, as long as I drive [this brand], I guess I'll use it . . . [What about when you want to switch cars, will the services affect your choice of car?] Well, not in that sense. It's so little one needs to use them, hopefully. If there were other problems than the regular maintenance then you could easily find other repair shops if you're in a hurry or otherwise can't get there. But in these cases, when you can book an appointment so much in advance, and when you drive about 15,000km per year, there won't be a lot of other repairs (E17, DM)</p> <p>I've been pretty brand loyal. This is my third or fourth [car brand]. The reason I use this outlet is because it's the closest brand repair shop (C6, PS)</p>
<i>Affective commitment</i>	<i>Respondent description</i>
Low	The customer has used several of the dealer's outlets but cannot say that he perceives any differences between them or that the dealer's services would be better than those of other brand repair shops. He has had a bad experience at outlet D but feels that services are OK at outlet C, which he now uses. He is satisfied but not "very satisfied" (5D, PS)
Moderate	The family currently owns two cars of the same brand and she has previous experiences of the brand but has only used the focal repair shop for about a year. She has a lot of experience of different repair shops but does not compare them. This repair shop is still new to her and she appreciates the personal service that she gets. She also has a neighbour who works for the dealer. She is very satisfied with the services so far but has always got good service from repair shops of the same brand (E18, D)
High	The customer was impressed at getting a personal mechanic. She would not take her car to anyone else but him. Everything has worked perfectly, she could not ask for anything more from the repair shop. When she bought the car, the seller arranged for her to get it much more quickly than she expected. She does not believe that she would have got the same service anywhere else. She is very satisfied (B24, D)
<i>Relationship benefits</i>	<i>Citations</i>
Not experienced	I don't think that I benefit at all (from being a long-term customer except that I get the magazine with some offers. I don't believe that I benefit at all (C6, PS)
Experienced some	Well, what's positive is that the car is seen to quickly. For example, when I bumped it a bit two years ago I got it into the repair shop quickly, and it was repaired completely. At least I've nothing negative to say, you can trust that everything works if it's at all possible. When I had the accident, it was at a time when it was extremely slippery, which means that they had a lot of work, but they still fitted it in somewhere (D1, PS)
	Well, one benefit is that now that I'm looking for a new car for my wife, I was in there and greeted the seller and he said "that car isn't worth buying". They tell you more about what's worth buying if you want a used car (E16, DM)

(continued)

Table II. Examples of construct interpretation

Construct	Examples
Maybe in future	I'd say that it's easier to get an appointment compared to some, at least if you really need it. At least that's the belief I have, but I don't know what it's like in practice (A21, DM)
<i>Trust</i>	<i>Citations</i>
Calculus-based	Of course you could pay less at a non-brand repair shop, a small workshop, but when you know that they don't have the right equipment, and not necessarily the knowledge and skill either, you'd rather use a more expensive one. It will be cheaper in practice anyway. Then, the maintenance book is valuable if I want to sell the car, I mean, the buyer will want to know where it's been serviced (C10, PS)
Knowledge-based	Yes and here it's quite the opposite [compared to another outlet]. Here they literally take you by the hand and go through all the problems, and then also after the repairs they tell you what they've done. Really good, I've really appreciated that you know all the time what has happened. . . . And then when you also notice that everything has been done that was supposed to be done, that they don't pretend. That's pretty important . . . . I trust them because they inspect the car so thoroughly when it's taken there and then we negotiate about what should be repaired (D3, PS)
Identification-based	Yes it (parent company's name and reputation) has an effect because when you're part of the personnel yourself you know that in (the company) they're extremely obliging towards customers. I'm sure that not many shops or garages would do the kind of things that (the company) does. The customer always comes first there (B24, DM)

Table II.

However, direct mechanics seemed to deliver more consistently good service quality, since negative incidents were observed to be more common in pseudo-relationships. The only four customers who expressed some level of dissatisfaction also had pseudo-relationships.

**Importance of core service**

*Relationship benefits.* Perceived relationship benefits were almost non-existent, but customers did not seem to expect them either. Moreover, while the company placed high importance on cutting costs and keeping prices at a moderate level compared with other authorised repair shops, the moderate prices had only been noticed by two customers and most took it for granted that authorised repair shops were expensive. The customers were prepared to pay for authorised repairs and they were satisfied as long as the repair shop was conveniently located, they received a timely appointment, the price estimates held and the car was returned to them on time, and in good condition. In other words, the core service was most important. The overall impression from the interviews was that customers were not involved in after-sales services and were satisfied as long as they did not experience any problems. However, it is possible that positively surprising and delighting customers with relationship benefits would lead to higher commitment.

**Marginal influence of generalised trust in parent company**

*Trust.* The marginal influence of generalised trust in the parent company was confirmed in the interviews. Only after prompting did some customers say that it might affect their trust in the repair shop. This weak influence could also be explained by a lack of success in communicating the parent company's values to the customers. This interpretation was supported by the fact that the only two customers who were certain that its reputation strongly affected their trust in the dealership worked for the parent company

themselves. They had internalised the company values and were considered to have identification-based trust.

Customer trust was found to be latent in most cases (Wilson, 1995) because it was taken for granted and not deliberated on. No major differences were found between customers in the early and later stages of a relationship. Those who had used the repair shop for only one year obviously had less experience of it, but they had generalised trust in authorised-brand repair shops (Johnson and Grayson, 2000). The same kind of trust was also paramount for customers with longer experience of the services.

### Feelings of uncertainty

Customer vulnerability is enhanced by the fact that only authorised repair shops have access to all technical information on new cars. Furthermore, warranty insurance forces customers to use authorised repair shops, even when they do not see the need for it. As one customer put it:

... when you have a new car and there are these maintenance programmes, it feels a bit like, do they do anything at all to it? But at least when I've asked the boys what's been done and what's been checked, they've actually done it all. You feel that there really shouldn't be any need to maintain the car at all yet.

Customers' lack of ability to judge whether or not a service is necessary, or if a problem should be covered by the warranty or not, leaves them with a feeling of uncertainty or mild distrust.

Customers' generalised trust in authorised repair services was interpreted as a calculus-based type of trust and was related to expectations of future economic benefits by increasing the car's second-hand value.

### Types of customer relationships

*True-relationship customers.* Table III gives sample descriptions of different types of customer relationships. Only four customers were categorised as having some characteristics of a true relationship, but for different reasons. Two worked for the parent company and had therefore internalised its values. The other two had developed knowledge-based trust in the company by using it for a long time and having a personal contact there. One customer had a close relationship with a car salesperson, who knew his needs well and who did special favours for him. He had established the contact before the current dealership took over the outlet and he had also noticed service improvements during the current ownership. The fourth customer was completely committed to the car brand, and only through that to the dealership, where he had a personal mechanic.

*Spurious-relationship customers.* Most customers were categorised as having a spurious relationship with the dealership but there were also considerable differences between them, ranging from dissatisfied customers with very negative experiences to satisfied customers with positive experiences. However, none of them experienced the dealership or car brand as superior to other dealerships or car brands. They used the after-sales services of the focal outlet because it was an authorised-brand repair shop that was conveniently located.

### Tolerance of service failure

Most customers were interpreted as having calculus-based trust. They trusted the competence of the authorised repair shop but they did not show knowledge-based trust characterised by mutual disclosure between the parties (Lewicki and Bunker, 1996). However, contrary to the notions of calculus-based trust described by Lewicki and Bunker, they had a high tolerance of service failure, because of warranty insurance or because they believed that it would raise the second-hand value of their car, or that they would find it easier to sell.

Customer relationship	Summary description of sample customers
<p><i>True relationship</i></p> <p>High affective commitment, knowledge-based trust, some benefits</p>	<p>The 39-year old customer owns a three-year old car, which he bought from the focal outlet because it was conveniently located and he was familiar with the outlet and sales persons from before. He's had much experience from other repair shops through his work and perceives differences in both the car reception and repair. In the past, the focal repair shop also gave impersonal routine service, but this has changed for the better in recent years. He is very satisfied and generally trusts authorised repair services. He has a personal relationship with a car salesman who offers him special treatment benefits for both car sales and repairs</p>
<p>High affective commitment, identification-based trust, few relationship benefits</p>	<p>The 22-year old customer owns a used car and has no experience of other brand-repair shops. He has used all of this dealer's outlets and found them to be equally good. The two available service alternatives were not described to him when he bought the car, but he is very satisfied with the services that he receives and feels that he benefits from the relationship because "when you do business in the same place it becomes almost like a circle of friends". He chose the dealership because he works for the parent company and also gets a discount. He doesn't know if he would get better after-sales services from some other company but he has found that the sales persons of this dealership are much more friendly than those in others. He has every intention of continuing to use the services of this dealership and he will buy his next car from the same company. (B25, PS)</p>
<p><i>Spurious relationship</i></p> <p>Moderate-high affective commitment, knowledge-based trust, few or no benefits</p>	<p>The 72-year old customer has a one-year old car. He has bought cars from this dealer for as long as they have been selling the brand and he is familiar with the company, but he has only used their repair shop for six years. He is completely committed to the car brand, towards which he has nostalgic feelings from his youth, and the repair services do not affect his brand loyalty in any way. He uses the repair shop because it is closest to his home. He is satisfied with his personal DM, whom he has used for six years, but of course services could always be improved. He perceives the DM as good and reliable and has not had any negative experiences. He has not experienced any benefits of being a regular customer</p>
<p>Low-moderate affective commitment, calculus-based trust, no benefits</p>	<p>The 50-year old customer had bought the five-year old car as used and was satisfied with the repair services. However, he was not aware that the mechanic he used was a personally appointed direct mechanic. He was satisfied with the mechanic and had received good advice from him by phone when he experienced a problem with the car while driving in Europe. He was less satisfied with the fact that the car had broken down and he was still waiting for an answer from the dealership (and manufacturer). He could not think of any relationship benefits that he might have or get by using the same repair shop. He used the repair shop because it was an authorised repair shop (A19, DM)</p>

(continued)

Table III. True and spurious relationships

Customer relationship	Summary description of sample customers
Low affective commitment, calculus-based trust, no benefits	The 39-year old customer owns a two-year-old car and has experiences of other brands. He was very satisfied with the car seller but had experienced some minor problems with the repair shop, which were now forgotten. He was satisfied, but not very satisfied, with the after-sales services. Compared to other brand repair shops he feels that the current dealership sends him less information and has fewer offers. Having a direct mechanic is not important to him and it does not matter to him who maintains his car as long as it is an authorised repair shop, because then you know that you get it back in one piece. He has not experienced any benefits as a regular customer (E12, DM)
Low affective commitment, lack of trust, no benefits	The 36-year old customer has a two-year old car, which she bought from another dealer. She chose the repair shop because it was close to her work place. The existing service concepts were not introduced to her. She does not trust the repair shop because she had to bring in her car several times before the fault was discovered, and then they got the wrong spare part and she was still waiting for the car to be repaired. Timetable promises that were made had not been kept and they did not communicate changes to her. She had received some kind of post-purchase satisfaction phone call and put her complaint to the caller, but the company had failed to react. Furthermore, she had needed to explain her problem repeatedly to new service representatives. Although she had considered switching repair shops, it is so conveniently located that she had not done so

*Table III.*

**No systematic information sharing**

The company stores data on car repairs and maintenance, but not on consumers. Direct mechanics may remember customers and their preferences but there is no structure for systematic information sharing. Some customers were interested in improving their communication with the repair shop, while others admitted that they themselves were to blame for the lack of it. When customers pick up their car in the evening the foreman has most probably gone home and there is no one to discuss the car with.

**Lack of competition**

Customer relationships are not followed up within the company, so there are no records of switching customers. Complaining customers are generously compensated and customer-contact employees are empowered to make personal decisions on compensation, but the system sometimes fails and customers do not get a timely response to their complaints. However, even the four dissatisfied customers were going to continue using the dealer's after-sales services. They had less trust in the company, but the threshold for switching was high. This is partly due to the current regulation (European Commission, 2001), which allows exclusive territories for car sales and after-sales services. A lack of competition means that customers would often have to travel far if they wished to frequent another authorised dealer. Customers are thereby effectively tied to the dealer and have little incentive to compare the services of different dealers. The lack of individual attention may create spurious customer relationships, but even customers in spurious relationships are likely to stay behaviourally committed to the service for a number of years.

## Product-specific aspects

## Unique position of car dealers

## Delight-provoking service

### Discussion

Brand-loyalty research suggests that customer relationships may be described along a continuum from spurious to true relationships based on customer commitment, trust and perceived relationship benefits. Trust has generally been considered central to customer relationships and is believed to have a positive influence on the zone of tolerance (Berry, 1999). However, in the focal case, it was not so much trust, as product-specific aspects that increased customer tolerance of failure. Customers are effectively tied to authorised repair shops even without experiencing relationship benefits.

Customers were found to be highly behaviourally committed to after-sales services but their affective commitment was in most cases interpreted as low or moderate. They were satisfied, but in general perceived no differences between the dealer's repair shops and the competitors' services. They had a positive attitude towards the dealer, but could not be said to have a high relative attitude (Dick and Basu, 1994). Furthermore, they experienced no or few relationship benefits by being regular customers. Since service intervals for cars have become increasingly longer, customers have few opportunities to form close relationships with the service personnel, even if they have a personal service representative. Since the company does not store customer data, it is difficult to implement RM strategies for rewarding long-term customers. When the customer buys a new car, the car is entered into a data file, but no data is stored on past behaviour with the previous car. It is difficult to say how the presence of relationship benefits would affect customer commitment for this service provider. The selective and exclusive distribution of cars and the link between sales and services, which the block-exemption provision allows (European Commission, 2001), puts car dealers in a unique position compared to other services. It severely restricts customers' possibilities to choose between different service companies.

Customers were also found to have a generalised but latent trust in authorised car repair as long as they experienced no major problems. Following Lewicki and Bunker (1996), trust was further classified as calculus-based, knowledge-based and identification-based. Most customers were interpreted as having calculus-based trust. Since customers' trust in general extended to all authorised repair services, it had no effect on after-sales or car-brand loyalty. On the other hand, it has been observed that few companies are able to deliver the delight-provoking service that is needed to instil high trust and commitment (Berry, 1999; Hart and Johnson, 1999). Thus, companies that are able to delight customers and develop knowledge- and identification-based trust may find a stronger relationship developing between after-sales services and car-brand loyalty.

### *Limitations of the study*

The study has several limitations. First, the sample of customers is rather small and limited to the context of one dealership. Differences between outlets and service designs make it difficult to draw general conclusions about any of the service concepts. Second, telephone interviews cannot yield the same depth of data as personal interviews. A relationship consists of many service encounters, each of which may affect customers' overall impression. Although customers answered questions willingly and probes were used, they may still have wanted to keep the interview short by not going into detail. Thirdly, the study only included current customers and no conclusions can be drawn about what effects dissatisfaction with services compared with other brands or any lack of trust may have had on customers who had switched cars and/or after-sales-service providers. Finally,

interpretations of the constructs are subjective and their validity and interrelationships should be determined in future research.

### **Future research directions**

A multitude of studies have demonstrated that perceived service quality leads to future repurchase intentions, but research on actual customer commitment and its antecedents is still scarce.

Although trust is believed to be imperative for relationship commitment, research results have been mixed. One reason for this may be that different types of trust have not been accounted for. Trust is important, but may lose its effect on future sales if it is latent and generalised. In the absence of other relationship benefits, customers could become more price conscious and switch service providers despite the presence of some form of trust.

### **Importance of trust vs distrust to commitment**

Research is also needed on the importance of trust vs distrust to commitment. Customers may trust the after-sales services but distrust the car brand. There is also a lack of research on events that lead to customer distrust. Badly handled complaints or inadequate communication with customers may lead to a lack of trust (Bejou and Palmer, 1998), but little is known of how distrust affects customer commitment and switching behaviour. Although distrust has not been specifically addressed in empirical studies on switching (Keaveney, 1995; Roos, 1999), it is an area in which generalised and process-based distrust could be expected to play an important role. Customers' tolerance of distrust, and their ability to avoid it or compensate for it within the relationship, are also important areas for future research.

### **Data mining and personal communication**

Furthermore, two-way communication is an important but neglected area of relationship marketing (Grönroos, 2000). Personalised service communication, including information sharing and sensitivity to customer need, is imperative for the development of knowledge-based and identification-based trust, customer satisfaction and commitment. However, employees often lack the necessary skill and motivation to engage in personalised selling and direct communication with individual customers (Sharma and Patterson, 1999; Ford, 1998). Berry (2000) observed that communication is especially important when customers are served by different service representatives each time. Customers in pseudo relationships cannot attain the same level of closeness as those with personal service representatives, but information sharing is still possible. For instance, telecommunication companies are typically characterised by pseudo relationships, but have found that combining data mining with personal communication reduces switching behaviour (Snell, 2000). Data mining gives companies the necessary background information on customer spending and usage patterns, while personal communication is used to find out what problems customers have encountered, and what information they need in order to fully enjoy the service.

### **Improving company's profitability**

Relationship-marketing efforts should be concentrated on aspects that improve the company's profitability, and therefore research is needed on the actual effect of improvements in different aspects of service relationships on customer commitment. For example, will an improvement in the trust level have a larger impact on commitment than an improvement in relationship benefits? Can customers be profitably segmented according to relationship proneness and their need for individualised services? In what circumstances does the presence of personal service representatives lead to higher customer commitment, and is it profitable to implement such a relationship-marketing strategy? To conclude, several questions remain to be answered in order to

promote understanding of different types of customer relationship and the relationship-marketing strategies that will be most successful for increasing customer long-term commitment.

### Notes

1. Although not discussed further here, strong customer relationships rely on two-way communication, or dialogue (Grönroos, 2000), between customers and the company. Communication is necessary for the company to be able to customise the service offering to the customer's needs and desires.
2. All the interviews were conducted in Finnish or Swedish and therefore the extracts are not direct citations but translations. They reflect the interviewed person's words as closely as possible.
3. Customers are numbered 1-34, A-E are service outlets (Table I), DM and PS denote direct mechanic and pseudo-relationships.

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## **Appendix. Background to the two service concepts**

### *Historical background*

The reasons for offering different service concepts both within and between the five outlets are to be found in the dealership's historical development. From its creation, the first outlet served customers according to the direct-mechanic concept, and this system was also implemented in new outlets. During the recession at the beginning of the 1990s, the dealership found it easy to hire good mechanics who were willing to work directly with customers. The recession hit many dealers hard and the company was able to expand by acquiring other outlets. At that point, several factors affected the development of the concepts. First, the mechanics at the newly-acquired repair shops were not willing to work as direct mechanics. Second, car sales had started to pick up and it was now much harder to take on new skilled mechanics for additional direct customer interaction. Third, the appointed managers felt that the new premises were not suitable for the direct-mechanic concept, and fourthly, new instructions from the car manufacturer forced the company to implement pseudo relationships in its dealings with customers. Specifically, the car manufacturer wanted all warranty repairs to be decided on by an authorised foreman. At the time of the study, four of the five outlets had implemented this strategy, either as the only service concept or as an additional concept. As a result, no two outlets offer exactly the same service relationships to customers.

### *Efficient and/or personal service?*

Surprenant and Solomon (1987) suggest that companies might have to choose between efficient and personalised services. This certainly seems to apply to the focal company. Direct mechanics offer personal services but the combination of foremen and "anonymous" mechanics is unanimously believed to be the most efficient system within the company, based on how many cars are repaired per day. The mechanics' time can be used more efficiently when a foreman divides the work between them, and they can concentrate on maintenance and repair.

However, the dealer has also implemented a service concept that offers more personal contact between customers and foremen than the manufacturer's guidelines demand. The new service is offered by three of the outlets where customers are encouraged to look at the car together with the foreman. However, only the two newest outlets (C and D) have been specifically designed for this purpose. Fifteen minutes are allocated to each customer, during which the foreman receives the car, looks at it with the customer and gives a price estimate. Each customer is given an exact time for an appointment and encouraged to keep the time. However, one problem has been that the customers are so used to the old system of simply leaving their

keys that they do not understand the importance of keeping the appointed time. As some employees said, people would not arrive late for a dentist's appointment, but they are not used to keeping appointments at repair shops. The same problem was also observed with new customers of direct mechanics. Since all the appointments could not be fitted into the early morning, some customers prefer to leave their keys at the reception desk.

Although this service is more personal than just leaving the keys, it is not as personal as having a DM. When a foreman spends 10-15 minutes with a customer and his/her car, it does not follow that he remembers them the next time he sees them, and normally he does not. If a customer does not ask for one specific foreman, he/she will get anyone who is available. Therefore, the relationships between customers and foremen tend to be shallow.

A direct mechanic spends much more time with the cars and customers. He may not remember all of the customers, but he tends to remember the car, sometimes as soon as he hears its registration number. However, the company can only offer direct mechanics if they find people who are willing to do the job, and this has become more difficult in recent years. All mechanics who work as DMs do it because they like it, but not every mechanic wants to deal directly with customers. On the other hand, the turnover of mechanics is almost non-existent and new ones are needed only when the business expands. Mechanics normally leave either when they retire or because they switch to another outlet within the company. ■