WHY DO THEY KEEP COMING BACK?  
CUSTOMER-RETENTION AND BARRIERS TO CHANGE  
FROM THE CUSTOMERS’ PERSPECTIVE

Bliemel, Friedhelm  
University of Kaiserslautern

Eggert, Andreas  
University of Kaiserslautern

ABSTRACT
Relationship marketing recently meets scepticism and is criticised for being inauthentic and manipulative by nature. This scepticism may come from the fact that during its emergence relationship marketing was predominantly approached with potential advantages for the suppliers in mind. Customer-retention and barriers to change, for example, are predominately discussed from the suppliers’ point of view. This paper takes the much neglected customers’ perspective. It evaluates barriers to change as strategic instrument in competitive markets. Barriers to change create dissatisfaction and distrust at the customer level. They are not to be recommended as short cut to relational success. Holding barriers to change at the lowest level possible and emphasising relationship transparency contributes to superior gains and an exchange relationship of satisfaction and trust.

1 Corresponding author: Andreas Eggert, Lehrstuhl für Marketing, Postfach 3049, D-67653 Kaiserslautern, Germany (Phone ++49-631 2053116, Fax ++49-631 2053394, E-mail: eggert@sozwi.uni-kl.de)
1. INTRODUCTION

During the past decades, the concept of relationship marketing enjoyed an enthusiastic reception in the marketing discipline (e.g. Berry 1995; Nevin 1995). Both marketing scientists and practitioners welcomed relationship marketing as an appropriate concept for the changing competitive environment of the 1990’s. As many markets become saturated, a strategy of aiming at new customers appears less attractive than keeping current ones (Reichheld 1996). Some empirical findings support this claim. Impressive increases in profits per customer of up to 85 percent are reported if the rate of customer migration is halved from ten percent to five percent (Reichheld/Sasser, 1990). Retaining customers is also said to bring higher certainty in planning to the supplier and to have a positive growth impact. Overall customer-retention is regarded as essential to relationship marketing (McLoughlin/De Burca 1996, p. 1014).

Relationship marketing also is criticised in the literature for some shortcomings: The marketing relationship, for example, lacks conceptual clarity as a central construct (Bagozzi 1995, p. 275; Blois 1996, p. 107). In addition, most authors on relationship marketing take the suppliers’ point of view (Gremler/Gwinner/Bitner 1997) arguing with the suppliers’ best interest in mind. Sheth and Parvatiyar (1995, p. 255) find that the literature on relationship marketing in consumer markets is primarily "written to advise practitioners on how to improve relationship marketing practise". It frequently takes what Tucker (1974, p. 31) would have labelled a fisherman’s rather than a marine-biologist’s approach.

Sharma (1997, p. 626-627) expresses discomfort with relationship marketing as follows: "The underlying objective invariably is to continue to enjoy customers repeat business and possible referrals. Creation of social obligation and feeling of guilt in the event of non compliance is nothing short of psychological manipulation. [...] It is about time to articulate
societal concerns for the potential of relationship marketing in creating an exchange relationship between the organisations and their customers that clearly disadvantages the consumers”. Fournier, Dobscha and Mick (1998, p. 51) add: “Relationship marketing as it is currently practised has not brought us closer to our customers. Instead, it has sent us further afield. Our misguided actions have sparked a consumer backlash that endangers the reputation of relationship marketing, calling into question the viability of the entire marketing discipline going forward.”

The discomfort with relationship marketing may come from and with the one-sided fisherman’s perspective prevalent in relationship marketing literature. The instruments of customer-retention, for example, are predominately discussed from the suppliers’ point of view. This paper, however, is concerned with the customers’ perspective and raises the question: Why do customers keep coming back?

In pursuing the answer, two main causes for staying in an exchange relationship are identified. Combining their state of presence or absence in a two-by-two matrix leads to four base models for customers to keep coming back. While relationship marketing literature frequently emphasises barriers to change as means to customer-retention an evaluation of the customers’ perspective leads to serious doubts about the advisability of imposing barriers to change versus the means of delivering satisfaction and building trust. A balanced approach to customer-retention is proposed. Transparency of the relationship is an important facet of the balanced approach.

2. CUSTOMER RETENTION - TWO MAIN CAUSES AND FOUR BASE MODELS

According to Johnson (1982, p. 52-53) customers are retained and stay in an exchange relationship for two main causes: because they want to and/or because they have to. Wanting to stay can be based on customer
satisfaction and trust. Having to stay is based on barriers to change (see figure 1).

![Diagram](Image)

**FIGURE 1**: Two main causes why customers keep coming back

Customer satisfaction is the result of a cognitive-oriented mental process comparing an exchange relationship’s perceived performance with customers’ expectations (Cadotte/Woodruff/Jenkins 1987) and desires (Spreng/MacKenzie/Olshavsky 1996). Satisfaction is based on a relationship’s history. Trust represents customers’ anticipation that their suppliers will be able and willing to serve them to their best interests in the future. Trust relies on "an exchange partner’s reliability and integrity" (Morgan/Hunt 1994, p. 23). Directed towards the future it also has a larger emotional component than customer satisfaction.

Barriers to change result from any kind of switching costs, be it monetary costs, be it psychological costs, be it social costs. The unavailability of alternatives builds another invincible barrier to change.

Wanting to change and having to change are not mutually exclusive, however. Looking at the two main causes in a two-by-two matrix leads to four base models for staying in an exchange relationship (see figure 2).
Customers continue a relationship because...

<table>
<thead>
<tr>
<th></th>
<th>... they have to.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>yes</td>
</tr>
<tr>
<td></td>
<td>no</td>
</tr>
<tr>
<td>... they want to.</td>
<td></td>
</tr>
<tr>
<td>yes</td>
<td>bondedness</td>
</tr>
<tr>
<td>no</td>
<td>captivity</td>
</tr>
<tr>
<td></td>
<td>inertia to change</td>
</tr>
</tbody>
</table>

FIGURE 2: Four base models why customers keep coming back

In field two and field three only one cause becomes effective. When customers want to stay, while they don’t have to, we are faced with the base model of customer loyalty to the suppliers or their brands. When customers have to stay, while they don’t want, we are faced with the base model of captivity, often caused by barriers to change erected by the suppliers. In fields one and four the two main causes are either both absent or both present. When both are absent, we are faced with the base model of inertia to change. When customers want to stay while they also have to stay we are faced with the base model of bondedness.

Customers in field one have no desire in continuing the exchange relationship. They may not even be satisfied with the relationship’s performance and/or they may not have confidence in their suppliers. Without a barrier to change they could quit the relationship. Still customers often continue their exchange relationships because of an inertia to change. Inertia to change and its counterpart, variety seeking (e.g. McAlister/Pessemier 1982), are both fundamental motives of human behaviour that have not received adequate attention in relationship marketing literature yet.
Customers in field two have no desire to continue. They may even want to quit the relationship for lack of satisfaction and/or trust. Barriers to change, however, make them stay with their suppliers. The explanation for these customers staying with their suppliers is a state of captivity by barriers to change.

The third base model for continuing an exchange relationship is customer loyalty. Loyalty is a state of mind characterising those customers who want to continue an exchange relationship although they could leave without recourse.

Bondedness may be the result of partnering. Mutual dependence and the possibility of interfering are constituting characteristics of a partnership (Magrath/Hardy 1994). A continuing partnership is based on mutual satisfaction and trust and backed up by barriers to change. Bondedness is the fourth base model for customers to keep coming back.

After having identified two main causes and four base models of customer-retention we take a closer look at barriers to change, a retention instrument frequently recommended by relationship marketers.

3. BARRIERS TO CHANGE AS RECOMMENDATION

The relationship marketing literature concurs in its appreciation of barriers to change as essential ingredients for an effective customer-retention strategy. According to Ganesan (1994, p. 1), “[p]revious studies of long term orientation in channel relationships (Anderson and Narus 1990; Anderson and Weitz 1989, 1992) have concentrated mainly on [...] developing long-term relationships through creating dependence and locking in customers”. The recommendation to ”own the customer” and transform markets into ”domesticated” ones also reflects the attempt to lock customers into captivity.
Barriers to change can come in many varieties. They make switching suppliers costly. Switching costs by themselves are means to lock in customers. They increase customers' interest in staying in a relationship (Dwyer/Schurr/Oh, 1987, p. 14). The conclusion that suppliers should influence their customers' behaviour and back up their patronage by increasing switching costs appears straightforward (Jackson, 1985, p. 92, 145).

Other relationship marketers (e.g. Gummesson 1994) emphasise that together with barriers to change customers should also be willing to continue the relationship. They compare the nature of relationship marketing with a partnership (Morgan/Hunt 1994, p. 22; Magrath/Hary 1994) or even a marriage (Levitt 1983; for a critical discussion see Houston/Gassenheimer/Maskulka 1992, p. 20).

Barriers to change are said to stabilise the relationship and also to correlate positively with customer satisfaction (Bøgelund Jensen/Skytte 1997, p. 13-17). Isn't this reason enough to recommend barriers to change as essential means for customer-retention strategies? Are they a cure-it-all for competitively weak suppliers with otherwise high customer-migration rates? Do they deliver a sustainable competitive advantage? Do they have a price to pay for? These questions can be addressed after analysing barriers to change as well as an exchange relationship predominantly based on them from the customers' point of view.

4. BARRIERS TO CHANGE FROM THE CUSTOMERS' PERSPECTIVE

From the customers' perspective, accepting barriers to change restricts their present and future set of alternatives. They bring two substantial drawbacks:

Reducing their freedom of choice, customers lose in disposition flexibility.
Customers take the risk of entering into a relationship of low performance as they cannot be sure of their suppliers' future ability and willingness to offer competitive value.

As a high level of flexibility and a low level of risk are desirable attributes of doing business, barriers to change *per se* reduce customers' perceived net-value to be gained from entering into an exchange relationship.

While the desirability of low risk cannot be argued with, our proposition about high flexibility is in contradiction to “consumer choice reduction as the basic tenet of relationship marketing” (Sheth/Parvatiyar 1995, p. 256). Peterson (1995, p. 279) argues against the latter proposition with “consumers are polygamous (they may even be promiscuous!)”. Bagozzi (1995, p. 272) shows consumers to be pushed by needs, e.g. the need to simplify their choice set, and pulled by goals, e.g. the goal of satisfaction. “I suspect that people enter relationships for a variety of reasons, and this results in reduced choices, but the reduction of choices may never have been the motive, *per se*” (Bagozzi 1995, p. 273). Organisational customers also are most likely to prefer high flexibility. One of the basic tenets from the resource dependence theory holds that organisational customers' behaviour is driven by „the desire for stable resource exchanges, on the one hand, and the need for flexibility and autonomy on the other“ (Anderson 1982, p. 19).

*Ceteris paribus*, for entering and staying in a relationship customers will prefer the one with the lowest barrier to change. Nevertheless customers accept a relationship with high barriers to change if the relationship as a package adds perceived gains that outweigh perceived costs. The relationship can be made acceptable to the customer in two ways:

- induced gains by supplier buy-ins,
- more efficient exchanges within the relationship.
4.1 Induced gains

Some suppliers buy themselves into an exchange relationship with their customers. To make good customers’ perceived loss of freedom due to barriers to change, they add - or promise to add in the future - some value components to their product offerings.

This supplier strategy, however, can turn out to be expensive or ineffective where customers appreciate their freedom or distrust the supplier. Customer segments strongly valuing freedom will require a substantial buy-in premium. With those customers offering value without instituting barriers to change could be a better strategy as winning them on the supplier’s expense would be too costly.

The strategic wisdom of a supplier buy-in strategy can be cast into doubt for several reasons:

The real price of the supplier buy-in strategy not only has to include the cost for the direct buy-in. It also includes giving up those customers that do not want to be bought or cannot be bought at that price. Here, the customer is faced with the decision either going for the buy-in or not going for the buy-in and will naturally decide for the alternative he considers better under either the immediate perspective of a single exchange episode or under the long-run perspective over all exchanges within the relationship.

Competitively, for each supplier offering a buy-in there may be another supplier offering a higher buy-in. In this case the customer would choose the best alternative again, namely the competitive offer with the higher buy-in. The strategy then is heading for a bidding war among suppliers.

For each buy-in that was successful and profitable in the long run with a particular customer, competitors will find out sooner or later and offer a buy-out of an existing relationship. The customer then is faced with the alternatives staying with package of benefits of the existing relationship or switching to a better package. Efforts focusing competitively on certain customers will be extremely high. Competitive costs of gaining and
changing customers will be higher than without buy-ins. From an overall economic viewpoint waste of resources in an economy will be the consequence.

Nevertheless, establishing barriers to change is a frequently found recommendation of relationship marketers, neglecting the costs to the supplier of establishing such barriers and often enough ignoring the customer perspective as well as the implication for competitive strategy and overall economic performance.

4.2 Intrinsic gains

In contrast to induced gains, intrinsic gains originate from the exchange relationship itself. That are gains to be realised in an exchange relationship over and above gains from episodic exchanges. These gains can be tied to barriers to change. Barriers to change may come from specific investments that improve the efficiency and/or effectiveness of an exchange relationship. As shown elsewhere (Bliemel/Eggert 1997), intrinsic gains are usually restricted to value creating partnerships.

Investments of the customer that are relationship-specific work like barriers to change. They reduce freedom of disposition and increase risk of being tied to a poor supplier while undertaken to receive an overall positive return. Having the choice between competing alternatives, customers will prefer an exchange relationship that has been enhanced in effectiveness and efficiency through investments with the lowest supplier specificity available. Technical norms, for example, are to lower specificity. The markets for personal computer, mainframes or video recorders provide

---

1 In some instances, customers derive social and psychological value from belonging to a closed group of privileged nature. Then barriers to change can have a positive impact on customers’ perceived value. In a business-to-business context, however, this effect can rarely be found as organisational customers usually follow a more rational-oriented buying approach than consumers do.
strong empirical evidence that requiring customers to invest into supplier-specific proprietary technology and thereby establishing technical barriers to change is in competitive markets over the long run the strategy of losers, unless the supplier's technology becomes industry standard.

Barriers to change *per se* do not increase the customer’s gain, while they can be instituted with gains delivered by buy-ins or intrinsic efficiency of exchange transactions.

5. BARRIERS TO CHANGE AND CUSTOMER SATISFACTION

Barriers to change were reported to correlate positively with customer satisfaction (Bøgelund Jensen/Skytte 1997, p. 17). Is this an argument for establishing such barriers as compared to an exchange relationship without barriers?

In a market where exchange and exchange relationships are voluntarily established, customers will opt for their best alternative. Only those customers will enter relationships of exclusive nature that are satisfied with trustworthy suppliers or hope to be satisfied. Therefore, customer satisfaction and trust are not consequences of, but prerequisites for customers to enter an exchange relationship with high barriers to change. The reported positive correlation between customer satisfaction and barriers to change may well reflect this self-selecting mechanism.

It would be a misconception to think of barriers to change creating customer satisfaction where customers are given a choice. The effect of barriers to change on customer satisfaction has been observed by Fornell (1992) on a more aggregate basis, where customers at large had less choice. He found customer satisfaction to be lower in those industries included in the Swedish customer satisfaction index where barriers to change are ubiquitous. Here a negative relation between barriers to change and customer satisfaction becomes evident. In essence, barriers to change are
more likely to be a contributor to customer dissatisfaction than not. Suppliers are prone to exploit customers in captivity. On the other hand customers are willing to accept barriers to change as price to pay for gains and satisfaction in captivity.

Having refuted customer-retention strategies primarily based on barriers to change the questions arise: Why do customers really want to keep coming back? What can relationship marketers do to make their offerings appear the best alternative from the customers perspective? In an attempt to answer these questions, we highlight relationship transparency and a balanced approach to customer-retention.

6. RELATIONSHIP TRANSPARENCY AND A BALANCED APPROACH TO CUSTOMER-RETENTION

Customers want to continue an exchange relationship if they were satisfied with its performance in the past and trust in its future performance. This idea is hardly new nor genuine to the relationship marketing approach. Within a balanced approach to relationship marketing and customer-retention, however, relationship transparency can become a source of competitive advantage for the suppliers though its relevance has not been emphasised in marketing literature and practise yet.

Relationship transparency is to place at the customers’ disposal the right amount of information about the value offerings, the exchange relationship and its conditions in a clear and reliable way easy to grasp, on an actual basis via a medium easy to access. In a transparent exchange relationship, customers should obtain any relevant information as easy as possible. All information (including the price!) should be consistent and well structured. Relationship transparency can be increased by unbundling prices for instance. Every-Day-Low-Prices (EDLP) and product guarantees also contribute to it. Changes in prices and other exchange conditions should be communicated to interested customers. In consumer markets, some
merchandisers already list their recent changes in prices (price reductions and increases!) on black boards in their stores. Using modern information technology (e.g. the Internet), marketing theorists and practitioners can develop a broad range of creative and cost-efficient ways to increase relationship transparency and contribute to a relationship of trust.

Under a short-term perspective, relationship transparency may conflict with the suppliers' objectives to maximise turnover and profit. For a hit-and-run marketing strategy, intransparency would certainly be more appropriate. Under a long-term perspective, however, relationship transparency contributes to turnover and profit in two ways: First the construct of customer satisfaction was found to consist of two antecedent variables, attribute satisfaction and information satisfaction (Spreng/MacKenzie/Olshavsky 1996). Relationship transparency has a considerable potential to increase the latter. Second customers may find it easier to trust in suppliers that provide relationship transparency. Overall, relationship transparency delivers gains to the customers as it minimises the perceived need to constantly search for information and test the market for better alternatives. Apart from manipulative approaches (the very contrast of what relationship marketing intends to be!), delivering superior value gains to the customers remains the central retention instrument for keeping customers by way of an exchange relationship of satisfaction and trust.

7. SUMMARY

This paper analyses customer-retention from the customers' perspective. Customers continue a relationship for two main causes: because they want to and/or because they have to. While customer satisfaction and trust are essential to the former, the latter comes with barriers to change. Combining
them in a two-by-two matrix leads to four base models, why customers keep coming back: Inertia to change, captivity, loyalty and bondedness.

Barriers to change play a prominent role in relationship marketing. Managerial implications from relationship marketing literature frequently recommend to stabilise an exchange relationship by increasing barriers to change. Many relationship marketers favour captivity and bondedness as approach to customer-retention.

An evaluation of the customers’ perspective casts doubts on the advisability of erecting barriers to change as strategic tool. Barriers to change restrict customers’ future set of alternatives and are per se of negative value to the customers. In voluntary market exchange, customers will accept barriers to change if their negative value is (over-) compensated by additional gains. The suppliers can induce these gains by buying themselves into a relationship with barriers. This may turn out to be an expensive option. Alternatively gains may be intrinsic to an exchange relationship requiring supplier-specific investments by the customers. With accepting barriers to change customers may benefit from more effective and efficient exchange.

For the suppliers, relationship transparency can be a source of competitive advantage in relationship marketing strategies based on customer satisfaction and trust. Relationship transparency contributes to customers’ perceived value as it minimises the need to constantly search for information and test the market for better alternatives.

REFERENCES


