Special Session Summary  Contracting For Relationships
   Susan Fournier, Dartmouth College

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SESSION OVERVIEW

It has become acceptable in the consumer behavior literature to consider consumers’ engagements with brands through a relationship theoretic lens. Still, despite the inherent appeal of this metaphor for understanding brand loyalties and consumer-brand behaviors, many questions remain regarding the types of relationships consumers may form with brands, the nature and quality of these various engagement forms, and the processes whereby such relationships evolve and develop over time. An explanatory construct that has been fruitfully applied in the business-to-business and human literatures to illuminate relationship questions such as these is that of the relationship contract (Dwyer, Schurr, and Oh 1987; Lusch and Brown 1996; Sager 1976). This session uses theories and frameworks from this conceptual domain to deepen our understanding of the relationships that form between consumers and their brands.

The relationship contract comprises rules and norms of behavior that guide perceptions, evaluations, attributions, judgments, behaviors, and interactions within the relationship (MacNeil 1985; Rousseau and McLean Parks 1992). Related notions such as relationship cognitive structures (Baccom, Epstein, Sayers, and Goldman Sher 1989), relationship schemata (Baxter 1987), relationship norms and expectations (La Gaipa 1987), and relationship theories-in-use (Fletcher and Fitness 1993) similarly concern templates of beliefs, assumptions, socio-cultural ideals and standards by which relationships are guided and against which relationship judgments are formed. Importantly, and especially relevant to the consumer behavioral context at hand, relationship contracts are a psychological phenomena (Rousseau 1989) existing only “in the eye and head of the beholder” (MacNeil 1985). Thus, rather than embodying an explicit contractual reality, the relational contract can be thought of as embodying both openly and explicitly communicated terms as well as implicit terms and agreements assumed by both parties. Relationship contracts are inherently dynamic and are continuously refined and updated via an active, reciprocating “signaling and response” system in which partners observe and assess their own and their partner’s behaviors to infer operative contract terms and make necessary contract adjustments (Sager 1976). The contract lens thus allows consideration of the various conundrums of structure and process that remain unaddressed in the consumer behavior realm.

The contracts notion was first explicitly considered in consumer research by Aggarwal (Aggarwal 2004) who documents the manifestation of exchange and communal relationships (Clark and Mills 1979) in the consumer setting. This research demonstrated how exchange and communal relationships are differentially governed by a set of behavioral norms specific to each type of relationship that form the basis for consumers’ evaluations. In a recent study, Aaker, Fournier and Brasel (Aaker, Fournier, and Brasel 2004) provide field experimental evidence in which the operation of contracts in the consumer-brand realm was centrally implicated. Transgressions, these researchers conclude, have variable effects on the strength and trajectory of consumer-brand bonds depending on the contract that is implicitly established, and the consumer’s judgment as to whether terms of that contract have been violated by the enactment of the transgression. These foundational studies provide a basis for more considered study of contracts in the consumer domain, both in terms of process and qualifications of content beyond the classic exchange-communal distinction. The dualistic and reciprocating nature of contracts (Sager 1976; Wieselquist, Rusbult, Foster, and Agnew 1999) has also yet to be explicitly considered, particularly as the contracts of the consumer become (in)congruent or (mis)aligned with those put in play by the firm.

This special session had four goals: (1) to enhance our understanding of the nature of the contracts existing between consumers and brands/firms, including their status as implicit/explicit, psychological/socio-cultural, and idiosyncratic/shared entities; (2) to develop a deeper appreciation of the varieties of contracts that exist, and the rules and beliefs that characterize each; (3) to explore the role of contracts vis-à-vis loyalty formation and dissolution processes; and (4) to explore the dynamic nature of contracts, and the processes by which they are established and updated. A judgment of the theoretical utility of the contracts notion in the consumer research domain was also sought, both as amplification to and as a competing explanation for such consumer theoretic ideas as expectations-setting, satisfaction, loyalty, and trust.

Each of the papers in this session offered theoretical and empirical insights into different aspects of consumer-firm/brand contractual phenomena. Zweig and Aggarwal opened the session by directly probing the implied existence of the psychological contract, and providing evidence of its mediating effects on judgments of satisfaction and trust. Malhe and Price provided foundational insight into the most studied consumer-brand contracting relationship, brand loyalty, and explored the nature of the consumer loyalty contract versus other loyalty contracts outside the consumption domain. Fournier, Avery, and Wojnicki used contract theory to address process gaps in our knowledge of brand relationship development. Steve Duck, a world-renowned scholar of relationship theories in the interpersonal realm, and the author of hundreds of articles and books, served as discussion leader, raising provocative questions about the pros and cons of transferring theory from the interpersonal to the consumer realm. The three session papers and discussant comments are summarized below.

“Breaking Promises: The Role of Psychological Contract Breach in Mediating the Relationship between Marketing Practices and Brand Evaluations”

David Zweig, University of Toronto
Pankaj Aggarwal, University of Toronto

Considerable media coverage and recent research evidence (Tavani 1999) suggest that consumers are becoming increasingly concerned about efforts to record and track their purchasing behaviors. However, little research has investigated the theoretical basis for this concern: specifically, what are the underlying mechanisms driving consumer concerns over data gathering and dissemination practices? Furthermore, why should marketers care about consumer reactions to the use of personal information? An obvious possibility is that consumers are concerned about the invasion of their privacy when personal information is collected and disseminated. Other potential reasons include perceptions that engaging in these activities violates the implicit psychological contract between brands and consumers.

Drawing from theoretical and empirical evidence pointing to the importance of privacy invasion (Zweig and Webster 2002), and psychological contract breach (Rousseau 1989) in the relationships
between employers and employees, we conducted two studies to
determine why people care about protecting their personal informa-
tion in a brand context. In the first study, 191 participants were
asked to share their personal information with a brand (at time 1)
under the pretext of enhancing customer service. For example,
participants were asked for demographic information (e.g., gender,
age) as well as more personal information on their current financial
situation, consumption habits, relationship status and living ar-
rangements. Participants were later informed (time 2) that their
personal information was either sold or not sold to a marketing
database firm. Results of structural equation modeling and boot-
strap analyses indicated that the sale of personal information led to
negative brand evaluations, negative intentions to interact with the
brand in the future and negative affective reactions toward the
brand. Furthermore, we found that perceptions of privacy invasion
only partially mediated the relationships between the sale of per-
sonal information, and brand evaluations, future intentions and
violation perceptions (negative emotional reactions). However,
only a small proportion of the effect of selling information on brand
attitudes can be attributed to a perceived invasion of privacy.
Knowledge-based marketing practices were also found to lead to a
perceived breach in the psychological contract between the brand and
the consumer. We discovered that perceptions of psychological
contract breach between the consumer and the brand plays a larger
mediating role than privacy in explaining reactions to organizations
that collect and distribute personal information.

The second study (N=195) was designed to extend the results
of the first study by testing a theoretical model of consumer
reactions. This second study also sought to use both a different
measure and a different method of assessing psychological contract
breach. As before, some participants were told that their personal
information was sold. However, unlike study 1, another group was
told that their information was requested by, but not sold to, the
marketing database firm. Furthermore, using structural equation
modeling techniques, a theoretically derived model that assumed
relationships between privacy invasion and psychological contract
breach was tested against a model that assumed no relationship
between the two but included direct effects of each on brand atti-
itudes. The findings of Study 2 suggest that the model that assumed
a directional relationship between perceptions of privacy invasion
and psychological contract breach fit significantly better than the
other. Not only did we replicate the results of Study 1 concerning the effects of personal information sale on brand atti-
itudes, we also demonstrated that these effects are partially mediated
by perceptions of psychological contract breach. Furthermore, we
found preliminary evidence to support the notion that perceptions
of privacy invasion leads to a perceived breach in the psychological
contract, which in turn, mediates the relationship between privacy
invasion and brand attitudes. These results again highlight the
importance of upholding the psychological contract between the
brand and consumers. As in the first study, we found that percep-
tions of privacy invasion are important. However, our respondents
suggested that the sale of personal information also triggered a
breach in the implied contract between them and the brand. It is this
perceived breach that best predicts thoughts, feelings, and inten-
tions toward the brand. Finally, the data also suggest that upholding
promises can lead to more positive brand evaluations.

In sum, the present research contributes to our understanding
of knowledge-based marketing practices and privacy by establish-
ing the importance of the psychological contract between the brand
and the consumer. In demonstrating the related roles of privacy and
psychological contract breach in predicting brand attitudes, we
have extended the boundaries of privacy theory to include consid-
eration of relationship consequences when privacy is invaded.
Future theory building efforts should incorporate the construct of
psychological contract breach in explicating the interrelationships
among privacy invading activities and attitudes.

On a more practical level, this research points out that brands
need to be very careful with the use of consumer information. When
brands collect customers’ personal information, they concurrently
become a party to a contract with these customers that concern the
sanctity of this information. If brands subsequently sell this infor-
mation to third parties, they may violate this contract which, in turn,
puts the entire relationship with consumers at risk. In other words,
although there might be immediate gains to be had by firms when
they sell their customers’ information to other organizations, the
potential for long-term losses cannot be overlooked. Brands need to
ensure that they do not take any step that threatens, or worse,
breaches, the contract with the consumer, lest they face the wrath of
consumers who may decide to completely cut off their relationship
with them.

“Embedded Loyalties: A Consumer-Centric View”
Avinash Malshe, University of Nebraska
Linda L. Price, University of Nebraska
Eric J. Arnould, University of Nebraska

Loyalty is a powerful and dangerous word that is oppositional
to impartiality and justice. It represents a permanent source of moral
danger as we navigate whether and how loyal to be. Loyalty sets the
contours of our relationships defining who’s in and who’s out. It is
always relational and partial—loyalties are situated within the
context of a historical self and linked to an individual’s identity
(Fletcher 1993). Aristotle observed that loyalty evolves in the
context of communal projects and shared life experiences and
requires attentions and caring that are effortful. For consumer
researchers however, loyalty has become synonymous with brand
loyalty—positive affect, cognition and repeat purchase of a brand
(Oliver 1999). Consequently, consumer researchers have over-
looked the array of consumers’ important relationships that situate
them, engender obligations of loyalty and require rejection of
alternatives that undermine these relationship bonds. Nevertheless,
there is increasing recognition that consumers’ relationships with
brands are context dependent, embedded in socio-cultural settings
and social phenomenon (Coulter, Price, and Feick 2003;
McAlexander, Schouten, and Koening 2002; Muniz and O’Guinn
2001). For example, recent research stresses that consumers’ loy-
alties to brands may be embedded in their ties with other consumers.
Brands may serve an important role in linking consumers to-
gether—binding them to a community.

Our research is focused on the multifarious, effortful, often
conflicting and predominantly non-commercial loyalties that de-
fine consumers’ lives. We then examine how commercial loyalties
and brand relationships are situated in the context of these other
important relationship bonds. Our consumer-centric framework
highlights a different view of loyalty, with significant implications
for brand management to enhance customer-brand relationships.

Our paper is based on fifty semi-structured depth interviews
directed at uncovering consumers’ loyalty labors and how brands
service those loyalties. Because we wanted to uncover tensions,
conflicts and relationships among loyalties we sampled men and
women with children working full-time primarily in professional
roles. As with our prior work on commercial vs. other friendships
and commercial vs. interpersonal betrayals, this research uncovers
the divergent senses of loyalty that apply in commercial and non-
commercial contexts (Bardhi, Price, and Arnould 2004; Price and
Arnould 1999). For example, commercial loyalties are far less
important, less effortful and more instrumental than non-commercial loyalties. Our research also helps to untangle distinctions between shifting loyalties and breaches of loyalty obligations that constitute betrayal. Moreover, our research highlights the significant interactions between commercial and non-commercial loyalties. For example, we illustrate that commercial loyalties may be fully mediated through other important loyalties—e.g., devotion to a brand as devotion to another. Commercial loyalties may also be solutions to problems consumers encounter in managing and allocating loyalty resources among their important relationships. Our research provides a grid for understanding the complexities of loyal relationships. Loyalties to children, spouses, profession, employer and God, interweave and interact with loyalties to brands and services. We conclude our paper delineating future directions for loyalty research in light of our findings. Importantly, our findings direct attention away from the dyadic relationship between a consumer and a brand to a view of the consumers’ network of relationships and loyalty bonds in which brand relationships are situated. In addition, we uncover the opportunity for firms to build powerful brands through creating multiple links to the consumer through their most important loyalties. This is a strategy that varies substantially from conventional wisdom about how to build strong relationships with customers.

“Contracting for Loyalty”
Susan Fournier, Dartmouth College
Jill Avery, Harvard Business School
Andrea Wojnicki, Harvard Business School

This research applies a contract theoretic lens to provide insight into the processes involved in consumer-brand relationship development, specifically those governing the formation and dissolution of consumer-brand loyalties over time. A multi-method research design comprising three complementary data sources was engaged to enliven consumers’ subjectively-interpreted experiences of relationship contracting. As the cornerstone of the research, we conducted an in-depth case study of a highly-loyal, high share-of-wallet “best customer” of a national retailer whose banishment from shopping at the store received national coverage in the news. This case study served as an inductive road-map for our research, illuminating key contractual contents, processes, and mechanisms, and suggesting propositions for further investigation. The case study also reinforced the power of insights to be leveraged in “reverse-engineering” the failed contracts of loyal consumers by exposing core contract terms at a critical inflection point in the relationship. Our second database consisted of ten semi-structured interviews conducted among consumers whose attempts to sustain brand loyalties were similarly thwarted by their respective firms. These “fired” consumers represented relationships with a range of product and service firms and brands, thus adding scope and generalizability to our process findings. Our third data collection method recognized the static and retrospective nature of our case history and critical incident interviews, and their juxtaposition against the inherently dynamic nature of contracting. To allow analysis of contracting processes as they unfolded and evolved, we re-analyzed data collected during a two-year, four-phased, ethnographic study of twenty-five consumers’ experiences with an Internet grocery service provider. While originally collected for a study on the diffusion of technologies in the home, this data allowed an independent assessment of the viability and value of the contracting lens in understanding relationship evolution over time.

Four phases of the relationship development lifecycle (Dwyer et al. 1987) provided the structure through which our findings are reported. Collectively, our findings support that the contract perspective is relevant and productive in understanding relationship development processes in the consumer realm: our informants initiate, explore, negotiate, and continuously renegotiate contracts with firms toward various loyalty states. The thick description that follows dimensionalizes the consumer-firm contract in useful ways and, fleshes out contracting concepts and process mechanisms suggested but never fully explored in the business-to-business marketing literature.

Relationship Exploration. Sub-processes in this phase enabled consumers to elaborate the basic “gives and gets” of the ill-formed initial contract, and to ascertain or refine the core terms and rules of the emergent contract. A taxonomy of eleven rule types within three general categories (reward and reciprocity rules, interaction rules, and relational rules) was inducted, adding descriptive depth to previously established contract term taxonomies in the B-Z-B realm (Heide and John 1992). Rule expansion into previously unacknowledged domains of interaction with various intermediaries who contract on behalf of the firm was also identified. The exploration phase also included an active and purposive hypothesis testing component. Eight feedback-seeking contract illumination tests were uncovered, including tests to ascertain the level of commitment of the relationship partner, or the purposive breaking of rules thought to be at play.

Relationship Expansion. The expansion phase comprised efforts to organize and structure emergent contractual contents in order to settle on a working relationship definition. A primary process involved the prioritization of contract terms into a hierarchical structure, bringing inviolate rules—“must do’s” or “can’t do’s”—to the fore while relegating less central terms to a broader “permissiveness zone.” Specification of adaptive norms identifying critical behaviors for successful operation within the constraints of the system figured prominently in this task. With core parameters thus identified, a particular relationship template began to emerge. This template was then embellished as the consumer’s individual terms were augmented to include socially-shared, normative terms for the identified relationship template. Several templates previously discussed in the consumer literature were identified in our data, including partnerships and friendships. A hierarchically-arranged relationship in which the firm stood as “slave” to the consumer “master” was also identified. Interestingly, the data failed to support the marriage template evoked most often as the ideal relationship between consumer and brand. Moreover, several templates particular to the consumer relational setting emerged that did not have parallel templates in the interpersonal literature. Prominent among these was the “best customer” template, which characterized a consumer differentiated by heavy purchasing patterns and on whom the firm had conveyed a recognized status of entitlement and special treatment. The rules of this asymmetric, imbalanced relationship were interesting, and included a biased mental accounting of gives and gets. As the relationship template solidified, we saw the manifestation of a final prioritization process in which an overriding “über-norm” governing the relationship at a meta-level was specified. The über-norm for best customers, for example, involved a special, individuated treatment, while the über-norm for partnerships concerned mutual helping. These rule structuring tasks figured prominently in judgments of the severity of relationship breaches down the line.

Relationship Commitment. Our data suggest that transition from engagement to commitment involves the willful performance of consumer behaviors that fall outside of the terms of the contract. Referred to as supra-contracting in the literature (Rousseau and McLean Parks 1992), these extra-role actions exceed minimum contractual requirements and thereby signal the consumer’s desire
to change the operative contract to one with deeper requirements and entanglements. Five types of supra-contracting behaviors were inducted (e.g., word-of-mouth advocacy, gifting, and active customer recruiting). Consumers’ extra-role actions provided no direct rewards, yet were clearly executed with expectations for reciprocation. The firm’s reciprocation of the consumer’s supra-contracting moves set the scene for a normative contract based virtually on increasing loyalties. If the firm neglected to reciprocate, the relationship stabilized at the operative commitment level. This redefinition of loyalty in terms of mutually-executed supra-contracting behaviors reinforces preliminary findings in the business-to-business literature (Narayandas and Rangan 2004), and shifts conceptual definitions of consumer loyalty from abstract to concrete behavioral lines.

**Relationship Disengagement.** In this final evolutionary phase, relationships either terminated, what has been referred to as dissolution in life cycle models of relationship development, (c.f. Dwyer et al. 1987) or rolled back to a less committed state. Several subprocesses gave rise to the fundamental “coming to terms” seen as determinant in this process path, during which time the psychological contracts of the consumer and the firm were revealed to be misaligned. Contract breach most commonly forced confrontation and misalignment of contracts, though two additional, coincident processes were implicated as well. On the consumer side, evidence of a natural, yet self-serving, process of contract drift (Rousseau and McLean Parks 1992) was revealed, in which the consumer expected more of the firm while decreasing perceptions of their own obligations. Raising the joint probability for misalignment was a second process evident for the firm: opportunistic contracting. In stark contrast to consumers who continuously superseded prior contracts with renegotiated normative terms, firms maintained two contracts: one seemingly aligned with the consumer’s evolved contract, as per implicit behavioral reciprocations on the part of the firm’s intermediaries, and one that maintained the initial, formal policies of the firm. Thus, while consumers felt that firms acted “as if” they were operating under the evolved normative contract, a contract in which “universal rules” no longer applied to the specific individual, firms never truly relinquished initial contract terms. This “convenient” and “unjustified” reversion (in the consumer’s view) to a standardized and obsolete contract was centrally implicated in outright loyalty failures or retreats to lesser relational states. This process reality suggests the ultimate futility of consumers’ loyalty contracting efforts, and the potential farce of firm practices for CRM.

**Comments of the Discussant**

*Steve Duck, University of Iowa*

Professor Duck closed our session with a reflection on the asymmetries existing between human and commercial/marketing relationships, and a call for deeper consideration on these possible disconnects when applying theory across disciplinary bounds. Duck recommended that consumer researchers consider the following “relationship truisms” and attempt to qualify the distinct nature of the relationship metaphor as it might apply in their own research plans:

- Personal relationships are voluntary and bi-directional: is this same power dynamic operative in the marketing field, or is there an intrinsic imbalance regarding relationship initiation and termination activities on the part of consumer or the brand?
- Human relationships are inherent and natural: A person enters into a relationship “for the sake of itself.” Is there a similar inherent quality to marketing relationships, or are these more instrumental and goal-focused in their stance?
- Personal relationships are not time bound; they are essentially open-ended. Is this same longitudinal view adopted in consumer-firm engagements, or are marketing relationships shorter and decidedly time-constrained? How does this change in time horizon effect evaluations of the marketing relationship and other time-bound phenomena such as intimacy sharing with the brand?
- Personal relationships are highly variable experiences, with a lack of clarity, specificity, and demarcated boundaries within any given relationship class. Is this same variability manifest within types of marketing relationships, or are consumers less tolerant of opacity in the marketing domain?
- Personal relationships are comprised of bonds and binds, and these “positives” and “negatives” are expected parts of relating. The bonds and binds of a relationship create vulnerabilities which stand as an acknowledged relationship cost. Do consumers harbor similar expectations when entering commercial relationships with firms? Is vulnerability willfully accepted by consumers of the brand?

In the personal domain, relationship transgressions are generally confronted with questions, discussion, and a predisposition to forgive and try to move on. Not so in the marketing realm where communication surrounding a breach is hardly a given, where forgiveness appears rarely as an option or perhaps not at all, where the tendency is to act versus discuss and clarify. How should we alter our theories of transgression response?

Human relationships are social constructs: they happen in cultural context, as defined by the rules of the cultures in which they are manifest. What is the social context for marketing relationships? What norms for appropriate behavior exist; what expectations have been set?

**REFERENCES**


