Forgiveness in the Context of the Realtor-Client Relationship
Jo-Ann Tsang, PhD

What Factors Lock Clients Into Relationships
Mary P. Harrison, PhD and Sharon E. Beatty, PhD

The Quest for Community
Larry Lyon, PhD and Robyn Driskell, PhD

Designing a Strategic Service Blueprint
Ioannis (Giannis) Kostopoulos, PhD

Managing Quotas to Improve Customer Relationships and Sales Performance
Charles H. Schwepker, Jr., PhD, David J. Good, PhD, and Brooke N. Buerky, MBA Student

INSIDER: Sales Shift
Natasha Ashton, MBA Candidate

INSIDER: Smart Calling
Clint Justice, MBA Candidate
What Factors Lock Clients Into Relationships?

Mary P. Harrison, PhD and Sharon E. Beatty, PhD

Have you noticed that some clients will stay with their realtor, even if the realtor does not provide results? Clients in real estate relationships, as well as other service relationships, often lock themselves in. At times, it may even seem irrational to continue to stay with the service provider, and yet clients stay. Have you considered why this occurs? Why do clients stay in relationships, both positive and negative?

Many service providers assume that clients stay with them due to high satisfaction with the service and/or to avoid switching costs, such as having to search for a new service provider or needing to familiarize the new service provider with their needs. While these factors are important, they are not the whole story. Our research shows that in most service relationships, including the real estate context, obligatory and personality factors also keep clients “locked-in” the relationship.

Defining “Locked-In”

Consider the situation of Chad, a 29-year-old accountant who stays with his mortgage lender despite his real estate agent’s warning:

My aunt recommended a family acquaintance to do my home mortgage lending. She had many positive things to say about him. Based on her recommendation, I contacted him to get the ball rolling on my mortgage. Our real estate agent needed to get information from the lending company, and I don’t know all of the lingo, but he wasn’t able to give the agent the answers she was looking for. The real estate agent then turned to me and said, “Look, I don’t think this guy will be a good person to represent you. On your behalf, since I am your agent as well, you may want to think about going somewhere else.” I felt the same way, but I felt that I could not leave. There were several reasons. I didn’t want to hurt his feelings by saying I want to go somewhere else. I was afraid my aunt might have a negative feeling towards me if I ended the relationship because she recommended him and then I backed out of the deal. It also felt like too much trouble to find someone else. I just said we will just stick with this person because, I don’t know, maybe the whole industry is this way so we just stayed with this person.

Chad is locked into the relationship with his mortgage lender. We define “locked-in” to a service provider as a client who feels bound to a relationship or a service provider and feels that s/he is unable or unwilling to leave that service provider. Locked-in is a fixed, stable state, and is not
necessarily voluntary. Locked-in is a restriction on the client, sometimes self-imposed, in which the client feels confined to the service relationship for either positive or negative reasons.

Our Research

In order to study this topic, we conducted qualitative interviews with clients who felt locked into both positive and negative service relationships. We uncovered four broad categories of locked-in factors: (1) relational benefits/satisfaction, (2) switching costs, (3) obligatory factors, and (4) personality factors. In the majority of these “locked-in” relationships, the participants mentioned multiple factors that they felt locked them in, rather than one factor or category. Participants talked about service relationships where they felt they “could not easily leave or break up with” the provider. Each participant talked about one positive and one negative relationship. Over 20 different service provider types, from small local businesses to large corporations were discussed. The majority of the relationships were personal relationships, in which the provider and client know each other and have a history of shared interaction (as opposed to interacting with the company, but not knowing anyone in particular).

What We Found

The reasons for switching service providers are usually associated with dissatisfaction with the service or competitor firms drawing the client away. In contrast, the reasons for staying in a service relationship are usually assumed to be limited to satisfaction with the core service or switching costs. Our research challenged that assumption. We found that besides satisfaction and benefits obtained and perceived switching costs, two other important factors emerged as major reasons why clients stay in relationships: obligatory factors and personality factors. These two factors have received little attention in the past.

Obligatory factors are the reasons for staying that involve a sense of duty or responsibility to continue to do business with the service provider. The participants described a sense of obligation to the service provider that we divided into four subcategories: (1) long history with the service provider or a sense of owing the provider, (2) the expectations of friends or family members, (3) a family member or friend provides the service, and (4) the need to help the service provider stay in business.

The strongest obligatory factor for both positive and negative relationships was having a long history with the provider or a sense of owing the provider. The idea of staying because of a long history is similar to the sunk-cost effect (responding to previous investments by becoming increasingly willing to invest additional resources). One woman said that she believes she should
stay with her current pharmacist because she has already been with him for so long. Other respondents talked about the need to repay the provider for what s/he has done for them in the past, similar to the norm of reciprocity.

The second most prevalent obligatory factor was staying because of the expectations of friends and family members. One woman said that she stays with her accountant because he also does her father’s tax returns. She felt that the accountant would ask her father why she was no longer using his services, creating an awkward situation for her dad.

The third subcategory under obligatory factors is that a friend or family member provides the service. A person’s relationship with their friends and family involves a deep sense of obligation and loyalty. This fits with Hamilton’s rule, which says that people prefer family when all other things are equal. One woman said that her uncle owns an alarm company, and so she stays with the company because she truly feels that her uncle would be upset if she left.

The final obligatory subcategory is the need to help the service provider stay in business. Supporting the business or helping the provider stay in business speaks to the duty or sense of responsibility that some clients feel. This idea showed up primarily in positive relationships. One individual said that she stays with her dentist because she feels a sense of loyalty to the professionals who do not leave her neighborhood.

The personality factors found in this study represent stable traits of an individual that cause him/her to stay with the service provider. Two subcategories emerged from this factor: (1) the desire to avoid confronting others or hurting other people’s feelings and (2) resistance to change. Individuals who avoid confrontation try to preserve the rapport that they have with others. This factor showed up more in negative relationships than in positive relationships. These individuals talked about how much easier it is to stay in the service relationship rather than confront the issue or problem or hurt the service provider’s feelings. One participant said that she would put up with anything until it gets out of hand because she is a very non-confrontational person (talking about her bank). One participant said that it would make her feel mean or uncaring if she left.

Individuals who are resistant to change prefer what is familiar to them and do not change their minds effortlessly. This personality characteristic showed up in both positive and negative relationships, but came up twice as often in positive relationships than negative relationships. Change is painful for people who are resistant to change, and these individuals want to keep their routine and stick to the status quo. One man said that he endures things with his landlord that he finds unpleasant so that he can maintain consistency. Another man stated that he does not like change very much, and once he gets used to a certain provider, then he is going to continue going there (discussing his dentist).
Implications for Real Estate Professionals

The findings from our research indicate that obligatory and personality factors play a substantial role in client lock-in. Service providers, like real estate professionals, should consider both the positive and negatives aspects of these factors alongside more established factors such as satisfaction and switching costs.

Understanding why clients stay in service relationships helps agents make better decisions both in retention and acquisition. An agent may wish to draw a client’s attention to the length of time that s/he has been in the relationship, or thank clients for their long-time commitment to the provider. If an agent understands her clients’ personalities and can incorporate this insight into segmentation activities, then she can take steps to encourage her clients to stay. For example, an agent could offer support to make changes easier or avoid introducing new technologies to her clients who are resistant to change.

Agents must also understand the downside of “locked-in” relationships. For example, if an agent working at a larger firm must reduce staff or staff hours, it is important for managers within the agency to consider that employees may have client bases made up of friends, family members, long-time clients of the employee, or individuals who were referred to the employee by someone that they care about. Removing the employee could also lead to a loss of profitable clients. Also, given the influence of family and friends in maintaining clients’ loyalty to the firm, all employees should be encouraged to engage and reach-out to family and friends to foster and maintain such relationships. They should also ensure that these relationships are positive and satisfactory for the clients, rather than simply obligatory.

Agents should also consider that client needs change over time. If a client is dissatisfied but feels that there are high switching costs or has obligatory or personal reasons why they remain, this can lead to both negative emotions and negative word-of-mouth. Clients may feel like hostages and advise others to go elsewhere.

From our research, we believe that real estate professionals with a strong understanding of how their clients feel locked into service relationships will be more competitive in the marketplace. Understanding why clients remain locked-in with service providers, whether for positive or negative reasons, can help improve service delivery to current clients, and may suggest ways to harvest new clients from competitors.

References

About the Author

Mary P. Harrison, PhD
Assistant Professor of Marketing, Birmingham-Southern College
Mary P. Harrison is an Assistant Professor of Marketing at Birmingham-Southern College in Birmingham, Alabama. She holds a PhD and MBA from the University of Alabama. Her undergraduate degree in business administration is from Mississippi College. Prior to starting work in the PhD program, Mary was a public relations specialist for an industrial distribution firm that has branches throughout the United States and Canada and worked as a small business consultant for the University of Alabama Small Business Development Center. Mary studies consumer behavior in service provider and retail settings. Her work can be found in the Journal of Business Research, the Journal of Service Research, and the Journal of Marketing Theory and Practice. Mary has presented her research at numerous national and international conferences. She can be reached at mharriso@bsc.edu.

Sharon E. Beatty, PhD
Reese Phifer Professor of Marketing and Doctoral Program Coordinator,
University of Alabama
Sharon E. Beatty is the Reese Phifer Professor of Marketing at the University of Alabama. She earned her PhD from the University of Oregon, her MBA from the University of Colorado, and her BSBA from the University of Central Florida. She focuses her research on shopping and services issues. She has published over 70 articles in such journals as the Journal of Marketing, the Journal of Marketing Research, and the Journal of Consumer Research. She is currently on four editorial review boards. In 1998, she was named a Distinguished Fellow for the Academy of Marketing Science, and in 2001, she was designated a Distinguished Scholar by the Society for Marketing Advances. She has numerous best and finalist paper awards, and has been the doctoral coordinator at the University of Alabama for 26 years, chairing 24 dissertations.