



Marketing Science Institute Working Paper Series 2014
Report No. 14-104

Effect of Transformational Relationship Events on Exchange Performance

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Report Summary

While extant research on relationship development suggests relationships evolve through incremental change over long periods of time, a single event between exchange partners can ignite dramatic (positive or negative) transformational change.

In this study, the authors use a two-study, multi-method design to investigate transformational relationship events (TREs). They identify three underlying mechanisms for transformational events (customer gratitude/betrayal, customer reciprocating/punishing behavior, and customer sensemaking) that impact exchange performance in the form of sales performance and customer-company identification.

In the first study, they use an experimental design to empirically differentiate TREs from other critical events. In the second study, they test the conceptual model in ongoing channel relationships and identify proactive (e.g., exchange communication) and reactive (e.g., seller apology) intervention strategies for managing TREs.

Managerial implications

A TRE perspective can inform the deployment and design of loyalty programs. Their results align with recent research suggesting a ceiling for a positive disconfirmation, beyond which events that are “too desirable” prompt adverse responses, such as suspicion. Research on how an “ideal window” of relational disconfirmation changes (broadens, narrows, or hardens) as a relationship matures could yield useful insights. Further, while research identifies “pleasant surprise” as a desirable outcome of loyalty-building efforts, their research suggests that the type of surprise (e.g., performance versus relational) is critical to the longevity of its effects.

A TRE perspective also has implications for customer segmentation as it offers dynamic relational insights into customers. TREs produce customers with unique emotional, behavioral, and psychological connections to the brand who will likely respond to marketing efforts differently than customers whose relationships evolved incrementally.

Further, TREs offer a ready measure of dynamic relational content for identifying targets for marketing actions. Thus, marketing strategies that depend on customer implementation (e.g., referral programs, pass-along coupons, user-generated content) may be effectively targeted at relationships with steep positive trajectories (indicating a recent positive TRE). For flatter trajectories, customers’ potential value could be assessed to identify candidates for a spontaneous experiential reward that could induce a positive TRE. Steep negative trajectories (indicating a recent negative TRE) could elicit efforts to directly address the issue so as to mitigate damage.

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Relationships clearly matter in business transactions (Palmatier et al. 2006; Fournier 2009). Corporations spend over \$50 billion a year on marketing programs meant to build and maintain long-lasting customer relationships (Forbes 2011). However, “loyal” customers often fail to pay off in the long-term (Reinartz and Kumar 2003), and retention, even among relationally bonded customers, remains a concern for firms (Wetzel, Hammerschmidt, and Zablah 2014). Although most relationship marketing strategies rely on a lifecycle perspective that views relationships as developing smoothly through sequential stages (Dwyer, Schurr, and Oh 1987; Palmatier et al. 2013), evidence suggests that about one-fourth of business relationships undergo dramatic, transformational, change that significantly impacts future performance (Jap and Anderson 2007; Netzer, Lattin, and Srinivasan 2008). Yet, most research does not account for such discontinuous changes, which could help explain the inconsistent returns from some relationships. In this research we aim *to enhance the theory and practice of relationship marketing through an investigation of discrete exchange events that manifest transformational rather than incremental relationship change.*

Research on relationship development centers on identifying relationship stages, antecedents, mediators, and outcomes. This body of work draws on theories and methods in which a single dramatic, relationship-changing event is seen as an outlier, noise, or is averaged away among a large sample of more typical, slowly changing relationships (Dwyer et al. 1987; Morgan and Hunt 1994). Recently, using different methods (e.g., hidden Markov models) or puzzling over post hoc findings, scholars have noted that discrete events can suddenly take a relationship to “a different ‘conceptual plane’ of loyalty” (Netzer et al. 2008, p. 186), and that these rapid changes in the “development path” have “real and enduring” implications (Jap and Anderson 2007, pp. 260, 272). Outside of marketing, a rich body of theory and evidence suggests that discrete events often lead to “turning points” that dramatically transform the course of relationships (Baxter and Bullis 1986; Bolton 1961). A turning point is “an event or incident that has impact...trigger[s] a reinterpretation of what the relationship means...[and] influence[s] the perceived importance of and justification for continued investment in the relationship” (Graham 1997, p. 351).

Adapting turning point research to business relationships, we introduce *transformational relationship event (TRE)* and define it as a memorable event between exchange partners that disconfirms relational norms to a meaningful degree (positively or negatively). TREs can result

in dramatic, discontinuous change in a relationship's trajectory. Although all relationships are constructed through shared events, not every event sparks dramatic change, so it is critical to differentiate TREs from less meaningful relational norm violations and from extant constructs that are based on performance disconfirmations (service failure, customer delight). We distinguish TREs in four key ways: TREs occur (1) *only for relational versus performance disconfirmation events* in which (2) the relational discrepancy is *large enough relative to relational norms to amplify emotional responses*, which fuels both (3) *relationship transforming behaviors*, and (4) *reinterpretation of the meaning of the relationship*.

We use a two-study, multi-method design to investigate TREs. After we build theory, Study 1 uses a lab experiment in a consumer-firm context to discriminate TREs from related constructs and to test the theoretical underpinnings of TREs. The strong internal validity of an experiment is well suited to these goals. Next, after embedding TREs in a conceptual framework, Study 2 examines TREs in practice. A field study of 773 business-to-business (B2B) relationships links past relationship events to objective performance (change in sales, pre/post event), mediated by the emotional, behavioral, and cognitive mechanisms by which TREs impact performance; we also evaluate intervention strategies that alter the impact. Consistent results across experiments and surveys, consumers and B2B customers, and diverse outcomes increase confidence in our model.

We contribute to marketing theory and practice in three ways. First, we *conceptualize and define TREs and empirically demonstrate that they fundamentally differ from disconfirming events previously studied in marketing*. Only when an event meaningfully violates relational norms, versus performance expectations, does the event trigger the large responses predicted by turning point theory, marking a significant change in the relationship's trajectory. Relational (versus performance) disconfirmations shift focus to the overall relationship (versus the discrete transaction) while sparking strong socially-relevant emotions (versus evaluative appraisals), wide-reaching governance behaviors (versus narrow transactional behaviors), and long-lasting sensemaking cognitions (versus specific causal attributions). Further, we find compelling evidence for the distinctiveness of TREs when we examine how relational norms moderate the impact of different types of disconfirming events on customer responses and find *opposite effects* for relational versus performance disconfirmations. A strong existing relationship *suppresses* the effect of a negative performance event (e.g., service failure) on customer responses (consistent

with “buffering,” Hess 2008). In contrast, a strong relationship *aggravates* the effect of a negative relational event (e.g., ignoring a person, arguing a trivial contract rule). For positive events, the directions of both moderating effects reverse and TREs are more prevalent for exchanges with weak relationships. For TREs, it seems the inverse to the statement “the higher they are the harder they fall” is also true: “the lower they are the farther they rise.” As an event can violate performance *and* relational expectations, studies that examine service failures or customer delight, but fail to distinguish if the event has a relational component, may provide misleading guidance.

Second, we *theoretically and empirically link TREs (positive and negative) to exchange performance through emotional (gratitude/betrayal), behavioral (reciprocating/punishing), and cognitive (sensemaking) mediating mechanisms*. Using a new TRE scale, field study results show that TRE-induced emotional responses amplify behavioral and cognitive responses to affect sales growth and customers’ identification with the seller. For example, former customers of the seller attributed 83% of their decision to end their relationship to an emotionally-charged TRE. The effects of TREs on outcomes were fully mediated in parallel models for positive and negative events, demonstrating the generalizability of the conceptual framework and providing theoretically parsimonious insight into how a discrete relationship event influences performance, independent of event valance. Consistent with turning point theory, we find that building good communication processes is an effective strategy for enhancing the positive and suppressing the negative effects of the behavioral mechanism (reciprocating/punishing) on sales performance. For example, when communication is low, negative TREs result in a drop in sales of 11%, while there was no noticeable change in sales when communication was high (based on a median split analysis). Alternatively, consistent with turning point’s “redemptive story” research an apology after a negative TRE turns a decrease in sales (-17% for low apology) into a slight positive change in sales (2% for high apology) via the sensemaking mechanism (McLean and Pratt 2006, p. 714).

Third, we *advance the theory and practice of relationship marketing by integrating a TRE perspective of relationship development with the extant lifecycle perspective*. Whereas the lifecycle perspective views relationships as changing gradually and incrementally through “an accumulation of prior interactions” (Ring and Van de Ven 1994, p. 101), the TRE perspective advances the view that a relationship can change dramatically and discontinuously in response to

certain discrete events that represent the “substance of change” (Baxter and Bullis 1986, p. 470). This insight provides a theoretical foundation for past findings in which relationships fail to follow standard lifecycle trajectories (Jap and Anderson 2007). A TRE framework explains *why* these events drive dramatic change and *how* they will affect exchange performance. For practice, the TRE lens provides insight into the poor returns generated by offers from lifecycle-based loyalty programs that provide incremental customer rewards at predetermined milestones (Nunes and Drèze 2006). A strong relationship actually reduces the likelihood that a customer will perceive a reward as a positive TRE, while rewards targeted to customers with weaker relationships can generate more dramatic responses.

Understanding the Effects of Key Events in Relationship Development

Relationships evolve through “a sequence of events” between exchange partners (Ring and Van de Ven 1994, p. 90). Most research in marketing assumes that the pattern of evolution aligns with lifecycle theories (Palmatier et al. 2013). However, incremental, accumulative development is not always supported by post hoc analyses (Jap and Anderson 2007). Recent research contributes new methods to account for discontinuous relationship state changes in customer data (Luo and Kumar 2013; Netzer et al. 2008), but does not theorize the role of events in causing the change. In contrast to marketing’s common use of the lifecycle view, social psychologists advance theories of relational turning points to explain discontinuous, event driven, interpersonal relationship change (Baxter and Bullis 1986; Graham 1997; McLean and Pratt 2006).

Role of events in lifecycle and turning point theories of relationship change

In turning point theories, key events between partners are the “substance of change” (Baxter and Bullis 1986, p. 470) and are central to relationship development. Turning point events disrupt incremental development and ignite “positive or negative explosions of relational commitment” (Baxter and Bullis 1986, p. 486). These events challenge the partners’ existing mental models of the relationship by “bringing certain characteristics of the relationship into focus,” thus triggering a “reinterpretation” that brings altered “meaning and definition to a relationship” (Graham 1997, p. 351). Turning point events are a shock to the “gradual, indistinguishable progression through a fairly rigid sequence of stages” of the lifecycle view (Jap and Anderson 2007, p. 260); thus, turning point theories offer insights into discontinuous relationship change not addressed in extant marketing literature. Specifically, the turning point

perspective adds to and differs from the lifecycle view in: (1) the impact of events on mental models used for decision making, (2) the motivational role of emotions in change, (3) the reformulation of an individual's self-identity, and (4) the delineation of the point of dramatic, discontinuous change in relationship trajectory. We address these areas, in turn; Figure 1 compares lifecycle and turning point perspectives (Figures follow References throughout).

First, in the turning point perspective, compared to the lifecycle view, individual events are more significant in impacting the mental models customers use for relational decision-making. In the lifecycle view, relationships follow an incremental development path defined by relatively indistinct interactions, each interpreted in light of current expectations of roles and norms. Change occurs gradually and is "often unnoticed by the participants themselves," as a global impression of the relationship builds along a relatively stable path (Dwyer et al. 1987; Jap and Anderson 2007, p. 270). Any specific event plays only an incremental role in development, as it is assimilated and accommodated via minor changes in a partner's mental model (Sherif and Hovland 1961).

Turning point theory, instead, proposes that an event can confront the existing mental model of the relationship to a degree that it sparks a flurry of cognitive processing by which the individual attempts to make sense of the surprising information (Weick 1995). Turning point events change the relationship mental model by altering perceptions of the past, even converting past positive into negative memories or vice versa (Lloyd and Cate 1985). Moreover, memories of specific turning point events can become the "repeated touchstones in consciousness" that carry meaning, over time, with a long-term effect on behaviors (Blagov and Singer 2004, p. 483). Narratives are constructed by which individuals organize their thoughts to make sense of the relationship. This "story-building" process often redefines roles and facilitates active involvement in the relationship (McLean and Thorne 2003). Thus, in contrast to the lifecycle view in which exchange events assimilate with modest changes to partners' mental models, *the turning point perspective suggests that a single event can change the underlying mental model of the relationship by altering perceptions of past events and becoming a defining memory used for construction of relationship narratives.*

Second, lifecycle theories primarily conceptualize emotions as an outcome of relationship appraisal (e.g., relationship satisfaction). In the turning point perspective, however, emotions play a large motivational role in relationship change. Turning point events challenge mental

models and norms creating “emotional amplification” (Kahneman and Miller 1986, p. 145). As an individual experiences them, amplified emotions have a “blinding” effect in which the consequences of certain decision choices are not even considered. While recent relationship marketing research has begun to show the importance of emotions, most lifecycle research takes a more cognitive-focused view (Dwyer, Schurr, and Oh 1987; Samaha, Palmatier, and Dant 2011). Therefore, *in the turning point perspective, versus the lifecycle view, emotions play a larger and more integral role in the change process by motivating both cognitive and behavioral responses.*

Third, lifecycle theories of relationship development focus on the change in partner-directed relationship variables (e.g., trust in a partner). In contrast, turning point theories also recognize the transformation of the individual actors as an important aspect of relationship development that can be triggered by an event (Bullis and Bach 1989). Self-defining information is often stored in memory in the form of “life stories,” in which events that create tension supply meaning to these constructed stories. Disruptive events prompt feelings of vulnerability that spur “identity exploration” or a reevaluation and redefinition of the self (McLean and Pratt 2006, p. 714). The manner in which individuals define themselves cause enduring psychological change by not only impacting self-perceptions, but also their behaviors, resulting in self-reinforcing actions that are consistent with the altered view. Thus, *turning point events can prompt a psychological reformulation of an individual’s self-identity, with an enduring impact on future behavior.*

Finally, turning point events dramatically alter the trajectory of the relationship. Lifecycle theories predict relationships will follow a gradual trajectory with a fairly steady rate of change. Turning point events not only mark dramatic change, but also facilitate the integration of dynamic content into mental models by making the relationship’s trajectory (i.e. velocity) salient. These velocity perceptions alter narratives, such that the relationship is seen as improving or worsening (Huston et al. 1981), and subsequent performance is affected (Palmatier et al. 2013). Thus, failing to account for turning points will lead to incorrect predictions by assuming a constant relationship velocity (same direction and rate of change) before and after the event. *Turning point events capture a key dynamic element of relationships by delineating or “marking” the point of dramatic, discontinuous change in relationship velocity.*

Transformational relationship event (TRE) perspective of relationship change

Turning point research provides the foundation for understanding discrete relationship events as agents of transformational change. To account for differences between interpersonal and business relationships we integrate extant research to develop a *transformational relationship event* (TRE) perspective of relationship change. A TRE is a memorable event between exchange partners that disconfirms relational norms to a meaningful degree (positively or negatively). Based on turning point research, we distinguish TREs from other exchange events based on the *type* and *size of the disconfirmation* and the resultant *emotional, behavioral, and cognitive responses*.

Disconfirmation, which plays a major role in customer satisfaction, product or service failure, and delight, requires a standard (performance expectations) to which perceptions of an event can be compared; usually, a range of values around the standard are judged to be acceptable. The strength of a standard and the degree to which an event is perceived to align with the standard together determine perceptions of disconfirmation. As with prior research, we use *disconfirmation* to capture an individual's comparison of the event against a predetermined standard and *zone of tolerance* to describe the range from minimum to maximum acceptable expected levels around the standard (Parasuraman, Zeithaml, and Berry 1994). When an event is perceived to fall within the zone of tolerance, there is little or no amplification of emotions. The confirming event prompts primarily heuristic information processing, in which the individual draws upon readily available rules developed through past experience (Chaiken 1980). This minimal cognitive effort is accompanied by little behavioral change. However, unexpected or discrepant events that are perceived to fall outside the zone of tolerance prompt a strong emotional response. As existing heuristics may not fit, individuals increase their cognitive effort to understand the event, often by reinterpreting prior events, and then modifying their behavior consistent with this new view.

Extending this view of disconfirmation, turning point research provides evidence that a turning point event requires a meaningful disconfirmation of *relational* versus *performance* expectations (Baxter and Bullis 1986). This distinction is important because performance disconfirmations focus emotional, behavioral, and cognitive resources narrowly on the discrete transaction, whereas relational disconfirmations amplify social emotions that direct the foci of both behavioral and cognitive resources beyond the specific transaction toward reinterpreting the

self, the relationship partner, and the broader relationship itself. Specifically, performance disconfirmations prompt evaluative emotions (e.g. satisfaction, dissatisfaction) that relate to the outcome of the discrete transaction and its distributive fairness (Bitner et al. 1990). Cognitive efforts focus on the evaluation and management of outcomes by ascribing causal attributions of success or failure to external and “circumstantial reasons” (versus personal) (Lloyd and Cate 1985). Incremental behavioral adjustments are made with the goal of improving future transactions. However, a different response pattern emerges for relational disconfirmations. Events that fall outside relational expectations prompt broad-based responses because they *challenge the essential system of cooperative behavior* and, thus, amplify “social emotions” that serve as the psychological system that evolved to controlling cooperative group behaviors (Nesse 1990, p. 274). These emotions are intense as they emerge from violations of social processes and involve evaluations of emotion-laden procedural fairness. Cognitive responses center on appraising and managing the relationship, prompting effortful “sensemaking” into the nature of the self, the partner, and the relationship (Weick 1995). In sum, relational disconfirmations shift cognitive attention from the discrete transaction “to the relationship itself” (Bolton 1961, p. 237). Because relationships govern many value creation mechanisms in an exchange (communicating, adapting, investing), then events that alter this fundamental governance structure will have lasting effect on performance.

Marketing researchers often use *relational norms* to capture relational standards or “expectations about an individualistic or competitive interaction between exchange partners” (Heide and John 1992, pp. 34-35). However, as lifecycle research shows, relational norms are not fixed, but often strengthen and grow in importance as a relationship matures (Dwyer, Schurr, and Oh 1987). In early stages, business interactions are guided by generalized, industry-level exchange norms with the assumptions that partners will remain autonomous and cooperate only in pursuit of individual goals. As the relationship develops, relationship-specific norms emerge to supplant general norms, expectations narrow and become more fixed, and informal psychological contracts displace formal contracts (Wathne and Heide 2000). With highly developed norms, behaviors outside of acceptable bounds become quite unfathomable (Zucker 1977). Thus, as relationships mature, norms change in orientation (industry- to relationship-specific) and strength, and the zone of tolerance narrows, resulting in more powerful standards by which events are evaluated.

Because norms strengthen and narrow, and as compliance is more critical as relationships mature, then what is considered “abnormal” (i.e., a relational disconfirmation) also varies. In Figure 2, we illustrate how the same event can be perceived as a TRE, or not, depending upon the existing relational norms. Early in a relationship, when norms are weak and expectations low (transactional exchange), a high level of relational engagement (e.g., remembering a name, authentic social interaction) could result in a positive relational disconfirmation (Figure 2; Point 1), but the same event in an exchange with strong norms would likely fall within the zone of tolerance and have little effect (Point 2). Alternatively, in a developed relationship with strong norms, a low level of engagement (e.g., socially ignoring a customer, arguing about a contractual term) can result in a large negative disconfirmation (Point 3) even though the same actions in a transactional exchange would fall within the range of expected behavior (Point 4).

Recognizing that a TRE requires a meaningful disconfirmation of a relational norm helps distinguish TREs from other disconfirmation constructs involving performance standards. The two types of expectations coexist (e.g., “multiple simultaneous standards,” Fournier and Mick 1999, p. 6), but relational disconfirmations generate greater and more enduring responses by increasing social emotions and redirecting behaviors and cognitions from the transaction to the relationship.

Theoretical Underpinnings of TRE (Study 1)

Hypothesizing the theoretical underpinnings of TREs

We convert these arguments into specific hypotheses regarding the theoretical underpinnings of TREs, which also helps distinguish TREs from other exchange events. For positive (and then for negative) disconfirmations, we explicate the relationship between the event and immediate customer responses (emotional, behavioral, and cognitive), and the event’s impact on relationship trajectory. Next, we explain how strong and weak relational norms manifest different moderating effects on the paths between the event and its consequences. In short, and as a strong test of TRE theory, we predict that relational norms interact with the type of disconfirmation (i.e., relational versus performance expectations) to affect an individual’s responses to events.

Positive relational disconfirmations. A TRE, as a meaningful disconfirmation of relational norms, activates emotional, behavioral, and cognitive responses that have import for and draw

attention to the overall relationship. A positive relational disconfirmation becomes meaningful when it creates the perception that the partner acted above the zone of tolerance for norms in the relationship. As a result, the customer responds with the social emotion of gratitude, rather than merely evaluative satisfaction. *Customer gratitude* is a customer's emotional appreciation for benefits received, which spurs an "ingrained psychological pressure to reciprocate" (Palmatier et al. 2009, p. 2). We define *customer reciprocating behaviors* as a customer's desire for actions to repay a benefit received. Turning to the cognitive responses to TREs, when "the current state of the world is perceived to be different from the expected state of the world," customers are prompted to engage in sensemaking (Weick, Sutcliffe, and Obstfeld 2005, p. 409). *Customer sensemaking* is the cognitive process of organizing and converting events and experiences into words, categories, and, ultimately, holistic narratives. Thus, customer sensemaking captures the underlying process by which relational mental models evolve from an overall evaluation to storied events (McAdams, Josselson, and Lieblich 2001). The more an event is perceived to deviate from relational norms, the greater the expected change in a customer's mental model, and the greater the alteration to the trajectory of the relationship. We use *relationship velocity*, to capture the "rate and direction" of change to the relationship's trajectory (Palmatier et al. 2013, p. 13).

Relational norms moderate these positive relational disconfirmation event effects. First, norms establish the standard to which relational information is compared, thus determining the nature and magnitude of the disconfirmation that, in turn, drives the emotional, behavioral, and cognitive responses (Wang, Kayande, and Jap 2010). Second, strong (versus weak) relational norms imply narrower zones of tolerance. Specifically, as a relationship develops and relational norms strengthen, the zone of tolerance shifts upward and narrows. As a result, a positive event that exceeds the zone of tolerance in a relationship with weaker norms may fall within the implicit rules of a more mature relationship and be assimilated as "regular" behavior (Wetzel et al. 2014). Thus, as relational norms strengthen, they suppress the beneficial effects of positive relational disconfirmation by weakening their disconfirming effect.

Positive performance disconfirmations. However, when the disconfirmation is performance-based (e.g., service delight), the customer will focus on how to increase the likelihood of repeating the transaction outcome in the future. Because the responses to performance disconfirmations comprise evaluative emotions, transaction-facilitating behaviors, and

attributional cognitions, such events should have only modest, incremental affect on customer responses.

Strong relational norms can strengthen these effects by biasing an individual's interpretation of non-relational information to be consistent with prior beliefs (Festinger 1957). Thus, for positive performance disconfirmations, strong relational norms can have spillover effects on the performance appraisal such that prior attitudes carry over and enhance the beneficial effects (Hess 2008). Further, as relational norms strengthen, so do expectations of continuity. Above-average performance reinforces the wisdom of prior investments in the relationship and provides reassurance for future investments. Weak relationships, defined by norms of autonomy and focused primarily on the transaction, have neither the expectations of continuity nor the prior investments to broaden the customer's interpretation beyond the single transaction.

Negative relational disconfirmations. In contrast, when relational norms are violated, intense, negatively-valenced customer responses regarding the overall relationship are activated. Because the psychological contract of the relationship has been breached, customers feel the social emotion of *betrayal* (the violation or failure to uphold basic trust or presumed agreements) (Nesse 1990; Robinson and Rousseau 1994) that leads to a desire to engage in *punishing behaviors* (a willingness to expend resources to retaliate against the violator) (Bougie, Pieters, and Zeelenberg 2003; Grégoire and Fisher 2008). Subsequent *sensemaking* generates a reinterpretation of the self and the relationship in light of the violation of expectations (Baxter 1984) and the velocity of the relationship should reveal a "rapid deterioration" (Lloyd and Cate 1985, p. 430).

Relational norms moderate the impact of negative relational disconfirmation events on customer responses because strong norms comprise high expectations against which the magnitude of the violation is highlighted, amplifying its detrimental effects. When norms are weak, they contain uncertain expectations of behavior in the relationship. A negative relational disconfirmation is seen as feasible, given the weak and low customer expectations, and, thus, the disconfirming effects on the customer's emotions, behaviors, and cognition are reduced. However, as norms strengthen, the relationship is increasingly governed by clearly defined "psychological contracts" in which both parties are expected to promote the well-being of the relationship (Robinson and Rousseau 1994, p. 245). Negative relational disconfirmations are interpreted as direct violations of these psychological contracts and threaten the very foundation

of the relationship. In turn, we observe the “higher they are, the harder they fall” effect in which the strength of the relationship increases negative emotions, retaliatory behaviors, and negative relational thoughts, and the overall trajectory of the relationship may enter a tailspin.

Negative performance disconfirmations. For negative performance disconfirmations (e.g., service failure), the customer’s focus is on the discrete transaction, generating evaluative emotions, behaviors to keep the problem from happening again, and attributional cognitions of external (versus personal) causes for the failure. Thus, the effect of these types of events on betrayal, punishment, sensemaking, and the overall velocity of the relationship should be fairly incremental. However, the presence of strong relational norms suggests the existence of the positive emotions and interpretations that define strong relationships and can carry over and “buffer” the firm from the detrimental effects of the event by promoting “more charitable attributions regarding the company’s intentions and responsibility” consistent with previous interactions (Bhattacharya and Sen 2003, p. 84; Hess, Ganesan, and Klein 2003, p. 140).

H₁: Relational norms *suppress* the beneficial effects of *positive relational* disconfirmations and *strengthen* the beneficial effects of *positive performance* disconfirmations on customer a) gratitude, b) reciprocating behaviors, c) sensemaking, and d) relationship velocity.

H₂: Relational norms *strengthen* the detrimental effects of *negative relational* disconfirmations and *suppress* the detrimental effects of *negative performance* disconfirmations on customer a) betrayal, b) punishing behaviors, c) sensemaking, and d) relationship velocity.

Experimental test of theoretical underpinnings of TREs

Experimental design and sample. Study 1 uses a longitudinal scenario-based experiment involving a 2 (disconfirmation type) × 2 (relational norms) between-subjects factorial design for each valence (positive or negative disconfirmation). This design allows us to isolate the necessary conditions of TREs and examine the effects on four unique and theoretically relevant outcomes (emotions, behaviors, cognition, relationship velocity). We assigned participants randomly to one of four between-subjects treatment conditions for each valence, in which they read and responded to a series of three hypothetical, sequential interactions between the

participant and a fictional auto repair company, AutoStop. Every scenario contained a performance disconfirmation (service failure, customer delight). This design allows us to distinguish TREs from related constructs, which would not be possible with a “no event” control. Scenarios are reported in Appendix 1.

Interaction 1 presents a description of the service provider to all participants. After Interaction 1, participants were randomly assigned to the strong or weak *relational norms* condition and then responded to manipulation checks and controls. To decrease demand artifacts, we provided filler questions between interactions. Interaction 2 prompts the participant to seek AutoStop’s services and is consistent for every condition. In Interaction 3, every respondent is told of a performance disconfirmation (i.e. positive: unexpected discount; negative: unexpected cost). Also, half of these respondents randomly receive the *relational disconfirmation* condition (split randomly between positive and negative disconfirmations). Both relational disconfirmations address the relational processes associated with the additional cost or discount. The outcome of the encounter is exactly the same within each valence. Immediately following the final interaction, participants were prompted to complete a thought-listing task. Finally, participants responded to outcome measures.

Participants were recruited using Amazon’s Mechanical Turk (MTurk) and received \$0.75. MTurk samples are more representative of U.S. populations than convenience samples or traditional Internet samples (Buhrmester, Kwang, and Gosling 2011). For the 316 subjects who participated (160 positive; 156 negative conditions), the mean age was 37 years (range, 18 to 76), 59.8% were female, and 53.1% had a college degree.

Manipulation checks. To simulate a TRE, we manipulated the necessary conditions: strength of established relational norms (weak, strong) and relational disconfirmation (performance-only disconfirmation, performance with relational disconfirmation). To test our manipulation of relational norms, participants were asked to respond to a three-item scale. Participants’ perceptions were higher when the manipulated level of relational norms was high than when it was low for both positive ($M_{\text{strong}} = 5.92$ versus $M_{\text{weak}} = 3.97$; $F(1, 158) = 128.57, p < .01$) and negative valence events ($M_{\text{strong}} = 5.67$ versus $M_{\text{weak}} = 3.69$; $F(1, 154) = 199.00, p < .01$), while there was no perceived difference in the age of the relationships across both valences ($p > .05$). This latter check suggests that we manipulated norms without affecting perceptions of

relationship age, a potential alternative explanation. All measured items and sources are reported in Appendix 2.

To test our relational (versus no relational) disconfirmation manipulation, we compared participants' perceptions of how well they were treated for positive events ($M_{\text{no_rel}} = 5.16$ versus $M_{\text{rel}} = 6.21$; $F(1, 158) = 33.96, p < .01$). We repeated the comparison, using different items, for participants' perceptions of how poorly they were treated for negative events ($M_{\text{no_rel}} = 2.64$ versus $M_{\text{rel}} = 4.17$; $F(1, 154) = 40.47, p < .01$). Thus, the relational disconfirmation manipulation worked as expected in both positive and negative valence events. Further, there was no difference in the perception of performance disconfirmation across both valences ($p > .05$), suggesting that we manipulated the relational disconfirmation without altering the respondent's perception of the performance disconfirmation. The realism of the experimental scenarios was confirmed with the item: "I could easily put myself in the scenario described earlier" (Darley and Lim 1993).

Measurement. Participants responded to multi-item Likert measures (1 = strongly disagree and 7 = strongly agree) for gratitude, betrayal, reciprocating behavior, and punishing behavior (see Appendix 2). Because customer interpretations and responses are altered by individual differences in personal experiences and values, consistent with past service failure research, we included both *typicality of event* and *importance of good service* as control variables (Hess, Ganesan, and Klein 2003). To assess validity, we conducted a confirmatory factor analysis (CFA). Results indicate acceptable overall fit of the model (positive/negative): $\chi^2_{(105/109)} = 133.31/167.45, p < .01/.01$; Comparative fit index (CFI) = .98/.98; Incremental fit index (IFI) = .98/.98; Tucker-Lewis index (TLI) = .97/.97; RMSEA = .05/.06. All standardized factor loadings for both models are significant at $p < .05$. The model exhibits high internal consistency, with Cronbach's alphas ranging from .78 to .96, and average variance extracted (AVE) ranging from .62 to .92. The AVE for each factor is greater than its squared correlation with any other factor, suggesting discriminant validity. For bivariate correlations and descriptive statistics for all constructs, please see Table 1 (Tables follow References throughout).

Results and discussion. Using ANCOVA, we examined the interaction between strength of relational norms and the type of disconfirmation on the effects of events, while controlling for typicality of event and importance of good service. Table 2 presents cell means and significance tests for H_1 and H_2 . Beginning with positive events, the interactions were significant for gratitude

($F(1,154) = 4.50; p < .05$), sensemaking ($F(1,154) = 4.96; p < .05$), and relationship velocity ($F(1,154) = 4.74; p < .05$), but the interaction was not significant for reciprocating behaviors ($F(1,154) = 0.86; p > .05$). Thus, $H_{1a,c,d}$ are supported, but H_{1b} is rejected. As a stronger test to differentiating positive TREs from all other events, we ran three separate pairwise comparisons of respondents in the TRE condition (boxed cells in Table 2) to each of the other conditions. Consistent with our arguments, participants in the “weak relational norms \times positive relational disconfirmation” condition reported significantly higher customer sensemaking and greater positive change in the trajectory of the relationship than any of the other conditions ($p < .05$). Customer gratitude and customer reciprocating behaviors differed from some but not all other conditions. The thought-listing exercise revealed a potential explanation for these results where events perceived as “too good to be true” often prompted suspicion (Wang, Kayande, and Jap 2010), which suppressed the potential lift from positive TREs (e.g. “Maybe this guy is lying and the price was the same all this time? I hope I'm not being tricked”). This phenomenon was most prevalent in the TRE condition with 23% of respondents reporting at least one suspicious thought, which was on average more than double any other condition.

Turning to negative events, H_2 predicted that strong relational norms amplify the negative effects of relational disconfirmations and suppress the negative effects of performance disconfirmations. The interaction was significant for betrayal ($F(1,150) = 10.29; p < .01$), punishing behavior ($F(1,150) = 4.67; p < .05$), sensemaking ($F(1,150) = 11.31; p < .01$), and relationship velocity ($F(1,150) = 7.50; p < .01$), fully supporting H_2 for negative events. To test how negative TREs are unique, we compared respondents in the “strong relational norms \times relational disconfirmation” cell to the three other conditions. The greatest impact of a negative disconfirmation event should occur when there are strong relational norms. Indeed, participants in the proposed negative TRE condition report significantly higher betrayal, punishing behavior, sensemaking, and larger negative relationship velocity than all other conditions ($p < .05$), which provides additional support for H_2 . These findings show a beneficial “buffering” effect of strong relationships for negative performance disconfirmations (Hess, Ganesan, and Klein 2003), but the same strong relationship actually increases the damage for negative relational disconfirmations.

Overall, and consistent with expectations, relational (versus performance) disconfirmations amplify social emotions (e.g. gratitude, betrayal) that can fuel both relationship transforming

behaviors and cognitions. However, post hoc examinations across positive and negative events reveal several insights. Although both positive and negative TREs have larger effects on responses than any other disconfirming events of the same valence, the difference in effects between TREs and non-TREs is about 3.5 times larger for negative versus positive TREs (consistent with negativity bias seen in other domains). We also find evidence that TREs drive dramatic, rather than incremental, relationship change. Compared to all other conditions, twice as many respondents in the positive and negative TRE conditions, respectively, selected the most extreme measures of relationship velocity (“dramatically improving” or “dramatically worsening”).

Finally, we also used Study 1 to confirm our scale used for measuring TREs in Study 2. Specifically, we used the four experimental conditions to assess and evaluate the final four-item TRE scale (See Table 2). For both positive and negative valenced TREs both the 2 x 2 interactions and all paired contrasts were significant ($p < .05$), which increases confidence in our scale across both valences of TREs.

Understanding the Effect of TREs on Exchange Performance (Study 2)

In Study 1 we tested the theoretical foundations of the TRE perspective and confirmed that TREs trigger larger emotional, behavioral, and cognitive responses than other types of events, delineating a point of dramatic change in a relationship’s velocity. In Study 2, we situate these emotional, behavioral, and cognitive mechanisms into a conceptual model for the effects of TREs on exchange performance (Figure 3). We then test this model in a field setting to establish whether TREs have a dramatic impact on performance in practice, to shed light on how those effects occur (mediating mechanisms), and to test managerial strategies that might alter the effects on outcomes.

We use two variables to capture the range of performance outcomes affected by the behavioral and cognitive mechanisms activated by TREs and amplified by social emotions. *Sales performance*, i.e., the percentage change in sales for the year after the TRE, is an objective indicator of the impact of TREs. Next, to capture the effects of the relational reinterpretation that comprise sensemaking, we measure *customer-company identification*, which taps the customer’s definition of self in relation to the partner, a critical aspect raised by turning point theories (Bullis and Bach 1989). This variable reflects the psychological connection that has a pervasive,

enduring effect on a relationship (Ahearne, Bhattacharya, and Gruen 2005). These outcomes capture diverse effects (financial, psychological) with differing temporal implications (immediate, ongoing).

Hypotheses linking TREs to exchange performance

We begin by applying insights from Study 1 and the theoretical foundations for TREs. Specific social emotions, relational behaviors, and relationship-focused sensemaking are directly affected by TREs, and we also propose these variables are the mechanisms by which TREs ultimately alter performance outcomes. Turning point theory highlights the key role that social emotions play in fueling a strong response to disconfirming relational events (Nesse 1990). Thus, the starting point of our conceptual model of the impact of TREs on performance is formally specifying a central role for social emotions (positive and then negative). Positive TREs produce customer gratitude, which generates a desire (psychological pressure) for reciprocating behaviors, even if such behaviors are not formally required (Palmatier et al. 2009). Positive TREs also prompt (by challenging the current state of the world which creates uncertainty) and fuel (by providing content for relational stories) customer sensemaking. Sensemaking affects a customer's psychological connection to an exchange partner by transforming the relational mental model from an accumulation of evaluative assessments of discrete transactions to storied narratives regarding the relationship over time (Blagov and Singer 2004). These stories inform identity, behavior, and relational meaning. Gratitude-based emotions fuel and guide customer sensemaking by filtering the information that is recalled, attended to, and interpreted (Forgas and George 2001).

In a similar fashion, albeit with the opposite valence, negative TREs evoke a sense of customer betrayal that results in a desire to engage in behaviors that punish the offender (Grégoire and Fisher 2008; Bougie, Pieters, and Zeelenberg 2003); even if such retaliation is irrational, it serves to warn other customers of the partner's unacceptable behavior. Betrayal also activates negatively-valenced sensemaking, filtering the information that is used to reinterpret the relationship and altering the customer's ongoing relationship narrative (Forgas and George 2001). Since the conceptual models for positive and negative TREs are mirror images, each with its relevant emotions and behaviors, we offer parallel hypotheses for positive and negative valenced events.

H_{3(positive)}: Positive TREs increase customer gratitude.

H_{3(negative)}: Negative TREs increase customer betrayal.

H_{4(positive)}: Customer gratitude increases a) customers' reciprocating behaviors and b) customer sensemaking.

H_{4(negative)}: Customer betrayal increases a) customers' punishing behaviors and b) customer sensemaking.

Mediating role of customer reciprocating or punishing behaviors. As a customer's emotional responses to TREs create the desire for an appropriate behavioral response (reciprocating or punishing), that behavioral desire, in turn, leads to subsequent actions to help or harm the partner. In exchange relationships, the primary way the customer can repay their indebtedness to the partner is by increasing their own purchases from the firm. Conversely, customer punishing behaviors often take the form of reduced purchases from the firm (Grégoire and Fisher 2008). Thus, the nature and magnitude of the TRE will alter subsequent customer purchase behaviors through changes in the desire to reciprocate or punish the partner, which also behaviorally reinforces the psychological change in the relationship.

H_{5(positive)}: Customer reciprocating behaviors mediate the beneficial effect of positive TREs on sales performance.

H_{5(negative)}: Customer punishing behaviors mediate the detrimental effect of negative TREs on sales performance.

Mediating role of customer sensemaking. TREs also impact outcomes through customer sensemaking. Given that sensemaking creates a reconceived view of the relationship, a customer's subsequent purchasing behaviors should be altered to align with these revised perspectives of the relationship in an enduring way (Blagov and Singer 2004). The increased variety and salience of relational knowledge in memories of TREs makes them considerably more accessible under a greater number of circumstances (Lynch and Srull 1982). These TREs also make salient a moment of "emotional upheaval" and contain an illustration of memorable

behavior in the relationship (McLean and Thorne 2003, p. 635). Thus, simple cues (e.g. a mention of the firm's name) can make salient the emotions felt during the TRE and perpetuate active behavioral involvement in the relationship, as opposed to indifference or routine. For positive TREs, because sensemaking promotes the construction of relational stories (McLean and Thorne 2003), sensemaking can also affect customer perceptions of the desirability of continued or deepened engagement with the firm, altering future purchase levels. As a result of negative TREs, because sensemaking creates lasting emotional memories, the mere mention of the exchange partner can perpetuate feelings of anger and drive enduring negative action toward the exchange partner (Grégoire et al. 2009).

Further, TREs alter performance by causing a transformation of the customer's identity in relation to the partner (McLean and Pratt 2006). Specifically, sensemaking alters the customer's psychological involvement in the relationship (i.e., customer-company identification) because sensemaking is the process of integrating events "into the identity-defining life story" (Pals and McAdams 2004, p. 65). These stories provide a temporal conceptualization of self through past, present and future, and also provide concrete scripts for enacting and reinforcing the self in relation to specific encounters or in the presence of others (Ahuvia 2005). In positive events, sensemaking can provide the means of integrating the firm into the customer's self-concept, representing a deeper psychological connection (Schouten, McAlexander, and Koenig 2007). As identification with an entity increases, the individual dedicates more resources to the protection and maintenance of the entity as a means of protecting and maintaining the self (Bhattacharya and Sen 2003). In negative TREs, sensemaking can provide a means of protecting the self from distress by distancing the self from the firm (Ethier and Deaux 1994). For example, this process can translate into beliefs such as "I could never go back to being an XYZ customer."

H_{6(positive)}: Customer sensemaking mediates the beneficial effect of positive TREs on a) sales performance and b) customer-company identification.

H_{6(negative)}: Customer sensemaking mediates the detrimental effect of negative TREs on a) sales performance and b) customer-company identification.

Proactive and reactive TRE intervention strategies. We have argued that TREs unleash relationship altering emotions, behaviors, and cognitions. Because these mechanisms can, in turn

dramatically strengthen a relationship or threaten its future, managers care about leveraging the positive or suppressing the negative effects of TREs. Theoretically consistent moderating effects also help reducing concerns of alternative explanations, which increases the confidence in the conceptual model. The turning point literature provides insight into variables that may differentially alter the strength of each of the two TRE mediating mechanisms. As emphasized across turning point and relationship marketing literatures (Anderson and Narus 1990), the repair and maintenance of a relationship requires “relationship talk” (Baxter and Bullis 1986, p. 487). Graham (1997, p. 364) suggests that such communication about the relationship can be used as a proactive strategy, i.e., having “a highly developed repertoire” of communication processes in place between partners, or employed as a reactive strategy to repair an endangered relationship.

First, from a proactive strategy standpoint, we follow Anderson and Narus (1990) and select *exchange communication*, defined as the timely sharing of meaningful information regarding the relationship between exchange partners. Turning point literature supports this focus: Dindia and Baxter (1987) suggest that communication about the relationship, “in which [partners] assess how well they are meeting their explicit and implicit relationship rules,” is a critical relationship management strategy. Communication provides the seller with a better understanding of the customer’s goals, reveals opportunities to create value in pursuit of those goals, and allows coordination of effort toward those goals. Thus, communication has the potential to leverage the effects of a positive TRE by enabling discovery of potential opportunities for reciprocation and for other actions that reinforce the relationship (e.g., by controlling attributions of suspicion for an unusually positive event). On the other hand, in the face of a negative TRE, effective exchange communication provides the seller with the opportunity to attempt to mitigate punishing behaviors and insights for how to do so (e.g., by emphasizing the shared history and common goals of the partners) (Anderson and Narus 1990; Baxter and Bullis 1986; Graham 1997).

H_{7(positive)}: Exchange communication will strengthen the positive effect of customer reciprocating behaviors on sales performance.

H_{7(negative)}: Exchange communication will suppress the negative effect of customer punishing behavior on sales performance.

Second, from a reactive standpoint, because a drastic redefinition of a relationship via sensemaking in negative TREs can threaten its long-term viability, we examine a specific strategy that a seller can use after such a violation: *seller apology*. A sincere apology includes remorse, taking responsibility (without excuse or justification) for the action, willingness to make restitution, and a promise to change (i.e., not repeat the offense in the future), and can be effective in responding to betrayal or other relational violations (Miller et al. 2013). To the degree that the customer perceives that the partner has apologized and accepted responsibility, the effects of the initial sensemaking can be mitigated. The apology may help counteract the customer's relationship narrative such that perceptions of the partner's integrity and intentions may be at least somewhat repaired. In turn, the detrimental effects of sensemaking on future purchases and the customer's self-definition in light of the relationship (customer-company identification) can be reduced.

H_{8(negative)}: Seller apology will suppress the negative effect of customer sensemaking on a) sales performance and b) customer-company identification.

Field test of the effects of TREs on exchange performance

Survey design and sample. To test H₃ through H₈, we utilized a field setting, and conducted a survey of both on-going and past channel relationship partners for a large Fortune 500 supplier of durable goods. We used a critical incident technique to capture transgressions or exceptionally positive events in the history of the respondent's relationship with the seller (Bitner et al. 1990). Respondents were asked to recall the single most memorable event in his or her firm's relationship with the partner firm. If they could not recall a memorable event, they were asked to reflect on their most recent interaction with the firm. This design provides large variation in the types of events analyzed. Retrospective accounts are typical in event studies and are particularly effective in the study of TREs because "construction of narratives of major...turning points, rather than the experience itself," is what provides understanding and informs customer actions (Bitner et al. 1990; McLean and Pratt 2006, p. 715). The supplier created a panel of 5,238 current and former channel partners. These customers were invited to the study via email with a cover letter from the seller's president. We received 773 completed responses (15% response rate) with

147-reported negative and 626-reported positive event reflections. A test of nonresponse bias indicated no difference in customer characteristics between respondents and non-respondents ($p < .05$).

Measurement and analysis. We followed extant procedures to develop a scale for measuring TREs and reported a test of its validity in Study 1 (Netemeyer et al. 2003). For all constructs, items were measured with 5-point Likert-type scales (strongly disagree to strongly agree) and items, sources, and factor loadings are reported in Appendix 2. For performance outcomes, to mitigate the potential reflection biases, outcome variables were measured prior to asking respondents to reflect on an event. We used an established measure to capture *customer-company identification* (Ahearne et al. 2005). *Sales performance* was measured with firm-provided financial data for the year before the reported event to the year after the reported event, based on the date provided by the respondent, and was calculated as percentage change in sales revenue relative to all of the supplier's channel members. It is important to use relative sales growth, as the durable goods industry is subject to year-to-year fluctuations caused by changes in the external environment. In instances when the objectives sales data was not available (e.g., date reported for TRE was beyond range of sales data provide by supplier), respondents reported the change in sales from the year prior to the year after the reported event. As a robustness check, we analyzed the models using only the subsample of 229 respondents for whom we had objective performance data. In this subsample, for positive events ($n = 190$) all paths remain positive and significant, except the direct path from TREs to sensemaking (which loses significance); for negative events ($n = 39$), all relationships remain the same, except the path from sensemaking to sales remains negative, but is no longer significant.

To rule out alternative explanations, we include relevant controls. First, we use *relationship age* to control for lifecycle effects on both mediators and outcomes. Next, because perceptions of unfairness can influence response to events (Samaha et al. 2011), we include a path from *exchange fairness* to all mediating and outcome variables. Because we are using retrospective accounts, we also use *time since event*, i.e., the number of months since the event, to control for this effect. Finally, because *customer size* can impact exchange performance, we control for the number of employees. All other scales are the same as Study 1, with slight adaptations for the B2B context.

We conducted a CFA on all key constructs for both a positive model (with gratitude and reciprocating behaviors) and a negative model (with betrayal and punishing behaviors). The results indicate a good overall fit (positive/negative event: $\chi^2_{(209/271)} = 419.93/421.88, p < .01/.01$; CFI = .98/.95; IFI = .98/.95; TLI=.98/.94; RMSEA = .04/.06. All standardized factor loadings for both models are greater than .50 and statistically significant at $p < .05$. The model exhibits high internal consistency, with Cronbach's alphas ranging from .78 to .96 and average variance extracted (AVE) ranging from .56 to .93. The AVE for each factor is greater than its squared correlation with any other factor providing evidence of discriminant validity. For correlations and descriptive statistics for all constructs in the model, please see Table 1.

The overall conceptual model was tested using partial least squares (PLS) because this method allows us to simultaneously estimate all relationships in the model. To test our hypothesized moderating effects, we entered the proposed moderating variable into the PLS model using a multiplicative construct comprising multiplied standardized scores following Chin (1998).

Results and discussion. We estimated two models based on event valence (see Figure 3 and Table 3). To determine the statistical significance of the parameter estimates, we generated t-values with a nonparametric bootstrapping procedure. We generated 2000 resamples, all of which were the size of the original observations (Chin 1998). The paths between positive TREs and customer gratitude ($\beta = .08, p < .05$) and negative TREs and customer betrayal ($\beta = .34, p < .01$) were positive and significant supporting H_3 for both positive and negative TREs. On the positive TRE model, the path between gratitude and reciprocating behavior is positive and significant ($\beta = .28, p < .01$) as is the effect of gratitude on customer sensemaking ($\beta = .34, p < .01$). In the negative TRE model, the path between betrayal and punishing behavior is positive and significant ($\beta = .56, p < .01$), as is the path between betrayal and sensemaking ($\beta = .38, p < .01$). Therefore, H_4 is fully supported for both positive and negative TREs.

As an initial assessment of our meditation hypotheses (H_5 - H_6), we first confirmed that all expected mediated paths fulfilled the prerequisite of two significant direct paths (antecedent-to-mediator, mediator-to-outcome) within the overall nomological model. Next, we used Preacher and Hayes's (2008) approach with 2000 bootstrapped samples. These results support five of the six proposed mediated effects. We begin by examining the behavioral mediating paths in both models through reciprocating or punishing behaviors. The indirect effect of a positive TRE is

significant, with confidence interval (CI) excluding zero, for sales performance (CI = .05 to .12, $p < .05$) through customer reciprocating behaviors. The indirect effect of negative TREs on sales performance (CI = -.22 to -.04, $p < .05$) through customer punishing behavior is also significant. Thus, H₅ is supported for both positive and negative TREs.

Turning to sensemaking, the indirect effect of positive TREs on customer-company identification (CI = .04 to .12, $p < .05$) through sensemaking is significant. However, the indirect effect of positive TREs on sales performance (CI = -.01 to .04, $p > .10$) through sensemaking does not differ from zero. Thus, for positive TREs, H_{6a} is rejected and H_{6b} is supported. The indirect effects of negative TREs, via customer sensemaking, on sales performance (CI = -.24 to -.06, $p < .05$) and customer-company identification (CI = -.15 to -.01, $p < .10$) are both significant. Thus, for negative TREs, H₆ is fully supported. To determine whether the effects of TREs on exchange performance were fully mediated by our proposed mechanisms, we estimated a rival model for each sample, which included direct paths from the TRE to both exchange outcomes. Neither direct path was significant in support of full mediation.

Finally, H₇ and H₈ propose moderating effects on the linkage between the mediators and outcomes. Exchange communication amplifies the effect of reciprocating behaviors on sales performance ($\beta = .13$, $p < .05$) in the positive TRE model and attenuates the effect of punishing behaviors on sales performance ($\beta = .15$, $p < .05$) in the negative TRE model. Thus, H₇ is supported across both TRE valences. The reactive strategy of seller apology suppresses the effect of sensemaking on sales performance ($\beta = .22$, $p < .01$) and customer-company identification ($\beta = .24$, $p < .05$) in support of H₈.

In sum, Study 2 supports the external validity of our laboratory findings by (1) generalizing from a B2C to a B2B context, (2) identifying TREs in channel relationships, (3) increasing confidence in “real” effects by using objective financial data, and (4) identifying managerially relevant moderators of TREs. Consistent with Study 1, the indirect effects of negative TREs on exchange performance are, on average, three times higher than those of positive TREs. Further supporting the TRE perspective of large relational disconfirmations, we find a threshold (4 on the 5 point TRE scales) for both positive (rapid increase in customer-company identification) and negative (rapid decline in sales) events (Oliva, Oliver, and MacMillan 1992). Similar to the analysis of the thought-listing responses in Study 1, respondent event reflections provide illustrations of the theoretical effects of TREs such as heightened social emotions and self-

transformation (e.g. “Act like you are giving the [customer] something exclusive then turn around and screw them. I seriously don't know why any plumber in their right mind would sell [target products].”).

Discussion, Implications, and Future Research Directions

This article began by suggesting that a single event can disrupt gradual relationship development and serve as a defining moment in a relationship’s history, driving transformational emotions, behaviors, and cognitions, and cause dramatic change in the relationship’s velocity. Evidence supporting the general premise of the instrumentality of a TRE is found in interpersonal research on turning points, marketing research on critical events, and psychology research on sensemaking, social emotions (gratitude, betrayal), and reciprocity. This literature, together with the empirical evidence from our laboratory experiment and field study, demonstrate compellingly that TREs are critical relationship events that have significant implications for firm performance and provide new insights to relationship marketing theory and practice.

Against the discipline’s extant knowledge of events that disconfirm customer expectations, TREs offers a useful extension. Specifically, within commercial relationships, TREs are unique from existing disconfirmation-based constructs (satisfaction, delight) in both underlying nature (relational versus performance disconfirmations) and in operation. Thus, it is important for managers to go beyond measuring performance expectations to also being vigilant to disconfirmations of relational norms. Relational disconfirmations—particularly negative ones—can be especially harmful because of the intensity of the mechanisms (social emotions, behaviors, and sensemaking) that affect the customer’s conceptualization of the relationship and subsequent behavior. Therefore, our findings that both proactive (exchange communication) and reactive (seller apology) strategies are available to mitigate the negative effects of TREs are vital; having useful exchange communication processes in place can also leverage the positive effects of TREs.

Our studies offer evidence from both B2C and B2B, suggesting that TREs are not confined to a small niche of customers. In addition, developing and testing parallel models for positive and negative events, not only demonstrates the generalizability of our model, but also provides a theoretically parsimonious conceptual explanation of a TRE, independent of its valance. Finally, TREs extend our understanding of how commercial relationships develop by providing a lens for

understanding why and how a non-trivial proportion of relationships fail to follow the smoothly arcing trajectory predicted by lifecycle perspectives. Extending relationship marketing theory to recognize TREs is beneficial not only because it draws attention to the power of discrete events to dramatically (versus incrementally) alter a relationship's nature and course; the TRE view also provides insights into how the strength of an existing relationship affects whether an event will be perceived as disconfirming and, in turn, manifest transformational effects on the relationship.

Implications of TREs for relationship marketing theory and practice

In addition to the general implication that relationship marketing is enriched and expanded by recognizing TREs and disruptive relationship change, our findings offer new insights into key managerial and research issues in business relationships. First, TREs have implications for loyalty reward design and deployment. Loyalty programs typically provide customer rewards with the goal of strengthening the customer-firm relationship in an enduring way, i.e., they hope the reward will be, using our term, a positive TRE. However, many programs do not produce the desired results (Henderson, Beck, and Palmatier 2011). Recognizing the shortcomings of traditional loyalty programs, many firms are challenging traditional thinking (incremental, "earned" rewards) by instead offering spontaneous rewards (e.g. Master Card's Priceless Rewards). While an expansive body of research examines the effects of loyalty programs, this new approach to loyalty initiatives is under researched. A TRE perspective could inform loyalty reward strategies across the window (time and level) of deployment and through the design of loyalty programs.

We find that the effects of a discrete event depend on the strength of relational norms, which can dramatically alter its impact on outcomes. Only when a loyalty-building event meaningfully exceeds the zone of tolerance around established expectations will it prompt the transformational mechanisms that spur relationship change. However, our thought-listing results align with recent research to suggest an outermost ceiling for a positive disconfirmation, beyond which events that are "too desirable" prompt adverse responses, such as suspicion. Thus, there may exist an ideal window of relational disconfirmation. If this conclusion is correct, then calibrating rewards to identify the proper magnitude of relational disconfirmation is critical to their success and an important topic for future research. But the task is complex as relational norms and related zones of tolerance, are not a fixed target; they evolve over time. In the absence of TREs, the evolution likely follows the path-dependent course predicted by lifecycle

perspectives, and typical windows can be noted for customers in specific relationship age-based stages. Research on how windows change (broaden, narrow, or harden) as a relationship matures could yield useful insights.

In addition to informing deployment, a TRE perspective could also inform reward design. While delight research identifies “pleasant surprise” as a desirable outcome of loyalty building efforts, we suggest that the type of surprise (e.g. performance versus relational) is critical to the longevity of its effects; “there may be turning points whose function is so important to the bonding” of the relationship that without them, certain stages are unattainable (Baxter and Bullis 1986, p. 475). Our research provides a foundation for identifying effective elements in designing positive TREs. For example, personalization could help guide sensemaking toward beneficial self-transformation. Further, the unique relational mental models triggered by TREs (relationship narratives versus attributional evaluations for other events) justify investments in experiential (dinners, trips) rather than monetary (discounts, cash) rewards for customers with strong relationships. Strategies that promote the narrative process (e.g. encouraging customers to chronicle the experience on firm social media) could further guide sensemaking and ultimately increase customer-company identification.

Second, TREs offer implications for segmentation. Market segmentation is typically based on customer characteristics (i.e., demographics, psychographics, life-stage, and product usage). However, recent research has suggested segmenting customers using dynamic relational content (Netzer et al. 2008). A TRE approach offers dynamic relational insights into customers, as we find that TREs produce customers who possess unique emotional, behavioral, and psychological connections to the brand and who will likely respond to marketing efforts differently than customers whose relationships evolved incrementally. Further, TREs mark dramatic points of change, a ready measure of dynamic relational content for identifying targets. Thus, marketing strategies that depend on customer implementation (e.g. referral programs, pass-along coupons, user generated content) may be effectively targeted at relationships with steep positive trajectories (indicating a recent positive TRE). For flatter trajectories, customers’ potential value (e.g. size of wallet, size of customer social network) could be assessed to identify candidates for a spontaneous experiential reward that could induce a positive TRE and transform the relationship to a deeper level. Steep negative trajectories (indicating a recent negative TRE) may

warrant deliberate relationship talk or an attempt to directly address the issue (e.g. apology) so as to mitigate damage.

Third, the dark side of strong relationships is of continued interest. This research suggests that strong relationships often also entail disadvantages, such as increasing partners' vulnerability to opportunistic behavior through a high reliance on trust (Seggie, Griffith, and Jap 2013), decreasing partner competitiveness via increased complacency (Soda and Usai 1999), and increasing the cost of service in satisfying "entitled" customers (Wetzel et al. 2014). However, TREs suggest another danger: strong relationships create the riskiest condition for a negative TRE by providing the stage for betrayal and retaliation. Negative TREs prompt suboptimal performance, but also deliberate, destructive behavior that can impact other customers or potential customers. Thus, further research is needed into apologies and in identifying other strategies to repair the relationship in reaction to a negative TRE. Miller et al. (2013) outline the characteristics of an effective personal apology (i.e., remorse, responsibility, restitution, promise to change), but several questions remain for marketing. For example: Does an effective apology in a commercial relationship comprise the same components? Does customer acceptance of the apology differ by mode of delivery (in-person versus phone) or the messenger (i.e., offender versus senior executive)?

Finally, relationship events are often elements of change with significant methodological implications. However, extant research on relationship marketing focuses almost exclusively on quantifying overall relational appraisals (e.g. trust, commitment, satisfaction, opportunism, dependence) with little regard for specific relationship events. Consequently, many of current research methods are ill-suited for accounting for TREs. However, both psychology and interpersonal research offer potential techniques for studying event-based relationship change. For example, the experience sampling method, which randomly prompts participants to report on their current experience in real time, has been used in the study of optimal experiences and could be successfully employed to study TREs (Csikszentmihalyi 1990). Relationship velocity can be determined using latent growth curve modeling or using graphic elements and used to make outcomes predictions.

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TABLE 1
Descriptive Statistics and Correlations

Constructs	Study 1			Study 2			1	2	3	4	5	6	7	8	9	10	11	12	13	14
	M	SD	AVE	M	SD	AVE														
1. Transformational relationship event (TRE)	4.14/4.48	1.58/1.61	.77/.92	2.91/3.11	0.74/0.84	.73/.73	.92/.94 .92/.89	.73/.40	.59/.27	.69/.44	-.16/NA	.09/NA	NA/-.17	NA/-.16	NA/-.39	NA/-.18	NA/.13	NA/.10	NA/-.01	NA/-.18
2. Customer gratitude/betrayal	6.28/2.91	1.02/1.57	.83/.79	3.86/2.63	0.79/1.04	.83/.84	.17/.10	.93/.94 .94/.94	.72/.63	.74/.55	-.17/NA	.07/NA	NA/-.43	NA/-.32	NA/-.53	NA/-.41	NA/.04	NA/.07	NA/.00	NA/.43
3. Customer reciprocating/punishing behaviors	5.22/2.59	1.32/1.67	.77/.89	2.97/1.92	0.74/0.90	.73/.84	.01/.31	.48/.37	.91/.96 .89/.96	.63/.49	-.12/NA	.04/NA	NA/-.43	NA/-.39	NA/-.42	NA/-.39	NA/.07	NA/-.13	NA/.03	NA/-.31
4. Customer sensemaking	4.11/4.49	1.56/1.60	.77/.81	3.16/2.86	0.79/1.03	.79/.81	.51/.28	.27/.36	.35/.34	.91/.93 .92/.93	-.14/NA	.06/NA	NA/-.32	NA/-.20	NA/-.37	NA/-.31	NA/.18	NA/.17	NA/-.08	NA/-.27
5. Typicality of event	3.52/4.46	1.62/1.45	.71/.62	NA/NA	NA/NA	NA/NA	-.13/NA	-.01/NA	-.05/NA	-.06/NA	.88/.78 NA/NA	.12/NA	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA
6. Importance of good service	5.98/5.79	0.90/0.84	NA/NA	NA/NA	NA/NA	NA/NA	-.01/NA	.35/NA	.22/NA	.10/NA	.12/NA	NA/NA NA/NA	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA
7. Sales performance	NA/NA	NA/NA	NA/NA	9.97/ -7.15	26.18/ 23.07	NA/NA	NA/.15	NA/.27	NA/.26	NA/.32	NA/NA	NA/NA	NA/NA NA/NA	NA/.20	NA/.20	NA/.21	NA/-.17	NA/.09	NA/.06	NA/.20
8. Customer-company identification	NA/NA	NA/NA	NA/NA	3.61/3.18	0.74/0.81	.57/.56	NA/.05	NA/.43	NA/.36	NA/.26	NA/NA	NA/NA	NA/.23	NA/NA .84/.80	NA/.45	NA/.44	NA/.04	NA/.11	NA/-.06	NA/.43
9. Exchange communication	NA/NA	NA/NA	NA/NA	3.90/3.29	0.88/1.00	.62/.56	NA/.07	NA/.41	NA/.29	NA/.21	NA/NA	NA/NA	NA/.12	NA/.40	NA/NA .82/.78	NA/.47	NA/-.04	NA/.00	NA/-.02	NA/.41
10. Seller apology	NA/NA	NA/NA	NA/NA	NA/2.90	NA/1.03	NA/.83	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA	NA/NA NA/.83	NA/NA	NA/.27	NA/.01	NA/.27
11. Time since event (months)	NA/NA	NA/NA	NA/NA	45.53/ 43.51	111.61/ 77.68	NA/NA	NA/.09	NA/.01	NA/.05	NA/.05	NA/NA	NA/NA	NA/-.10	NA/-.04	NA/.05	NA/NA	NA/NA NA/NA	NA/.13	NA/-.09	NA/.07
12. Relationship age	NA/NA	NA/NA	NA/NA	6.36/6.18	2.47/ 2.51	NA/NA	NA/.02	NA/.02	NA/-.01	NA/.02	NA/NA	NA/NA	NA/.01	NA/.04	NA/.07	NA/NA	NA/.01	NA/NA NA/NA	NA/.08	NA/.00
13. Customer size	NA/NA	NA/NA	NA/NA	477.19/ 369.63	2689.33/ 2167.23	NA/NA	NA/-.06	NA/.01	NA/-.06	NA/.03	NA/NA	NA/NA	NA/-.06	NA/.01	NA/.04	NA/NA	NA/-.03	NA/.11	NA/NA NA/NA	NA/-.09
14. Exchange fairness	NA/NA	NA/NA	NA/NA	3.53/3.11	0.66/0.73	.82/.93	NA/.08	NA/.35	NA/.29	NA/.13	NA/NA	NA/NA	NA/.21	NA/.43	NA/.34	NA/NA	NA/-.03	NA/.03	NA/.03	NA/NA .93/.93

Notes: M = mean, SD = standard deviation, AVE = average variance extracted, TRE = transformational relationship event. Correlations are reported Study 1/Study 2 and positive (negative) correlations reported below (above) the diagonal. Cronbach's alphas are reported on the diagonal (positive/negative) with Study 1 above and Study 2 below.

TABLE 2
Study 1 Results: Experimental Test of Theoretical Underpinnings of Transformational Relationship Events (TREs)

Dependent Variable and Condition (Type of Disconfirmation)	Positive Model				Negative Model			
	Test of 2x2 Interaction		Comparison of TRE Condition to Other Cells		Test of 2x2 Interaction		Comparison of TRE Condition to Other Cells	
	Hypotheses	F(1,154)	Weak Relational Norms	Strong Relational Norms	Hypotheses	F(1,150)	Weak Relational Norms	Strong Relational Norms
Customer gratitude/betrayal	H _{1a}	4.50*			H _{2a}	10.29**		
Performance disconfirmation			5.74a	6.21b			2.46b	1.70a
Performance with relational disconfirmation			6.66c	6.53bc			3.45c	4.02d
Customer reciprocating/punishing behaviors	H _{1b}				H _{2b}	4.67**		
Performance disconfirmation		0.86	4.55a	5.33b			2.02a	1.74a
Performance with relational disconfirmation			5.25b	5.74b			2.97b	3.70c
Customer sensemaking	H _{1c}	4.96**			H _{2c}	11.31**		
Performance disconfirmation			4.12a	3.49b			4.13b	3.45a
Performance with relational disconfirmation			5.23c	3.61ab			4.77c	5.61d
Relationship velocity	H _{1d}	4.74**			H _{2d}	7.50**		
Performance disconfirmation			1.61a	1.53a			-0.32a	0.16a
Performance with relational disconfirmation			2.40b	1.77a			-1.07b	-1.69c
Transformational relationship event scale	Test of TRE Scale	2.89*			Test of TRE Scale	13.82**		
Performance disconfirmation			4.11a	3.00b			3.85a	3.59a
Performance with relational disconfirmation			5.63c	3.84a			4.58c	5.90d

* $p < .05$, ** $p < .01$ (one-tailed for hypothesized effects)

Notes: For each measure, overall cell means with unlike subscripts are significantly different at $p < .05$. The boxed cell means represent the TRE condition for each comparison. Relationship velocity is measured using a visual of rate and trajectory of change from -3 (Dramatically worsening) to +3 (Dramatically improving).

TABLE 3
Study 2 Results: Effects of Transformational Relationship Events on Exchange Performance

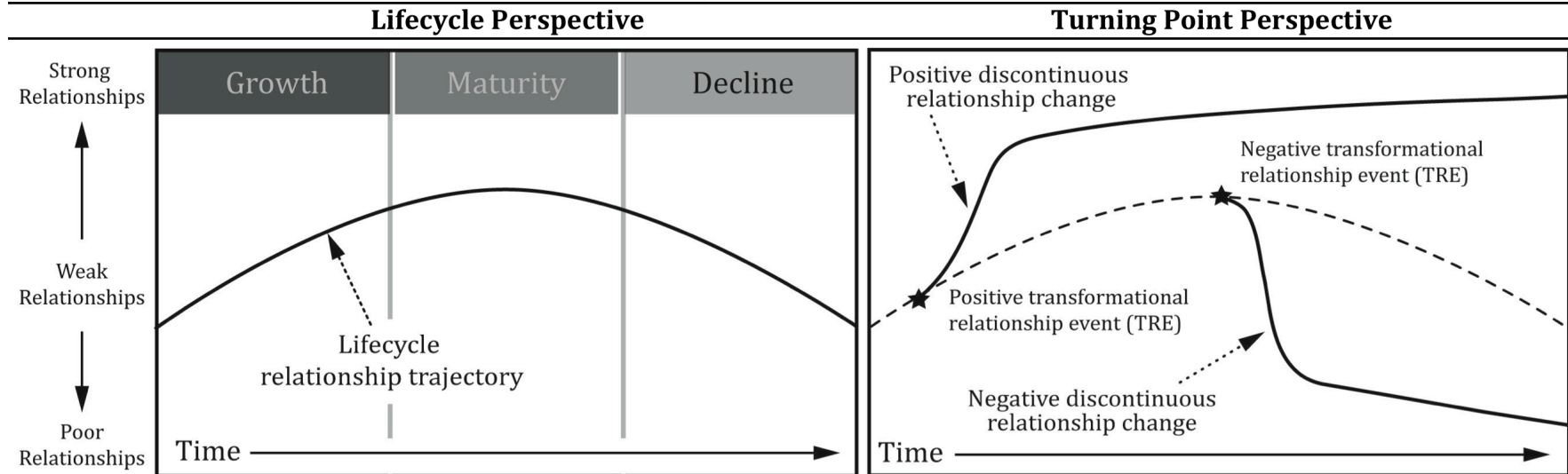
Structural Path	Hypothesis	Main Effects Model				Final Model			
		Positive		Negative		Positive		Negative	
		β	t-Value	β	t-Value	β	t-Value	β	t-Value
Effects on Mediating Mechanisms									
TRE → customer gratitude/customer betrayal	H ₃	.08*	1.81	.34**	4.35	.08*	1.86	.34**	4.30
TRE → customer reciprocating behaviors/customer punishing behaviors	H ₅	.26**	5.30	.04	0.48	.26**	5.57	.04	0.44
TRE → customer sensemaking	H ₆	.24**	5.26	.25**	2.80	.24**	5.53	.25**	2.91
Customer gratitude/betrayal → customer reciprocity	H _{4a}	.28**	6.65	.56**	8.45	.28**	6.96	.56**	8.78
Customer gratitude/betrayal → customer sensemaking	H _{4b}	.34**	8.72	.38**	4.13	.34**	8.89	.39**	4.65
Effects of Mediating Mechanisms on Exchange Performance									
Customer reciprocating/punishing behaviors → sales performance	H ₅	.13**	2.67	-.26**	2.10	.13**	2.35	-.21*	1.92
Customer sensemaking → sales performance	H _{6a}	.26**	6.37	-.19*	1.71	.25**	6.56	-.19**	1.98
Customer sensemaking → customer-company identification	H _{6b}	.22**	5.94	-.13**	1.98	.21**	5.50	-.08	1.35
Moderators: Proactive and Reactive TRE Intervention Strategies									
Customer reciprocating/punishing behavior * exchange communication → sales performance	H ₇					.13*	1.71	.15*	1.75
Customer sensemaking * seller apology → sales performance	H _{8a}							.22**	2.07
Customer sensemaking * seller apology → customer-company identification	H _{8b}							.24*	1.92
Controls									
Relationship age → customer gratitude/betrayal		.01	0.14	.02	0.08	.01	0.14	.02	0.21
Relationship age → customer reciprocating/punishing behavior		-.02	0.59	-.15*	2.07	-.02	0.59	-.15**	1.97
Relationship age → customer sensemaking		-.03	0.92	.11	1.52	-.03	0.91	.11*	1.65
Exchange fairness → customer gratitude/betrayal		.34**	8.03	-.37**	5.92	.34**	8.44	-.37**	5.51
Exchange fairness → customer reciprocating/punishing behavior		.17**	4.11	-.06	0.72	.17**	4.17	-.06	0.75
Exchange fairness → customer sensemaking		-.01	0.21	-.06	0.69	-.01	0.20	-.06	0.84
Time since event → customer gratitude/betrayal		.02	0.80	.03	0.22	.03	0.76	.04	0.50
Time since event → customer reciprocating/punishing behavior		-.02	0.98	-.07	1.17	-.02	0.79	-.07	1.07
Time since event → customer sensemaking		-.03	1.10	-.11*	2.11	-.03	1.17	-.11**	2.00
Relationship age → sales performance		.02	0.63	.10**	2.71	.02	0.66	.07	1.35
Relationship age → customer-company identification		.06*	1.03	.12	1.30	.04	0.99	.13	0.24
Exchange fairness → sales performance		.14**	3.37	.07*	1.91	.13**	2.90	.07	0.75
Exchange fairness → customer-company identification		.40**	10.94	.39**	4.35	.40**	11.37	.28**	3.37
Customer size → sales performance		-.06	1.45	.04	0.85	-.05	1.09	.05	1.10
Customer size → customer-company identification		.01	0.03	-.04	1.59	.00	0.03	-.03	0.60
Exchange communication → sales performance						.01	0.16	.04	0.17
Seller apology → sales performance								.03	0.37
Seller apology → customer-company identification								.35**	5.21
R ² for customer gratitude/betrayal		.13		.29		.13		.29	
R ² for customer reciprocating/punishing behaviors		.24		.38		.24		.38	
R ² for customer sensemaking		.19		.37		.19		.37	
R ² for sales performance		.15		.18		.17		.24	
R ² for customer-company identification		.23		.22		.23		.37	

* $p < .05$, ** $p < .01$ (one-tailed for hypothesized effects)

Notes: β represents standardized path coefficient. TRE = transformational relationship events.

FIGURE 1

Comparison of Lifecycle and Turning Point Perspectives of Relationship Development



Four Key Areas of Difference Between Lifecycle and Turning Point Perspectives of Relationship Development

1) Importance and impact of "events" on relational mental models

Events are easily assimilated and incrementally change the underlying mental model of the relationship by building on a stable relationship history and contributing to a cumulative, overall assessment of relationship

Events contrast and dramatically change the underlying mental model of the relationship by altering perception of past events and serving as defining moments for the construction of a relationship narrative

2) Role of emotions in relationship change processes

Emotions are primarily conceptualized as an outcome of relationship appraisal (e.g., relationship satisfaction)

Emotions play a larger and more integral role in the change process by motivating both cognitive and behavioral responses (e.g., gratitude, betrayal)

3) Reformulation of exchange partner's self-identity

Focuses on changes in outward or partner-directed relationship variables (e.g., trust in or commitment to partner) assuming individual remains unchanged

Recognizes that TREs prompt the psychological reformulation of an individual's self-identity with highly enduring impact on future behavior and relationship development (i.e., customer-company identification)

4) Conceptualization of change in relationship trajectory

Predicts a gradual, smooth trajectory with a fairly consistent rate of change

Turning points capture the point of dramatic, discontinuous change in relationship trajectory

FIGURE 2
Role of Relational Disconfirmations in Identifying Transformational Relationship Events (TREs)

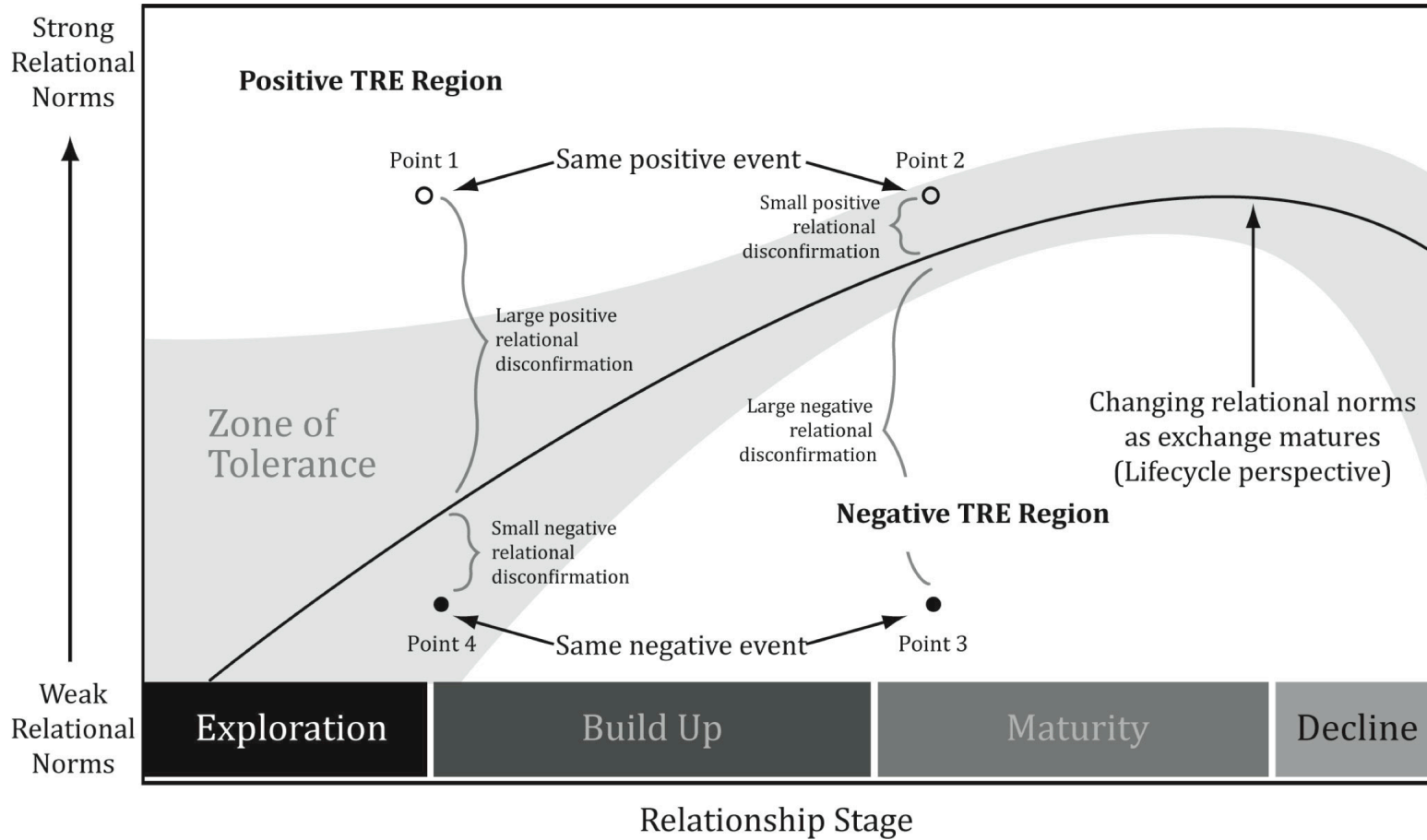
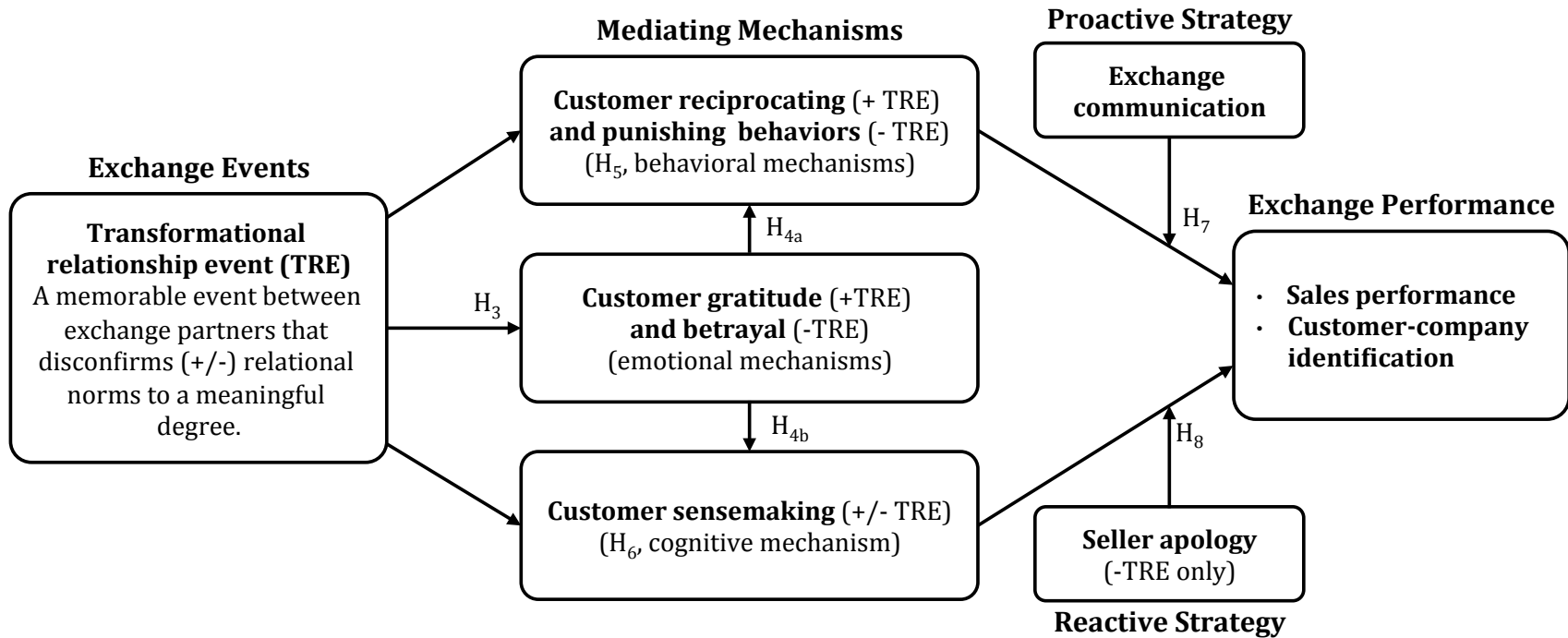


FIGURE 3
Study 2: Effects of Transformational Relationship Events on Exchange Performance



APPENDIX 1

Study 1: Scenario Interaction Timeline

Timeline

Manipulations

Interaction 1

(Describes service provider, randomly assigns participants to relational norm manipulation, and establishes controls: relationship age, attractiveness of alternatives, switching costs, previous service quality.)

You have taken your car to AutoStop over the past 3 years. AutoStop is a small auto service center that is clean and conveniently located. Besides repairs, AutoStop provides services such as oil changes, tune-ups, and inspections and you are generally satisfied with the services. There are a few other alternative auto service providers available that provide many of the same services at about the same price. Switching service providers is relatively easy. However, you have found AutoStop to be competent in addressing your sometimes difficult repairs.

Weak Relational Norms: Manipulation

Because you only use AutoStop occasionally, you have never really developed a relationship with them. You haven't taken the time to learn their policies and view AutoStop as any other auto service center. You will typically get a quote for every transaction, but there are often adjustments (additional services or fees). You interact with them on a transaction by transaction basis and realize you are just one of many AutoStop customers.

Strong Relational Norms: Manipulation

Over the years, you've built a strong relationship with Alex, your mechanic at AutoStop. You trust Alex and don't even ask for quotes or even prices when you drop your car off. You know Alex will always give you "special deals" and will go out of the way to take care of you. You try to take care of Alex as well and will often be flexible with scheduling your appointments even when it is not convenient for you. You've referred several of your friends and family to the shop and really feel you've helped AutoStop build its business.

Interaction 2

(Participants prompted to seek firm's services.)

Positive

This morning, on your way to work, your car breaks down. You are leaving on your family vacation next week and will need your car. You call AutoStop to schedule an appointment and tell them about your vacation. After looking at the car, Alex at AutoStop calls and says, "This is a really easy repair. It shouldn't take more than 30 minutes."

Negative

This morning, on your way to work, your car breaks down. You are leaving on your family vacation in a few days and will need your car. You immediately call AutoStop to schedule an appointment. You let AutoStop know that you absolutely have to have the car on Thursday at noon to leave for vacation. After looking at the car, Alex at AutoStop, calls and says, "This is a really easy repair. It shouldn't take more than 30 minutes once we get the part. You will have to pay the shipping to get the part by Thursday morning but we can do the repair first thing."

Interaction 3

(Every participant was randomly assigned to either the positive or negative condition. Within each valence, every participant received the performance-based disconfirmation. Randomly selected participants received the performance plus relational disconfirmation. All transaction outcomes were held constant.)

Positive

Performance Disconfirmation

When you go to pick up your car at AutoStop, Alex tells you, "We have a promotion going on so the service is a little less than usual."

Performance with Relational Disconfirmation: Manipulation

When you go to pick up your car at AutoStop, Alex tells you, "We have a promotion going on so the service is a little less than usual." It doesn't actually start until next week, but we gave it to you early." On your receipt is a note that says, "We really value you as a customer and we hope you enjoy your vacation! -Alex"

Transaction Outcome

In the end, you pay less than you originally expected.

Negative

Performance Disconfirmation

On Thursday, the day you are supposed to leave for your family vacation, you go to pick up your car at AutoStop. Alex tells you that the repair is going to cost a little more.

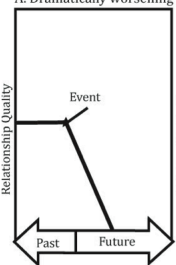
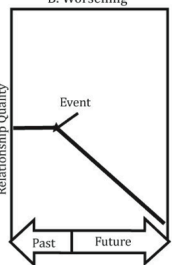
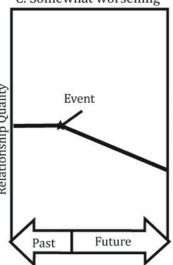
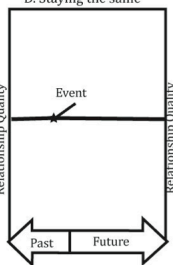
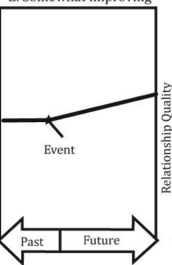
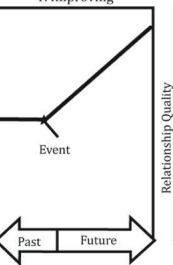
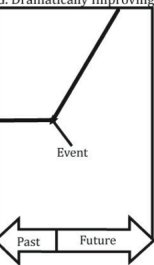
Performance with Relational Disconfirmation: Manipulation

On Thursday, the day you are supposed to leave for your family vacation, you go to pick up your car at AutoStop. Alex tells you that the repair is going to cost a little more. Once you get in the car that evening, you realize Alex left the manufacturer's invoice for the expedited part on your passenger seat. You notice the shipping was about half what you were charged.

Transaction Outcome

In the end, you pay more than you originally expected.

APPENDIX 2

Constructs and Measures		Item Loadings				
Study 1 and 2: Constructs (Scale Sources)		Study 1	Study 2			
Customer gratitude: Study 1 and 2 (adapted from Palmatier et al. 2009)						
Because of this experience, I (we) felt extremely grateful to [target].		.89/NA	.92/NA			
I was (We were) incredibly thankful for what [target] did.		.93/NA	.95/NA			
I was (We were) very appreciative of [target]'s efforts.		.90/NA	.80/NA			
Customer betrayal: Study 1 and 2 (adapted from Gregoire and Fisher 2008)						
Because of this experience, I (we) felt...						
... betrayed by [target].		NA/.92	NA/.87			
...[target] took advantage of me (us).		NA/.94	NA/.93			
...[target] misled me (us).		NA/.91	NA/.94			
...[target] let me down when I needed them.		NA/.77	NA/NA			
Customer reciprocating behaviors: Study 1 and 2 (based on Dahl, Honea, and Manchanda 2003)						
Because of this experience...						
...I want (we wanted) to repay [target] in some way.		.85/NA	.92/NA			
...I want (we wanted) to help them like they helped me (us).		.92/NA	.88/NA			
...I want (we wanted) to return the kindness they showed me (us).		.86/NA	.77/NA			
Customer punishing behaviors: Study 1 and 2 (adapted from Gregoire, Tripp, and Legoux 2009)						
Because of this experience, I will punish (we punished) [target] in some way.		NA/.95	NA/.94			
Because of this experience, [target] will receive(d) harsher treatment from me (our firm).		NA/.96	NA/.97			
Because of this experience, I will penalize (our firm penalized) [target].		NA/.92	NA/.94			
Customer sensemaking: Study 1 and 2 (based on Weick, Sutcliffe, and Obstfeld 2005)						
Because of this event...						
...I (we) reconsidered our role in my (our) relationship with [target].		.90/.93	.85/.87			
...I (we) redefined how this relationship works.		.89/.89	.91/.91			
...I (we) thought about how this event changed my (our) relationship with [target].		.84/.88	.90/.93			
Relationship velocity: Study 1 (based on Palmatier et al. 2013)						
Please choose which of the following images best depicts the change in trajectory of your relationship with [target].						
A. Dramatically worsening	B. Worsening	C. Somewhat worsening	D. Staying the same	E. Somewhat improving	F. Improving	G. Dramatically Improving
						
Transformational relationship event: Study 1 and 2 (developed for current study)						
Considering your relationship with [target], please indicate how you viewed [target's] behavior.						
I (We) did not expect this from my (our) relationship with [target].		.84/.90	.90/.91			
The [target] representative's behavior was very unexpected.		.89/.88	.76/.64			
I (We) did not think [target] would do something like this.		.90/.89	.90/.90			
This event was outside of what I would have expected from the norms of our relationship.		.81/.92	.90/.80			
Customer-company identification: Study 2 (Ahearne, Bhattacharya, and Gruen 2005)						
When I (we) talk about [target], I (we) usually say "we" rather than "they."		NA/NA	.69/.58			
When someone praises [target], it feels like a personal compliment.		NA/NA	.81/.78			
[Target's] successes are my (our) successes.		NA/NA	.80/.73			
When someone criticizes [target], it feels like a personal insult.		NA/NA	.71/.74			

APPENDIX 2 (continued)

Constructs and Measures	Item Loadings	
Study 1 and 2: Constructs (Scale Sources)	Study 1	Study 2
Exchange communication: Study 2 moderator (Anderson and Narus 1994)		
Our firm and [target] keep each other informed about events that impact our relationship.	NA/NA	.68/.62
We speak with our [target] representative(s) on a regular basis.	NA/NA	.86/.78
We feel comfortable providing both positive and negative comments to our [target] representative(s).	NA/NA	.81/.82
Seller apology: Study 2 moderator		
The [target] employee apologized to us.	NA/NA	NA/.78
[Target] took accountability for the problem.	NA/NA	NA/.73
The [target] employee was very understanding.	NA/NA	NA/.86
Relational disconfirmation: Study 1 manipulation check (based on Hess et al. 2007)		
Positive		
[Target] really went out of their way for me.	.80/NA	NA/NA
AutoStop exerted extra effort to help me.	.91/NA	NA/NA
Negative		
I was treated poorly by the [target] employee.	NA/.92	NA/NA
I had a problem with how the [target] employee behaved.	NA/.88	NA/NA
Relational norms: Study 1 manipulation check (based on Kaufman and Stern 1988)		
I (We) consider(ed) [target] and I (our firm) to be a team.	.82/.84	NA/NA
I (We) know [target] values their relationship with me (us) as much as I (we) value my (our) relationship with them.	.86/.87	NA/NA
When it comes to [target], we often help each other out.	.92/.88	NA/NA
Performance disconfirmation: Study 1 control (Parasuraman, Zeithaml, Berry 1994)		
The cost of my repair...		
Was far less than I expected/Far greater than I expected	NA/NA	NA/NA
Importance of good service: Study 1 control (Hess et al. 2007)		
How important is it to you that you have a good interaction with [employees]?		
not important - very important	NA/NA	NA/NA
Typicality of event: Study 1 control (Hess et al. 2007)		
The situation described here is:		
characteristic of my experiences - not at all characteristic of my experience	.92/.92	NA/NA
not at all typical - extremely typical (R)	.53/.66	NA/NA
occurs frequently - occurs infrequently	.90/.90	NA/NA
Relationship age: Study 2 control		
How many years have you (your firm) worked with [target]?	NA/NA	NA/NA
Customer size: Study 2 control		
Please estimate the number of employees in your firm.	NA/NA	NA/NA
Time since event: Study 2 control		
Calculated based on: Approximately when did the event you reported take place? (mm/yyyy)	NA/NA	NA/NA
Exchange fairness: Study 2 control (Samaha et al. 2011)		
Our earnings from [target's] business are fair given...	NA/NA	.86/.82
...the duties and responsibilities that we perform for [target].	NA/NA	.96/.95
...what [target] earns from our firm's sales.	NA/NA	.90/.93
...the contributions we make towards [target] marketing efforts.		

Notes: Item loadings presented positive/negative. NA=not applicable. R=reverse coded item.