CHAPTER 8

Relationship Marketing Success Through Investments in Customers

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The chapter discusses the idea of investing in customers - a rather neglected relationship marketing strategy. This idea is based on an interpretation of the customer as the company’s partner in the value production process. An investment in customers aims to improve their post-purchase skills, for example by increasing their ability to use the full range of product features or to maintain the product adequately. The author assesses whether investments in customer skills lead to an increase in perceived relationship quality and customer loyalty. Several hypotheses regarding the interrelations between an increase in customer skills and relationship quality are drawn out from a conceptualization of both constructs. The validity of these hypotheses is then tested empirically using a structural equation modeling approach.

1. Introduction

In recent years there has been a tremendous increase in the number of scientific publications dealing with relationship marketing. Indeed, the idea of relationship marketing (Berry 1983; 1995; Payne et al. 1995; Sheth & Parvatiyar 1995a) has been one of the key developments of modern marketing science, inspiring special journal issues, conferences (e.g. Sheth & Parvatiyar 1994) and monographs (Christopher, Payne & Ballantyne 1991; Gummesson 1999). Standard marketing texts have even needed revision (Kotler 1997); Brown (1997, 170) reports that “publishers now demand a relationship marketing angle - a very steep angle, let it be said - in all introductory textbooks.”

Relationship marketing has also been taken up by practitioners. After conquering the areas of service and business to business marketing, it has now

* This chapter primarily draws on the results of the author’s doctoral dissertation research project, which has led to a book and several journal articles, including a recent Journal of Marketing Management contribution (Vol. 16). The latter also served as a basis for this chapter.
begun to find application in the consumer goods sector. However, this new sector offers special challenges since it often involves the mass production of standardized product units. This can lead to a large “gap” between manufacturer and consumer, where the one may have little contact with the other. For marketing practice, this means that relationship marketing in the consumer goods sector is often restricted to service hotlines and personalized mailings. Even academic discussion of relationship marketing has tended to ignore the special problems faced by manufacturers of consumer goods (for exceptions, see Bagozzi 1995; Ellis, Lee & Beatty 1993; Sheth & Parvatiyar 1995b).

One effective way in which these manufacturers might increase customer retention (which is the main purpose of relationship marketing) could be to increase customers’ post-purchase skills through targeted investments in the customers themselves. Such a strategy is based on an interpretation of the customer as a co-producer in the value-creation process (see Hansen & Hennig 1995; Normann 1991; Wikström 1996). If such a strategy is to succeed, then a significant amount of product value must be initially inaccessible to the customer (e.g. the customer should be unable to use certain product features). At the same time, it must be possible to give the consumer access to this additional value by increasing his or her skills. Such an increase in customer skills should produce a higher level of customer satisfaction and also have positive effects on other dimensions of the quality of the customer-company relationship (Hennig-Thurau 1998; Honebein 1997).

The aim of this chapter is to establish a theoretical basis for the value of a strategic increase in customers’ post-purchase skills, in terms of an increase in relationship quality and customer retention in the context of consumer goods, as well as to test this theoretical basis empirically. Firstly, a closer conceptualization of customer skills and a discussion of the various dimensions making up relationship quality are used to underpin statements regarding the influence of skills transfer on this relationship quality. The chapter draws out the causal relationships between these two constructs, and these relationships then form the basis of the empirical work. Then, an empirical test is carried out on an exemplary basis for two product groups; VCRs and reflex cameras. Finally, closer attention is given to the definition of relationship marketing success, including due consideration of the costs associated with the communication of customer skills.

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1 The first precondition was analyzed in a study by Hansen and Hennig (1996). In a representative survey of 500 people in Germany, they found that 65% of those who owned a video recorder were only able to use a proportion of the available functions. Consumers felt they were unable to use an average of 26% of product functions. The equivalent percentages for personal computers were 92% (proportion of customers not able to use all the functions) and 45% (average proportion of functions not being used by the customer because of missing skills), for washing machines 39% and 13% respectively.