

When customer gratitude does not work in business to business sales?

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Abstract

This study deploys an experimental design to better understand how sales approaches affect buyer-seller relationship outcomes in business sales. Taking into account the significant effect that customer gratitude has on business sales performance as well as the dominant role of critical incident resolution for the relationship outcome, we designed an experiment to measure these effects. This study investigates how strategic and consultative sales approaches help sales representatives to create feelings of gratitude and resolve customer problems and how these two constructs affect buyer-seller relationship outcome. To investigate the hypotheses of the study, this paper uses structural equation modeling in a multiple measurements experimental design, utilizing a sample of 190 sales representatives. The findings add to the current body of literature by controlling various elements of the business relationship, measuring the effect of customer gratitude and critical incident resolution on relationship outcome in a way that reflects the contemporary sales landscape.

Keywords: Gratitude, Customer Incidents, Buyer-Seller Relationship

Track: Sales Management and Personal Selling

1. Introduction

The role of customer gratitude in better understanding how business to business sales investments increase seller performance outcomes has already been confirmed (Palmatier, Jarvis, Bechkoff, & Kardes, 2009). However, there is a lack of empirical evidence regarding the effect of gratitude on evolving relationships that include negative incidents during a buyer-seller relationship. The study at hand acknowledges that different sales approaches can affect customer's feelings of gratitude and subsequently, customer reciprocal behaviors (Pelser et al., 2015). Moreover, in the current study various parameters influencing a buyer-seller relationship are controlled, including the type of the critical incidents that arise during the relationship (Van Doorn & Verhoef, 2008). The control of such variables enables the measurement of the gratitude effect in a relationship that is problematic and on a customer that has a short-term focus. Thus, the present study aims to measure the effect of customer gratitude on business to business relationship outcomes especially in the case where the customer has a short-term orientation and is uninterested in establishing a long-term relationship with the seller.

2. Background Literature and Development of Hypotheses

The duration of a relationship between a buyer and a seller is determined by the way the two parties are overcoming critical incidents and/or events that could damage their relationship (Van Doorn & Verhoef, 2008). Usually, well-established buyer-seller relationships are inertial and both parties are keen on maintaining the status quo (Roos, 2002). Additionally, an unexpected disappointing event may change a buyer's buying behavior forever (Bitner, 1990) while some buyer-seller relationship stages are unreachable without the occurrence of a positive event, the overcoming of a negative event, or both (Baxter & Bullis, 1986). The significant effect that critical incidents have on a buyer-seller relationship is the main reason behind social contacts with customers, including trips and dinners, to further empower a buyer-seller relationship (Harmeling, Palmatier, Houston, Arnold & Samaha, 2015).

According to Bolton and Lemon (1999), a critical incident is considered to be efficiently resolved when after its resolution the customer increases purchases and/or profitability and/or positive references to the seller. This definition of critical incident resolution is in line with Katsikeas, Morgan, Leonidou and Hult's (2016) assessment on marketing performance. In the study at hand, after documenting the way sales representatives resolve a critical incident, the buyer-seller relationship outcome will be documented too. Therefore, a critical incident can

be seen as a threat or as an opportunity for a buyer-seller relationship, leading to the following first hypothesis:

H1: Efficient critical incident resolution leads to better buyer-seller relationship outcomes.

Gratitude and emotional appreciation form an important construct for understanding buyer-seller relationship outcomes (Emmons & McCullough, 2004). Sales representatives who give advice, grant favors, and give personalized notes and gifts generate feelings of gratitude in their customers that lead to reciprocal behaviors that may result in an improved sales performance (Palmatier et al., 2009). Customer gratitude increases when customer perceptions of sales representatives' benevolence increase while the ability of critical incident resolution is a key factor that triggers reciprocal customer responses (Palmatier et al., 2009; Van Doorn & Verhoef, 2008).

A meta-analysis of 38.000 buyer-seller relationships supports that customer investments directly improve buyer-seller relationship outcomes (Palmatier, Dant, Grewal, & Evans, 2006). Moreover, another longitudinal study on buyer-seller relationship performance supports that customer relationship investments have a direct positive effect on sales performance that is unmediated by customer trust, commitment, or relational norms. This study also suggests that future research on relationship performance should examine other mediating mechanisms such as reciprocity, exchange effectiveness and gratitude (Palmatier, Dant, & Grewal, 2007). The analysis above leads to the formulation of the second research hypothesis:

H2: Sales representatives who generate feelings of gratitude in their customers achieve improved buyer-seller relationship outcomes.

Sales representatives, who aim for a long-term cooperation with their customers, usually treat them in a personalized way focusing on their needs, while they know their market well. A long-term engagement with business customers is critical for sellers since they are looking forward for higher customer lifetime value (De Ruyter, Keeling, & Cox, 2019). Moreover, the connection between customers' learning processes and sales performance is complex and rarely linear over time (Van Beuningen, De Ruyter, Wetzels, & Streukens, 2009). However, buyers can become engaged with the sellers in case their relationship is based on trust and commitment, when it is satisfying and also has an emotional bonding (Pansari & Kumar, 2017). The review of the studies above allows the formulation of the third hypothesis:

H3: Sales Representatives who focus on long-term buyer seller relationships are generating feelings of gratitude in their customers.

Long-term business relationships require buyers that are willing to engage in it and sellers that acknowledge buyer contribution to their success and try to create a deeper connection with them (Pansari & Kumar, 2017). Van Doorn and Verhoef (2008) claim that the critical incidents occurring during the buyer-seller relationship produce stronger updates to the relationships, moving it from a business-as-usual state to a deeper and more essential cooperation. Sellers have to develop the art and the science of managing their buyers to engage them in a relationship that is profitable and sustainable (Pansari & Kumar, 2017). Thus, sales representatives have to be very careful with customers who recently went through a critical incident, resolving it as efficiently as possible to increase customer satisfaction, which may transform to increased customer lifetime value. This analysis leads to the formulation of the next hypothesis:

H4: Sales representatives' focus on long-term results leads to more efficient customer critical incident resolution.

To fully explain the relationship outcome, customer gratitude, critical incident resolution, sales approach circle, a four construct conceptual model was created. Figure 1 includes all four hypotheses developed above.

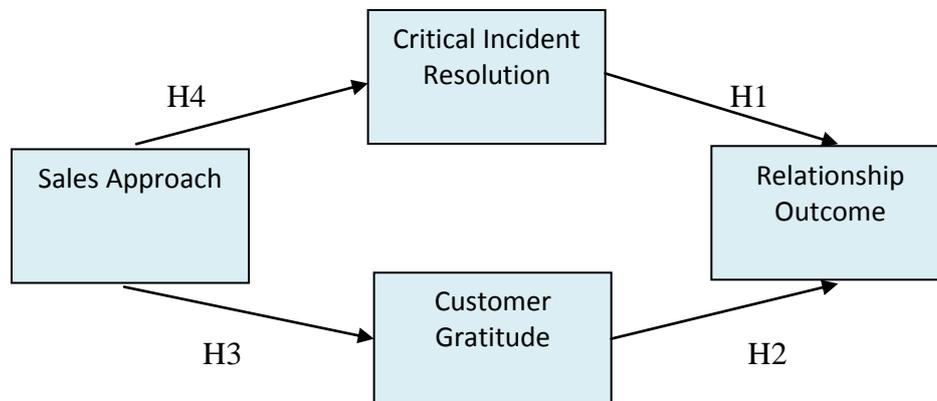


Figure 1. Conceptual Model

3. Research Methodology

The research at hand deployed a three round experiment where participants had to resolve three different critical incidents that occurred during their relationship with their customer. To create homogenous results and to avoid biases deriving from specific market characteristics, the buyer and the seller industry as well as the sales representative job description were pre-described. Additionally, the critical incidents included three difficult cases where in the first incident the buyer receives from the seller problematic products, in

the second incident the buyer destroys brand new products, and in the third incident the buyer has an aggressive offer from a competitor.

To simulate decisions in a real-life buyer-seller relationship, research participants received three questionnaires with the three critical incidents with one week interval in between, so respondents evaluated their sales approaches three times. 970 sales representatives received the questionnaire and 190 completed all three rounds resulting in a response rate of 19.58%.

3.1. Measures

The sales representative sales approach measures the sales tactics used in terms of the willingness of the respondent to create personal and long lasting relationships with the customer (DeVincentis & Rackham, 1998). More specifically, in the study at hand consultative and strategic sales approaches are measured. A consultative sales representative will focus on the relationship with the buyer, improving the interpersonal part of the relationship while the strategic sales representative will have a more sophisticated approach with a clear strategic integration and long-term focus. The two scales that measured the extent to which a respondent used a consultative or a strategic sales approach deployed a five-point rating scale from 1=highly unlikely to occur to 5=highly likely to occur. Examples of the items include “I will give to my customer social benefits such as entertainment, special treatment, and personalized information to resolve this critical incident” for the consultative sales approach and “I will document this problem resolution as clearly and comprehensively as I can to help my company improve its total product offering and resolve similar problems in the future” for the strategic sales approach. The scales’ Cronbach’s α was .70 for the consultative sales approach measurement and 0.71 for the strategic sales approach measurement.

The construct of customer gratitude is taken from McCullough, Emmons, and Tsang (2002), using a five-point rating scale from 1=highly unlikely to occur to 5=highly likely to occur. The scale measures the degree to which customers give in return, which enables a sequence of reciprocity between giving and counter-giving and contributes to the ongoing construction of a buyer-seller relationship (Emmons & McCullough, 2004). An example of an item of the scale is “I believe that this customer took positive decisions for me based on his/her gratitude for my extra effort.” The scale was tested for internal consistency and proved to be reliable for the current research with a Cronbach’s α of .86.

The construct of critical incident resolution is operationalized using a six-item scale as designed in the research of Van Doorn and Verhoef (2008). The scale is measured using a five-point rating scale from 1=highly unlikely to occur to 5=highly likely to occur. The scale measures the degree to which key account managers resolve out of ordinary events during the interaction with their customers resulting in customers actions that prove the effective resolution. An example of the item of the scale is “After this incident and my subsequent treatment I would dare to promise to my superior that the profitability from this customer will increase for the next season.” The scale was tested for internal consistency with a Cronbach’s α of .80.

The relationship outcome scale is operationalized using a five-point rating scale from 1=highly unlikely to occur to 5=highly likely to occur. The scale measures the extent to which a customer takes initiatives in terms of performance that can be interpreted as a success in a customer-supplier relationship. An example of an item of the scale is “I can assure my supervisor that the profitability from the customer will be higher in the long run as a result of my treatment to the incidents occurred.” The scale was tested for internal consistency with a Cronbach’s α of .75.

4. Analysis and Results

As far as the consultative sales approach is concerned, it was tested whether such an approach affects customer gratitude along with critical incident resolution to a buyer that has a problematic relationship with the seller. More specifically, it was tested whether the focus on more personal aspects of buyer-seller relationship will lead to better relationship outcomes even in the case of continuous bad incidents. For testing the aforementioned relationships, structural equation modeling was used. The chi-square statistic ($\chi^2=947.18$, $DF=332$) is significant ($p<0.001$). The fit indices are the following: $CFI=0.92$, $TLI=0.95$, $RMSEA=0.07$ and indicate that the model fits the data reasonably well (Byrne, 2006, Hair et al., 2006). The model results are presented in Figure 2.

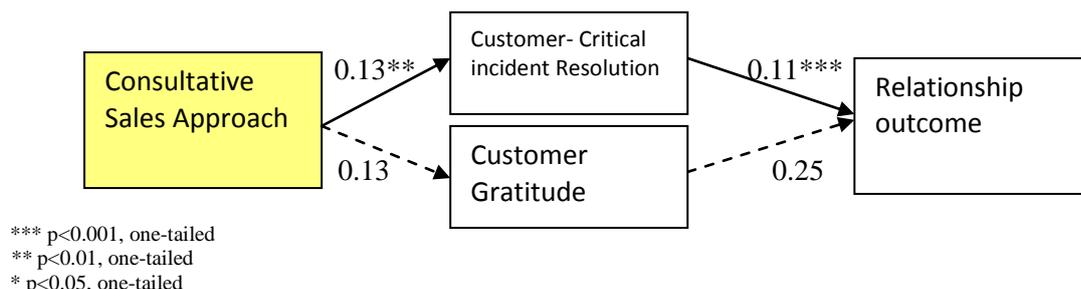
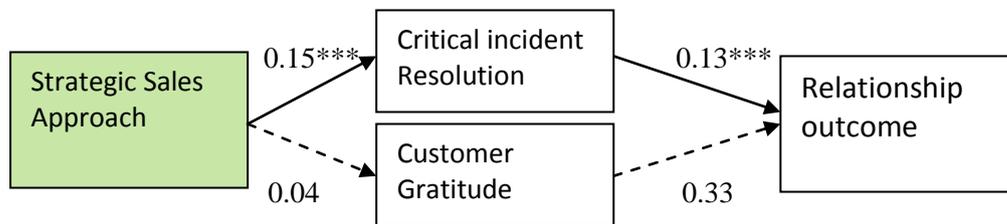


Figure 2. Standardized beta coefficients-Consultative sales approach.

The outcome of the structural equation modelling reveals that a consultative sales approach may be helpful in resolving a customer critical incident but fails to create feelings of gratitude in the buyer, especially when the buyer-seller relationship is undergoing difficult incidents.

The most complicated and time consuming sales approach is the strategic one. Figure 3 shows whether this approach has positive effect on customer gratitude and critical incident resolution. For testing the aforementioned relationships, structural equation modeling was used. In an effort to estimate the between construct effects, the overall fit of the model was examined and also the path coefficients were reported ($\chi^2=897.34$, $DF=332$ $p<0.001$). The fit indices are the following: $CFI=0.95$, $TLI=0.94$, $RMSEA=0.07$ and indicate that the model fits the data well (Byrne, 2006, Hair et al., 2006).



*** $p<0.001$, one-tailed
 ** $p<0.01$, one -tailed
 * $p<0.05$, one –tailed

Figure 3. Standardized beta coefficients- Strategic sales approach.

Following a strategic sales approach, sales representatives may resolve customer critical incident efficiently with a subsequent effect on the overall relationship outcome, but at the same time, they fail to create feelings of gratitude to their customer. This result finding is common in both sales approaches, strategic and consultative.

5. Discussion and Implications

Palmatier et al. (2009) discuss that despite their support for the critical role of gratitude in buyer-seller relationships, there is a lack of multiple measurement and longitudinal research to examine how feelings of gratitude diminish over time. Moreover, they support that future research should examine the dynamics of a buyer-seller relationship. In the research at hand, the impact of gratitude was tested along with the impact of critical incident resolution in a multiple measurement experiment. The results show that customer gratitude does not affect the overall buyer-seller relationship. The experimental design included solely negative incidents that create frustration to buyers and sellers. In such a case, the construct that positively affects the relationship outcome is the critical incident resolution.

In the case of a problematic relationship, buyers tend to have a short-term focus on the cooperation with the seller even if this cooperation lasts for years. Such buyers may demand the extra-mile from the sales organization without any gratitude and any tangible improvements in the buyer-seller relationship outcome. The present study makes a clear contribution to the discussion about the critical role of customer gratitude in business to business sales. Many researchers support that one of the major goals of marketing is to build efficient and strong customer relationships (De Wulf, Odekerken-Schroeder, & Iacobucci, 2001). However, there is very limited research on how gratitude affects customers who have no interest in building such relationships (Morales, 2005).

The ability to generate gratitude (Palmatier et al., 2009) and the ability to resolve a critical incident (Van Doorn & Verhoef, 2008) comprise causal relationships with the subsequent customer response. However, in difficult periods when all incidents between buyer and seller are negative, customer gratitude does not affect buyer-seller relationship outcomes, while the focus on solving customer problems and subsequently overcoming these difficult circumstances does.

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