Relational Benefits in Services Industries: The Customer's Perspective

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This research examines the benefits customers receive as a result of engaging in long-term relational exchanges with service firms. Findings from two studies indicate that consumer relational benefits can be categorized into three distinct benefit types: confidence, social, and special treatment benefits. Confidence benefits are received more and rated as more important than the other relational benefits by consumers, followed by social and special treatment benefits, respectively. Responses segmented by type of service business show a consistent pattern with respect to customer rankings of benefit importance. Management implications for relational strategies and future research implications of the findings are discussed.

Ongoing relationships between businesses and their customers are receiving renewed interest in marketing (cf. Berry 1995; Sheth and Parvatiyar 1995). Indeed, the building of strong customer relationships has been suggested as a means for gaining a competitive advantage (McKenna 1991; Reichheld 1993; Vavra 1992). For service businesses, strong customer relationships are particularly important because of their inherently interpersonal focus and the relative lack of objective measures for evaluating service quality (Czepiel 1990).

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Previous empirical relationship research has focused on the benefits of customer loyalty as viewed from the perspective of the firm, typically in business-to-business contexts (e.g., Crosby, Evans, and Cowles 1990; Peterson 1995). That is, when to engage in, how to engage in, and why to engage in relational exchanges has been discussed from the firm's perspective (Morgan and Hunt 1994). As a result, the benefits to service providers of having developed strong relationships with their customers, and thus a loyal customer base, are well documented. Loyal customers can lead to increased revenues for the firm (Reichheld 1993, 1996; Schlesinger and Heskett 1991), result in predictable sales and profit streams (Aaker 1992), are more likely to purchase additional goods and services (Clark and Payne 1994; Reichheld 1996), typically lead to low customer turnover (Reichheld and Sasser 1990), and often generate new business for a firm via word-of-mouth recommendations (Reichheld 1996; Reichheld and Sasser 1990; Schlesinger and Heskett 1991; Zeithaml, Berry, and Parasuraman 1996). In addition, a loyal customer base can lead to decreased costs (Jarvis and Wilcox 1977; O'Boyle 1983; Reichheld 1993), particularly because loyal satisfied customers are likely to cost less to service (Reichheld 1996) and because sales, marketing, and setup costs can be amortized over a longer customer lifetime (Clark and Payne 1994).

Although positive outcomes for the firm are clear, for a long-term relationship to exist, both the firm and the customer must benefit. Yet, benefits to the customer for being loyal to a service provider have received considerably less attention (Barnes 1994; Berry 1995; Bitner 1995;

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Peterson 1995; Sheth and Parvatiyar 1995). Berry (1995) and Bitner (1995) discuss conceptually what some of these benefits might be, but no systematic, empirical investigation has been published examining the benefits customers receive from being in a relationship with a service firm. Similarly, from a strong theoretical perspective, Bendapudi and Berry (1997) provide a framework for understanding the antecedents and outcomes of customer relationship maintenance. Again, no empirical test of the framework is provided.

The goal of this article is to empirically identify, through a sequence of two studies, the benefits customers perceive in pledging their allegiance to a particular provider. The emphasis is placed on *relational benefits*, defined here as those benefits customers receive from long-term relationships above and beyond the core service performance (e.g., reduced anxiety as opposed to on-time package delivery). A basic assumption underlying the current exploration is that the consumer has a choice among service providers; that is, the industry environment is competitive and the customer has the option of switching providers. Given this assumption, the following research questions motivate these studies:

1. What are the benefits, from the consumer's perspective, of maintaining a relationship with a service firm?
2. Which relational benefits are most important to the consumer?
3. Can predictions be made about relational benefits on the basis of type of service?

To address these questions, two studies were undertaken in a two-phase research design (Creswell 1994). In the first study, depth interviews were conducted with 21 customers to gain a better qualitative understanding of the benefits customers receive from engaging in ongoing business relationships with service providers. In Study 2, a self-administered, cross-sectional survey was conducted with over 300 respondents to test and further develop the findings of the first study, to assess the importance of different relational benefits, and to explore how relational benefits might vary by type of service. A review of literature related to relational benefits is presented next, followed by findings of each of the two studies and a discussion of implications for researchers and practitioners.

LITERATURE REVIEW

Customers who have developed a relationship with a service business expect to receive satisfactory delivery of the core service. For example, dental patients expect to receive satisfactory dental care from their regular dentist, just as an automobile service shop's regular customers expect their cars to be repaired dependably. However, customers likely receive other benefits, separate from the core service performance, as a result of having cultivated long-term relationships with a service provider. Such benefits, labeled relational benefits in the present study, have not been the focal concern in previous published research.

A review of the relationship and services literatures, combined with personal observation, led us to believe that different types of relational benefits exist. For example, the literature suggests customers derive social benefits from long-term relationships with service firms (Barlow 1992; Czepiel 1990; Jackson 1993). In discussing the potential benefits to the customer of being in a relationship, Berry (1995) specifically lists the receipt of certain social benefits. McCallum and Harrison (1985) have gone so far as to suggest that "service encounters are first and foremost social encounters" (p. 25). Goodwin (1994) has coined the term "service communality" to help explain experiences of friendship often occurring in service relationships and argues that it is often "an added but unsought bonus" supplemental to the core service. Price, Arnould, and Hausman (1996) even suggest that in some service settings "commercial friendships" may develop between providers and customers. Social benefits have been presumed to include feelings of familiarity, personal recognition, friendship, rapport, and social support (Barnes 1994; Berry 1995). In certain contexts such as health clubs, weight loss programs, or vacation destinations, social benefits may derive from customer-to-customer interactions and friendships as well as customer-provider interactions (Zeithaml and Bitner 1996, chap. 13).

Another relational benefit suggested by the literature is the sense of confidence many customers experience. Berry (1995) suggests risk reduction is a key outcome of service provider relationships. Similarly, other scholars allude to the notion that trust in the service provider or the keeping of promises by the provider are particularly important dimensions of the relationship from the customer's perspective (Barnes 1994; Bitner 1995; Grönroos 1990). Morgan and Hunt (1994) argue that trust, defined as confidence in the exchange partner's reliability and integrity, is a key mediating variable in relational exchanges. Although this sense of confidence and trust may be inextricably tied to the quality of the core service, it is likely perceived as an independent benefit of long-term relationships—particularly when customers perceive that there are comparable quality providers in the market.

Consumers may also receive economic advantages from developing relationships with businesses. For example, Peterson (1995) argues that money savings is the primary motivation for engaging in relational exchanges. Customers who have an enduring relationship with an organization may be rewarded with special pricing considerations. Scholars have also suggested that in many instances, customers experience nonmonetary economic benefits to staying in a business relationship, especially when there are learning costs associated with switching providers (Klemperer 1987; Soellner 1994; Wernerfelt 1985).

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A strong relationship also provides the customer with the freedom from having to make decisions. Rosenblatt (1977, p. 83) describes this well:

> Once one is dedicated to a relationship, the issue of whether it should be continued, the monitoring of alternative possibilities, or questions about how much one can take root in the relationship will no longer be present. This saves energy and allows time for other things. (P. 83)

Indeed, Sheth and Parvatiyar (1995) recently stated, "The fundamental axiom of relationship marketing is, or should be, that consumers like to reduce choices by engaging in an ongoing loyalty relationship with marketers" (p. 256).

Finally, established customers who have developed a relationship with an organization may receive additional services or preferential treatment not normally provided to nonregular customers. Zeithaml (1981) argues that consumers often recognize that by staying in a relationship with a service provider, it may be possible to obtain "optimum satisfaction." In particular, she contends that becoming a "regular customer" and developing a relationship with a service provider (1) allows the provider to gain knowledge of the consumer's tastes and preferences, (2) ensures better treatment, and (3) encourages more interest in the consumer's satisfaction.

STUDY 1

Method

The depth interview methodology was used to explore relational benefits received by customers for two reasons. First, this particular methodology can provide a deeper understanding of the customer-service provider relationships from the respondent's perspective (Babbie 1989; Hudson and Ozanne 1988). A description of the benefits of such relationships from the customer's viewpoint, in his or her own words, has largely been ignored in the literature. Second, depth interviews have proven valuable in expanding current understanding of other areas of consumer behavior, including swap meet buyer and seller behavior (e.g., Belk, Sherry, and Wallendorf 1988), symbolic consumption (e.g., Schouten 1991), and word-of-mouth behavior (e.g., Gremler 1994). The depth interview, a method that has been increasingly used in the theory development process in other areas of marketing, was expected to be helpful in discovering factors not addressed in previous relationship marketing research.

Sample and Interview Format

An attempt was made to interview consumers who purchase and use a variety of services. A judgment sample of customers was selected, as the study proceeded, on the basis of experience with previously interviewed respondents (Belk et al. 1988; Jorgensen 1989). The final selection of 21 customer respondents[1] consisted of 10 men and 11 women with a wide range of ages (29 to 78) and from a variety of occupations (e.g., nurse, software engineer, salesman, homemaker). Respondents were recruited through a network of acquaintances in a major western metropolitan area and were thought to be sufficiently diverse in their use of service providers.[2]

The 21 customer interviews began with a brief explanation of the purpose of the study. To initiate discussion, respondents were asked to review a list of service providers and to identify those providers they used on a "regular" basis (the definition of regular usage was left to the respondent to interpret). The services included on this list represented a variety of different types of services. These interviews, which averaged 48 minutes in length, were primarily conducted in respondents' homes.[3] After discussing their relationships with various service businesses, respondents were asked to identify and discuss any benefits they received, in addition to the core service provided, as a result of being a regular customer to these organizations.

Data Analysis

Analysis of the qualitative interview data followed the guidelines of Lincoln and Guba (1985). One of the authors served as the primary data analyst in this phase of the project. As mentioned earlier, the focus of the analysis was on identifying benefits customers gain when developing a relationship with a service provider that are in addition to the core service being provided. Lincoln and Guba's (1985) categorizing process, which "involves sorting units into provisional categories of the basis of 'look-alike' characteristics" (p. 203), was followed in analyzing the interview data. In particular, after all of the interviews were conducted, the transcriptions were read and examined several times, with key phrases highlighted. The goal in selecting these phrases was to identify recurring thoughts, ideas, and perceptions each respondent had in discussing customer relational benefits. Segments of each respondent's conversation that included related thoughts were then identified. After several iterations through the data, each of these segment groups was organized into categories of benefit types. After reviewing the categories, the authors agreed that four particularly salient types of relational benefits were evident from analysis of the data.

STUDY 1: IDENTIFIED RELATIONAL BENEFITS

Four unique relational benefits were suggested from analysis of the depth interviews: *social*, *psychological*, *economic*, and *customization benefits*. Each of the four relational benefits will be discussed briefly in the following paragraphs.

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Social Benefits

Several respondents reported that customers receive social benefits as a result of having developed a relationship with a particular provider. That is, in addition to the benefits received in the delivery of the core service, a kind of fraternization often occurs between customers and employees. One woman describes the interaction with her hair stylist: "I like him. . . . He's really funny and always has lots of good jokes. He's kind of like a friend now. . . . It's more fun to deal with somebody that you're used to. You enjoy doing business with them."

Several respondents went as far as to describe the customer-employee relationship as a friendship, as illustrated in the following quote:

> The insurance girl at the doctor's office and I have become very good friends because of all the insurance work that has been needed to be done. I just love the way she is—I can't even put it into words. When I had my youngest child in the hospital, she called and asked if I would like her to watch my oldest for a while since she lived close by. She really went out of her way.

Other respondents stopped short of describing the development of friendships with employees but did suggest that regular customers often receive personal recognition when using the service provider. A postal service customer explains: "I can now walk into the post office and write a check without a [check] guarantee card. It is nice to be recognized when you walk into a service provider."

As these comments suggest, many customers do indeed receive social benefits as a result of having developed a relationship with a particular provider, as several scholars have contended (Barnes 1994; Berry 1995; Czepiel 1990; Goodwin 1994). This type of relational benefit appears to be particularly prevalent in those services with a high degree of interpersonal contact between customers and employees.

Psychological Benefits

A second set of relational benefits reported by respondents can be described as psychological benefits. Respondents indicate that there is often a comfort or feeling of security in having developed a relationship with a provider. One man describes this feeling in terms of reduced anxiety:

> There is a comfort of a certain level of experience [in having developed a relationship]. In other words, I know that I am going to be treated right . . . I don't have any anxiety that I will have a less-than-acceptable experience. . . . You don't have as much anxiety, and you have a higher confidence level in being a loyal customer. You know it's going to be good in advance, or if something is wrong it will be taken care of.

Other respondents discussed customer feelings of trust or confidence in the provider. In discussing a restaurant, one respondent illustrates the confidence she has as a result of her loyalty: "I know what I'm getting—I know that if I go to a restaurant I regularly go to, rather than taking a chance on all of the new restaurants, the food will be good."

These feelings of reduced anxiety, trust, and confidence in the provider appear to develop over time and only after a relationship has been established between the customer and the organization. Such psychological benefits are consistent with what other scholars have suggested (Berry 1995; Bitner 1995; Grönroos 1990; Morgan and Hunt 1994).

Economic Benefits

A third category of relational benefits emerging from the data analysis involves economic considerations. One type of economic benefit relates to discounts or price breaks for those customers who have developed a relationship with an organization. One woman related two situations where she has experienced this type of benefit:

> I often get price breaks. The little bakery that I go to every morning, every once in a while they'll just give me a free muffin and say, "You're a good customer, it's on us today." Also, my hair stylist one year said, "Oh, it's your birthday, okay, I'll give you your haircut." You're not going to get that if they don't know you.

In addition to monetary benefits, a nonmonetary time savings benefit was identified. A few respondents indicated they may get quicker service because they have developed a relationship with the provider, as one woman illustrates:

> You can get better service than drop-in customers. If you have an emergency, they take care of it right away. We continue to go to the same automobile repair shop because we have gotten to know the owner on a kind of personal basis, and he . . . can always work us in.

A different type of time savings can also occur as the result of developing a relationship with a particular provider—time is saved in searching for another provider. One woman explains how continuing ongoing relationships can reduce search time: "If you find somebody you like, you don't have to worry about trying to find somebody else. It's nice that you don't have to go through all of that hassle."

The economic benefits customers may receive for engaging in relational exchanges, both monetary and in the form of time savings, are consistent with what scholars have argued is the primary motivation for developing

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relationships with businesses (Peterson 1995; Sheth and Parvatiyar 1995).

Customization Benefits

The final category of relational benefits identified relates to customization of the service offering. That is, for their regular customers many service providers may tailor their service to meet particular needs. In some cases this may be perceived by customers as preferential treatment. One woman explains,

> I think you get special treatment [when you have an established relationship]. My pediatrician allowed me to use the back door to the office so my daughter could avoid contact with other sick children. Other times I have been in a hurry and they take me right back. . . . They [have] told me that if my husband's company switched insurance companies, they would honor that insurance, even if it is one they normally do not [accept].

One employee was very blunt in stating that in his company, loyal customers get preferential treatment:

> Loyal customers get preferential treatment from our service department. We will service our loyal customers, in general, before we service customers who have cars they did not buy from us. That is our commitment to our [established] customers, and we make no bones about that.

In other instances, respondents spoke of situations where loyal customers have received additional services or consideration. A long-time credit-card customer provides a typical example of such special consideration:

> You should get the benefit of the doubt in many situations. For example, I always pay my VISA bill on time, before a service charge is assessed. One time my payment didn't quite arrive on time. When I called them, by looking at my past history, they realized that I always make an early payment. Therefore, they waived the service charge.

A third type of customization several respondents discussed relates to a kind of history development with a particular provider. One man explains, "For my son, I use the same barber because I don't have to explain what kind of haircut we want each time we go in—they know what kind of haircut to give."

A service provider who has such knowledge can reduce the hassle for the customer. A dental hygienist's comments illustrate this point well:

> Once people feel comfortable, they don't want to switch to another dentist. They don't want to train or break a new dentist in. . . . They [established patients] don't want to have to start from square one every time. They don't want to have to reinvent the wheel every time they go in.

As the above excerpts illustrate, this customization benefit can include the customer's perception of preferential treatment, extra attention or personal recognition, and special service not available to other customers. Special treatment in marketing exchange relationships has been briefly mentioned in the literature (Barlow 1992; Hakansson 1982). Crosby (1991) proposes "core service upgrading" and Berry (1983) "service augmentation" as ways to provide special treatment to customers to reward their loyalty.

Study 1 took a first step in empirically identifying, through depth interviews, the benefits customers can receive for being loyal to, and having, an established relationship with a service provider. Table 1 presents a sampling of the illustrative comments from the depth interviews. Extending the results from Study 1 and drawing on the previously cited literature, Study 2 empirically tests the dimensionality and relative importance of customers' relational benefits across service categories.

STUDY 2

In Study 2, about 300 consumers were surveyed to empirically examine the dimensionality, existence, and relative importance of the four benefits identified in Study 1. An effort was also made to understand how the receipt and importance of relational benefits may vary across different types of services.

The qualitative interviews in Study 1 and previous conceptual discussions in the literature led us to expect that the four different benefit types may vary in their importance and the degree to which they are received, depending on the type of service being considered. For example, we might expect social benefits to be more important in services where there is a high degree of personal contact and where the service is customized to the individual, whereas economic benefits might be more important in standardized services with little interpersonal contact. Therefore, we sought to survey from a broad array of service firms. Unfortunately, given the paucity of previous research, making specific predictions of how relational benefits may vary by service type is difficult. Thus, the findings reported are descriptive rather than confirmatory.

Although a number of conceptual typologies for grouping services have been proposed (e.g., Lovelock 1983; Mills and Margulies 1980; Silvestro, Fitzgerald, Johnston, and Voss 1992), Bowen's (1990) is one of the few with an empirical basis. As such, a questionnaire using Bowen's three service firm classifications was designed. Bowen's taxonomy of service firms is based on cluster analysis of consumers' perceptions of services and includes three distinct groups. Group 1 contains those services directed at people and characterized by high customer contact with individually customized service solutions (e.g., financial consulting, medical care, travel agency, and hair care services). Group 2 includes services directed at an individ-

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TABLE 1
Sample of Respondent Comments Supporting Selected Relational Benefits

Benefit	*Illustrative Customer Comment*
Social benefits	
Fraternization	I like him [hair stylist]. . . He's really funny and always has lots of good jokes. He's kind of like a friend now. . . . It's more fun to deal with somebody that you're used to. You enjoy doing business with them. (*AH; 42, F, married, project manager*)
	[I often receive a] personal connection or friendship. Relationships are a priority for me. I like people, and sometimes you can make friends from some services that you use. (*DC; 47, F, married, part-time medical secretary*)
	The relationship [with employees at the grocery store] built up over time and has become a more important factor over time. The people know us [the whole family] there. They make a big deal over the kids. They would miss us if we didn't go one Saturday morning. We are loyal to the people who work there. (*SB; 38, M, married, full-time student*)
Friendship	He [dentist] seems very competent; a nice man, friendly; I feel like I am in good hands when I go there. He knows the family—it's almost like going to a friend. I wouldn't go to him just because he was nice if he wasn't a good dentist. I think the foremost important thing is that he does a good job, but that [being a friend] is an added bonus. (*VP; 52, F, married, secretary*)
	He [pest control] has become a friend. He shares experiences with us every time he comes around. He asks about our daughter and talks about his own daughter. He is real personable. (*JN; 49, M, married, manager*)
	The insurance girl at the doctor's office and I have become very good friends because of all the insurance work that has been needed to be done. I just love the way she is—I can't even put it into words. When I had my youngest child in the hospital, she called and asked if I would like her to watch my oldest for a while since she lived close by. She really went out of her way. (*KR; 33, F, married, homemaker*)
Personal recognition	Because I'm a loyal [to my financial services provider] I get special attention. I want special treatment. I ask a lot of questions. I'm really cautious with my money, and I want individual attention. I want to be a big fish in a small pond. (*BG; 36, M, married, distribution manager*)
	I can now walk into the post office and write a check without a [check] guarantee card. It is nice to be recognized when you walk into a service provider. (*NS; 34; F, married, homemaker*)
Psychological benefits	
Reduced anxiety	There is a comfort of a certain level of experience [in having developed a relationship]. In other words, I know that I am going to be treated right . . . I don't have any anxiety that I will have a less-than-acceptable experience. . . . You don't have as much anxiety, and you have a higher confidence level in being a loyal customer. You know it's going to be good in advance, or if something is wrong it will be taken care of. (*SB; 38, M, married, full-time student*)
Trust/confidence	I know what I'm getting—I know that if I go to a restaurant I regularly go to, rather than taking a chance on all of the new restaurants, the food will be good. (*DB; 29, F, married, nurse*)
	I know what to expect when I go there [any regularly used service provider]. I know I'm going to get good service and things are going to be clean and reasonable. (*TM; 31, F, married, medical secretary*)
Economic Benefits	
Discounts/price breaks	I often get price breaks. The little bakery that I go to every morning, every once in a while they'll just give me a free muffin and say, "You're a good customer, it's on us today." Also, my hair stylist one year said, "Oh, it's your birthday, okay, I'll give you your haircut." You're not going to get that if they don't know you. (*AH; 42, F, married, project manager*)
	[You get] better treatment than "off-the-street" customers who only come once. For example, with my pharmacy where I've been going for 15 years, I get a bit of a break on prices because I am a loyal customer. (*BS; 32, M, single, psychologist*)
Time savings	You can get better service than drop-in customers. If you have an emergency, they take care of it right away. We continue to go to the same automobile repair shop because we have gotten to know the owner on a kind of personal basis, and he gives us good service and can always work us in. (*VP; 52, F, married, secretary*)
	Once I have chosen [a service provider], I don't have to look for others to make a choice again. I'm too busy to do this all the time. (*HD; 45, M, married, manager*)
	If you find somebody you like, you don't have to worry about trying to find somebody else. It's nice that you don't have to go through all of that hassle. (*AH; 42, F, married, project manager*)

(continued)

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TABLE 1 Continued

Benefit	*Illustrative Customer Comment*
Customization benefits	
Preferential treatment	I think you get special treatment [when you have an established relationship]. My pediatrician allowed me to use the back door to the office so my daughter could avoid contact with other sick children. Other times I have been in a hurry and they take me right back. . . . They [have] told me that if my husband's company switched insurance companies they would honor that insurance, even if it is one they normally do not [accept]. *(KR; 33, F, married, homemaker)*
	When I used to fly a lot, I was loyal to [airline name] . . . I started racking up credit, like frequent fliers miles, for being a repeat customer. Eventually, because I used them so much, I got a president's card, which gave me additional privileges. They recognized my loyalty and, in effect, said, "You're one of our special customers. You travel with us all the time. You get to go on first—before the regular boarding." Thus, you got special privileges. *(SB; 38, M, married, full-time student)*
	He [pest control person] guarantees he'll take care of our pest problems. He goes out of his way to clear up problems. He'll drop by after a week's time, if you have a particular problem, to make sure it's gone away. He'll phone up to see how we're doing, and if we need him to come around. *(JN; 49, M, married, manager)*
Additional services or consideration	By knowing the [grocery store] owner, we get special treatment. He calls us when new products come in or sometimes he will deliver food to our house because he lives close by, and our house is far from the store. *(HD; 45, M, married, manager)*
	You should get the benefit of the doubt in many situations. For example, I always pay my VISA bill on time, before a service charge is assessed. One time my payment didn't quite arrive on time. When I called them, by looking at my past history they realized that I always make an early payment. Therefore, they waived the service charge. *(JT; 34, F, married, real estate appraiser)*
History development	They have an idea about me and know how to serve me, because I have established an account or a history with them. I think I am far more benefited by going to the same doctor or the same bank than by switching every year. *(DB; 29, F, married, nurse)*
	For my son, I use the same barber because I don't have to explain what kind of haircut we want each time we go in—they know what kind of haircut to give. *(HD; 45, M, married, manager)*
	They can anticipate my needs. Having a history with them means they should not have to continue asking you questions about your requirements and what it is you want. They should have knowledge of you. *(JN; 49, M, married, manager)*

NOTE: Each customer's initials, age, gender, marital status, and occupation are included in italics after quote.

ual's property, where moderate to low customer contact is the norm and the service can be customized only slightly (e.g., shoe repair, retail banking, pest control, and pool maintenance). Group 3 is composed of services typically directed at people that provide standardized service solutions and have moderate customer contact (e.g., airlines, movie theaters, cafeterias, and grocery stores).

Method and Sample

To implement sampling across Bowen's (1990) typology, three questionnaires were created, each with separate instructions designed to elicit responses regarding a service firm from one of Bowen's three service categories. Specifically, three separate cover sheets (each representing one of Bowen's three service categories) listed from 12 to 15 types of services in the specific category. Respondents were directed to think about the specific firms they patronized that were represented by the services listed on the cover sheet and to select one with which they had a strong, established relationship. (The term *relationship* was not defined but rather left open for the respondent to interpret.) Respondents were then asked to write down the name of the specific service provider and to respond to the remaining questions focusing on that particular provider. Except for the cover page, all surveys were identical.

Students were recruited and trained to serve as data collectors for Study 2. This technique has been successfully used in a variety of consumer research and services marketing studies (e.g., Bitner, Booms, and Tetreault 1990; Olsen 1993; Wallendorf and Arnould 1991). A total of 106 students participated as data collectors for extra credit points. Each was given five copies of the questionnaire and asked to give the self-administered survey to one person from each of five age ranges (i.e., 18-30, 31-40, 41-50, 51-60, and over 60). The three cover sheets were randomly distributed within each data collector's five copies, and all surveys were collected within 10 days of distribution.

Just over 400 surveys were returned by the data collectors; of those, 30 were excluded from the study because of incomplete responses. Recall that the focus of this study is on those benefits consumers receive from firms with which they have a strong relationship. To ensure adherence to this strong-relationship criterion, respondents who rated their customer-firm relationship as a 3 or less on a 7-point scale (1 = *very weak relationship*, 7 = *very strong relationship*) were excluded from further analysis, leaving a final usable sample of 299 respondents. A response rate for the final

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TABLE 2
Relational Benefits Factor Loadings

Scale Item	M	SD	*Confidence Benefits*	*Social Benefits*	*Special Treatment Benefits*
I believe there is less risk that something will go wrong.	5.1	.91	.77	.14	.16
I feel I can trust the service provider.	5.2	.83	.77	.31	.05
I have more confidence the service will be performed correctly.	5.2	.84	.74	.21	.16
I have less anxiety when I buy the service.	5.1	.95	.73	.17	.16
I know what to expect when I go in	5.2	.90	.72	.19	.07
I get the provider's highest level of service.	4.8	1.1	.64	.32	.21
I am recognized by certain employees.	4.4	1.5	.21	.82	.11
I am familiar with the employee(s) who perform(s) the service.	4.4	1.5	.35	.74	.21
I have developed a friendship with the service provider.	4.2	1.4	.29	.71	.25
They know my name.	4.0	1.8	.31	.70	.31
I enjoy certain social aspects of the relationship.	3.8	1.5	.16	.52	.30
I get discounts or special deals that most customers don't get.	2.8	1.6	.06	.09	.87
I get better prices than most customers.	2.9	1.4	.11	.09	.78
They do services for me that they don't do for most customers.	2.9	1.5	.17	.38	.72
I am placed higher on the priority list when there is a line.	2.9	1.5	.18	.34	.70
I get faster service than most customers.	3.4	1.4	.25	.30	.64

NOTE: The boxed numbers indicate the factor loadings representing the items for each scale. The other numbers for each scale item represent how that item loads on the other constructs. Scale item range: 1 = *strongly disagree*; 6 = *strongly agree*.

sample can be calculated as the number of useable responses (299) divided by the total possible responses (calculated as the number of data collectors multiplied by five surveys), yielding a usable response rate (299/530) of about 56 percent. The final sample consisted of 166 females and 133 males, with respondents being about evenly distributed across all five age categories. The 299 usable responses were divided among Bowen's (1990) three services categories as follows: Group 1, $n = 106$; Group 2, $n = 96$; Group 3, $n = 97$.

Instrument

Items were constructed to tap each of the four consumer benefits identified in Study 1. Insights gained from the interviews in Study 1 were used in the construction of the items (DeVellis 1991). The questionnaire was pretested with a group of 35 consumers, the results of which suggested improvements in item wording and respondent directions. The Relational Benefits section of the instrument contained 21 items expected to tap the four benefit dimensions developed in Study 1 (6 items assessing the social dimension and 5 each for the economic, customization, and psychological dimensions).

The series of 21 questions pertaining to the set of relationship benefit items were included in two sections of the questionnaire. The first section asked respondents to assess the degree to which they receive each of the 21 benefits because of their relationship with the specific firm they had identified. The second section asked respondents to assess the importance of each of the potential relational benefits. In this importance rating section, consumers were asked to rate the importance of each item for the type of service they had identified, not for the particular service firm. As such, benefits not received from the specific provider identified by the respondent could still be evaluated for their importance to the consumer. In addition to the listed relational benefit items, space was provided for respondents to write in benefits they received or felt were important but were not represented by the relational items. Questions examining four possible relationship outcomes were also measured. These items tapped an element of consumer loyalty (use of alternative service providers), positive word-of-mouth behavior (frequency of recommendation to others), likelihood of continuing the relationship (switching behavior), and satisfaction with the service.

STUDY 2: ANALYSIS AND RESULTS

To assess the dimensionality of the benefits consumers receive, a common factor analysis with varimax rotation was performed on the benefits received data to identify the underlying dimensions among the 21 items (Hair, Anderson, Tatham, and Black 1992). Aside from the dimensionality of the benefits, we were also interested in which type of benefits were received most often, which were most important, and whether the type of service affected this assessment. To examine these issues, the means of the resulting benefit types were calculated for the items representing both their receipt and their importance. Each of the means were calculated as the average of the items associated with each benefit. By comparing means, we determined which benefits were received most often and which were most important. These means were subsequently compared across the three service industry categories.

An assessment of the eigenvalues and scree plot suggested a three-factor solution. Five items with marginally significant loadings across all three factors were dropped (Stevens 1992). Table 2 presents the results of the factor analyses with the remaining 16 items. Interpretation of the

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TABLE 3
Overall Pattern of Means; Service Type by Benefit Factor

Service Type	Benefits Received[a]			Importance of Benefits[b]		
	Confidence Benefits	*Social Benefits*	*Special Treatment Benefits*	*Confidence Benefits*	*Social Benefits*	*Special Treatment Benefits*
High-contact, customized, personal services (n = 106)	5.3	4.7	3.4	5.4	4.3	3.7
Moderate-contact, semicustomized, nonpersonal services (n = 96)	5.3	4.2	2.8	5.4	4.0	3.5
Moderate-contact, standardized services (n = 97)	4.9	3.7	2.6	5.3	3.4	3.2

NOTE: Benefits received: 1 = *strongly disagree*, 6 = *strongly agree*; importance of benefits: 1 = *very unimportant*, 6 = *very important*. Means represent the average response for all items associated with a particular benefit category (see Table 2 for specific items).
a. Within each service category row, all "benefits received" means are significantly different at $p < .001$.
b. Within each service category row for "importance of benefits," only the "social" and "special treatment" means associated with the "moderate-contact, standardized service" category are not significantly different at $p < .001$.

three-factor solution suggests factors representing (1) consumer confidence benefits, (2) social benefits, and (3) special treatment benefits.

These three factors appear to fit well with the initial conceptualization of the four benefit categories suggested by conceptual arguments and the results obtained in Study 1. The psychological benefits from Study 1 are represented by the *confidence benefits* factor in Study 2. This factor is renamed to better represent this dimension, based on the strongest loadings on that factor. The benefits identified as being of a social nature in Study 1 are also present in Study 2 and are represented by the factor labeled *social benefits*. The customization and economic benefits suggested in Study 1 are combined to form a new consolidated factor in Study 2. This factor is labeled *special treatment benefits* to reflect both the economic and customization facets associated with these types of benefits. The label special treatment conveys the notion that consumers may receive special treatment in the form of price breaks (economic), faster service (economic), or special additional services (customization) because of their status as relationship customers. Internal reliability tests of the three factors show strong Cronbach's alphas for confidence benefits (.89), social benefits (.88), and special treatment benefits (.89).

Each of the three relational benefit factors demonstrates a strong positive relationship with outcomes generally associated with relational marketing efforts (Reichheld 1996; Reichheld and Sasser 1990; Zeithaml et al. 1996). When operationalized as sum scales, the three relational benefits are correlated with the outcomes, listed earlier, in the following manner: *loyalty* (confidence = .33, social = .23, special treatment = .10), *positive word of mouth* (confidence = .40, social = .36, special treatment = .29), *continue in relationship* (confidence = .30, social = .20, special treatment = .15), and *satisfaction with service* (confidence = .66, social = .44, special treatment = .30). Although not hypothesized, these significant correlations suggest that relational benefits may be important in delivering important behavioral outcomes.

Table 3 displays the receipt and importance means of the three benefit types segmented by Bowen's (1990) three service classifications. A comparison of the means for each benefit category suggests that both the existence/receipt and the importance of the three types of benefits follow the same pattern across service categories. That is, for firms with which consumers have a strong relationship, confidence benefits are both the most important and the most often received. Following confidence benefits, social and special treatment benefits are rated as the next most important and next most received benefits, respectively. The benefit pattern (both receipt and importance) remains constant as the data are segmented by service type. Table 3 also shows that both the receipt of benefits and their importance are rated highest overall in the high-contact, customized services category and rated lowest in the moderate-contact, standardized service category.

DISCUSSION

Summary of Results

Three research questions were stated at the beginning of this manuscript. We reexamine these questions in light of the results from the two studies.

1. What are the benefits, from the consumer's perspective, of maintaining a relationship with a service firm? On the basis of the results of Study 1 and Study 2 we conclude that consumers in long-term relationships with service firms experience three primary types of benefits: confidence benefits, social benefits, and special treatment benefits. These benefits, which are experienced above and beyond core service benefits, are displayed consistently across all types of service relationships.

2. Which relational benefits are most important to the consumer? The findings presented in Table 3 indicate that confidence benefits are the most important to consumers across all three categories of services. The sense of reduced anxiety, faith in the trustworthiness of the provider, re-

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duced perceptions of anxiety and risk, and knowing what to expect are the most critical benefits of service relationships. Sheth and Parvatiyar (1995) contend that consumers like to reduce choices. Long-term relationships may facilitate choice reduction through confidence benefits.

Social benefits are the second most important benefit to consumers across service types. In this study, such social benefits were associated with personal recognition by employees, customer familiarity with employees, and the development of friendship. The importance of the social aspect of the relationship between customers and service provider employees, particularly for services, has been noted in the literature (Goodwin and Gremler 1996; Parasuraman, Zeithaml, and Berry 1985; Surprenant and Solomon 1987).

The special treatment benefits are perceived as the least important of the three types of benefits across all three service categories. Interestingly, the importance means shown in Table 3 for the special treatment benefits are all near or below the midpoint on the scale for all three service categories. However, the relatively low importance ratings do not categorically argue against properly structured special treatment (reward) programs. Indeed, Peterson (1995), in interviews with 43 consumers, found price savings to be the primary motivation for belonging to relationship programs (e.g., airline frequent flyer programs and record/book clubs). However, these formalized programs may need to be distinguished from the spontaneous special treatment benefits given to relational consumers by frontline employees. The present study appears to tap a more unstructured type of special treatment benefit. With regard to unstructured special treatment, our results indicate that the potential of getting an occasional price break or special service is less important than having confidence in the provider or enjoying a personal relationship with the employee performing the service.

3. Can predictions be made about relational benefits based on the type of service? Interestingly, examining the pattern of means in Table 3, we find that confidence benefits are received most frequently and rated highly regardless of the type of service. This is an important finding for all service managers—confidence benefits are critical outcomes of long-term relationships.

In general, both the receipt and importance ratings of the social and special treatment benefits were found to differ across the three service categories. Specifically, a pattern emerges where these two relational benefits are received more often and rated as more important in those services characterized by high employee-customer contact. They are received least and rated least important for moderate-contact, standardized-type services. This result is logical given the increased opportunities in higher contact/customized services for delivering these types of relational benefits. Examining Table 3, we find the differences are largest when the "high-contact, customized, personal services" are compared with the "moderate-contact, standardized services." Of course, these differences are not of the same magnitude as the differences between benefit types within a service category and, as such, caution should be exercised when making inferences regarding this research question.

Managerial Implications

Clearly a satisfactory, or even superior, core service is essential to remaining competitive in the long run. In fact, in most industries, there is a tendency to build marketing strategies around these core service attributes. However, our research suggests that customers in long-term relationships receive other important benefits beyond core service attributes. Anecdotal evidence, as well as some of our own qualitative work, suggests customers may remain in a relationship even if they perceive the core service attributes to be less than superior if they are receiving important relational benefits. This suggests customer satisfaction and loyalty strategies can be built around relational benefits. By implication, relational benefits may also serve as barriers to switching (Keaveney 1995). Drawing from the results and the implications just discussed, we offer the following strategic suggestions for managers seeking to build customer relationships and reduce customer switching:

Recognize the importance of relational benefits. Just as there are added benefits for organizations engaging in long-term relationships, so too there are benefits to customers beyond core service benefits. These benefits—confidence benefits, social benefits, and special treatment benefits—exist in all service industries at varying levels. Managers and employees alike need to be aware of the importance of these benefits to their long-term customers. Furthermore, these benefits are not only important to customers but should be directly important to organizations given their positive relationship to several outcomes (loyalty, positive word of mouth, relationship continuance, and customer satisfaction) valued by firms.

Build strategies to facilitate and accelerate delivery of relational benefits. Some common marketing and organizational strategies may actually work against the delivery of relational benefits. For example, frequent movement of service providers among accounts, or sequential handoffs of the customer from one employee to the next, may achieve certain organizational goals; however, such strategies are likely to work against the development of relational benefits for customers. Instead, an organization might change its service design to keep its employees with key customer accounts for longer periods of time and to centralize services so that customers need to deal with just one point of contact. In some service firms, employees are encouraged and even rewarded for being fast and efficient in dealing with customers. Although this may help the firm to increase efficiency, it may also stifle the growth of relational benefits. Such organizations might consider a change in strategy to allow opportunities for relationships to develop. Companies who pursue strategies that track individual customer preference data and reward employees for using customers' names may help facilitate the provision of social and special treatment benefits.

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Quantify and promote the value of relational benefits to customers. Although customers report receiving relational benefits and believe these benefits are important, they may not always be aware of their existence prior to entering the relationship. Furthermore, if they are aware of the benefits, they may not have quantified their value. Organizations might strategically promote these benefits as reasons to enter into the relationship. Similarly, the organization could help customers, particularly business customers, quantify the value of these relationship benefits and the related costs (dollars, time, psychological costs) of switching. If customers understood better the actual economic, time, psychological, and energy-saving value of staying in a relationship, they might be less likely to switch (Keaveney 1995). Calculating this "lifetime value of the relationship" from the customer's perspective is similar to the calculations firms engage in when assessing the "lifetime value" of their customers (Reichheld 1996).

Differentiate on relational benefits. The results of this study imply that a service organization may be able to focus on one or more of these benefits as a means of differentiating itself from the competition. Social benefits may be particularly useful as a differentiation strategy because they can be difficult for other firms to replicate (at least in the short run). Learning customer names and developing personal friendships is easily done by small, local firms such as the neighborhood dry cleaner or a hair salon. However, for larger organizations (e.g., national hotel chains and airlines) this can be more difficult. One tactic that many larger organizations are pursuing to create a more personal service encounter is the investment in customer database technology (Pine 1993).

Implications for Research

This study represents an initial attempt at understanding the benefits customers receive in long-term service relationships. The consistency of the findings across two studies employing different methods and across multiple consumer services categories is encouraging in terms of defining categories of relational benefits from the customer's point of view. However, because our study included competitive consumer services with at least some personal contact between the provider and the customer, the generalizability of the findings is limited to these contexts.

Relational benefits across contexts. Future research should explore whether similar benefits hold in business-to-business contexts. The implications may be quite different in these contexts where relationships are founded on formal agreements and contracts, multiple parties are involved in purchase decisions, and consumption of the service may be far removed from the relationship decision makers (Hutt and Speh 1997). However, we would predict confidence, social, and special-treatment benefits will still be quite relevant, particularly during sales efforts and service implementation where personal contact is more prevalent.

In another context, we see more and more services being delivered to customers through technology (e.g., Internet services, automatic teller machines [ATMs], financial and banking services via phone or computer). In such contexts, where there is often no direct personal contact, what are the benefits of staying in a long-term relationship with a particular provider? Are social benefits relevant at all when a service is delivered through technology? How are special treatment benefits delivered? The challenges for building long-term relationships are clearly different in these types of contexts.

It is also quite possible that the benefits received, or their importance, in the customer-service provider relationship may be very different when considered in other cultural contexts. It is important to recognize that the relationship benefits identified in this study are based on Western industrialized culture.

Interrelationships among relational benefits. It is likely that the three benefit types are intricately tied together. That is, there may be some positive interactions between the types of benefits. For example, prepurchase anxiety may decrease (confidence benefits) as consumers become acquainted with the service provider (social benefits). Similarly, as employees and consumers become better acquainted (social benefits), knowledge related to customization opportunities (special treatment benefits) is likely to increase. Future research could explore the nature of these potential associations and perhaps examine ways in which a strongly received/provided relational benefit can be leveraged to strengthen a weakly received/provided relational benefit.

Causality issues between relational benefits and relationship strength. A reciprocal influence may exist between relationship strength and relational benefits. Specifically, a long-term relationship results in certain relational benefits that strengthen the ties and result in a continued relationship. The continued relationship then results in the receipt of even more relational benefits. Although we do not propose or test a causal model here, the logic is compelling. As the length of a relationship increases, customers are likely to receive more relational benefits. In fact, unless there is first a relationship, these benefits cannot be received. The implication is that relational benefits not only flow from the relationship; they are also likely to strengthen the relationship in a reciprocal manner. Although the current study did not attempt to tease out these directional influences, future research should explore direction of causality issues.

Service loyalty, switching, and relational benefits. Recent research by Gremler and Brown (1996) suggests interpersonal bonds—similar to our social benefits—are strong predictors of service loyalty, and Keaveney's (1995) critical incident study identifies several factors that decrease customer confidence in a provider and consequently lead to switching behavior. Our study reports strong positive relationships between the three relational benefits and loyalty, word of mouth, intent to stay in relationship, and customer satisfaction. Future research might explore the

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robustness of these relationships. That is, to what extent might relational benefits enhance customer loyalty and/or mitigate service switching in the face of inferior performance in the core service?

Berry and Parasuraman (1991; Berry 1995) have suggested that three levels of relationship marketing are instrumental in fostering consumer loyalty. These levels, predicated on the existence of a particular bond, consist of Level 1 strategies—employing pricing incentives; Level 2 strategies—using primarily social ties, but also some pricing incentives; and Level 3 strategies—predicated on structural features built into the service delivery system (Berry 1995). Future research could explore the relationship between these firm-initiated relational strategies and the three customer relational benefits identified in the current study. For example, one might expect firms enacting Level 1 (financial incentive bonds) strategies to enhance customers' special treatment perceptions, given special price breaks are one element of this relational benefit. Clearly, firms pursuing Level 2 relationship strategies should anticipate increased perceptions of social relational benefits from their customers. Furthermore, if structural ties increase performance levels and open lines of communication between buyer and seller, then confidence relational benefits may be positively affected.

CONCLUSION

Building a strong, loyal customer base is increasingly the focus of many businesses as they see the tremendous bottom-line value of doing so. Yet, for a strong relationship to exist, both parties must experience benefits (assuming each party can choose whether to remain in the relationship). Prior research has focused primarily on the benefits of long-term customer relationships from the perspective of the firm. The two studies reported here examine the benefits of long-term service relationships for consumers. Only by examining the benefits from both sides of the relationship can firms build effective relational strategies.

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NOTES

1. As the study proceeded, the sample was chosen to "focus more particularly on those units that seem most relevant" (Lincoln and Guba 1985, p. 202). Scholars suggest theoretical sampling should continue until saturation or redundancy is reached in respondents' discussions (Lincoln and Guba 1985; Strauss and Corbin 1990). Although redundancy in what respondents had to say about relational benefits seemed to have occurred after about 15 interviews, 6 more interviews were conducted to ensure that no new information would be missed. Previous research has suggested that samples of 8 to 12 respondents are sufficient for generating themes in this type of qualitative work (McCracken 1988; Schouten 1991).

2. Previous research in other areas of marketing (e.g., Bitner, Booms, and Mohr 1994; Brown and Swartz 1989) has benefited from exploring issues from both customer and provider viewpoints. As such, a second group of respondents, service employees, was included in the study. Twenty service employees were interviewed, including 10 male and 10 female employees with a wide range of ages (25 to 68), occupations (e.g., banking, medical services, automobile repair), and authority within their organizations (e.g., frontline employee, assistant manager, company vice president). Employee respondents were selected from service providers in the same metropolitan area as the customer sample and included services frequently discussed by the customer-respondents. Analysis of the data suggests customers and employees have consistent views of the benefits customers receive in their relationships with service providers; consequently, the results of the provider interviews are not presented in this article.

3. All interviews were tape-recorded to allow for a smoother flowing interview and the capturing of respondents' verbatim comments. To facilitate further analysis, the interviews were subsequently transcribed.

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