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Transformational Relationship Events

Exchange events are fundamental building blocks of business relationships and essential to relationship development. However, some events contribute to incremental relationship development, as predicted by life cycle theories, whereas others spark "turning points" with dramatic impacts on the relationship. Such transformational relationship events are encounters between exchange partners that significantly disconfirm relational expectations (positively or negatively); they result in dramatic, discontinuous change to the relationship's trajectory and often reformulate the relationship itself. With a three-study, multimethod design, the authors (1) establish a foundation for differentiating dramatic and incremental exchange events on the basis of relational versus product expectations and disconfirmations, thus revealing that strong relationships benefit product disconfirmations but harm relational disconfirmations, and (2) conceptualize, define, and differentiate transformational relationship events from other types of disconfirming events and then link them to exchange performance.

Keywords: transformational relationship events, relationship marketing, relationship life cycle, turning point theory, customer engagement

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> It's an event that happened that soured them for the rest of their life, which is the worst possible thing.
>
> —Vice President of Sales, industrial supplier

Exchange events, defined as customer interactions with a seller's personnel, products, services, or technology, are fundamental to business relationships because it is "in these moments ... [that] relationships are built—one encounter at a time" (Bitner 1995, p. 248). Consistent with expectancy-disconfirmation frameworks in service failure and customer delight research, relationship life cycle theories argue that events that align with partner expectations are easily assimilated and incrementally move the relationship along a stable sequence of stages (Jap and Anderson 2007). Yet research outside marketing suggests that certain events that disconfirm expectations can be turning points, with dramatic impact on relationships, such that they do not just add to existing themes but spark "a reformulation, … a shift from one perspective to another" (Bolton 1961, p. 236–37; see also Baxter and Bullis 1986), as the opening quote illustrates. We aim to improve understanding of the role of these dramatic events in relationship development and exchange performance by proposing a theory of transformational relationship events (TREs).

In social psychology, a relationship turning point is any "encounter 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). Turning points do not just heighten emotional and cognitive responses, like other disconfirming events. They spark specific, socially relevant emotions (e.g., betrayal, gratitude) and relational cognitions that test the very fabric of the relationship, including the partners' identity. Turning points can create the worst enemies or best friends, with fundamentally altered affective and psychological connections. Integrating turning point research with marketing research on expectancy-disconfirmation and relationship life cycle theories, we propose that a TRE is an encounter between exchange partners that significantly disconfirms relational expectations (positively or negatively) and results in dramatic, discontinuous change to the relationship's trajectory.

Foundational to the study of TREs in business is the notion that people form mental models of exchange relationships that are defined by both product and relational expectations. We propose that there are several important distinctions between the different types of disconfirmations,

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such that relational (vs. product) disconfirmations shift the focus to the underlying relationship (vs. a discrete transaction), sparking strong, socially relevant emotions (vs. evaluative or basic emotions) and long-lasting, relationship-focused cognitions (vs. transaction-specific, causal attributions). In contrast, the substantial research on customer satisfaction, delight, and service failure that considers the effects of various events on outcomes typically aggregates product and service (hereinafter, product) disconfirming events with relational disconfirming events, which can mask some differential relationship-transforming effects (Bitner, Booms, and Tetreault 1995; Oliver, Rust, and Varki 1997).

We use a three-study, multimethod design to investigate TREs. With longitudinal field data, Study 1 establishes the differential effects of product versus relational disconfirmations on customer retention at varying relational expectation levels. In Study 2, we use a lab experiment to isolate TREs from related exchange events (i.e., service failure and customer delight) and compare their differential effects on key variables (i.e., emotions, cognitions, and velocity), as predicted by turning point theory. Finally, in a field study with 773 business-to-business (B2B) relationships, Study 3 tests a conceptual model that embeds TREs in a nomological network, connecting events to objective performance (change in sales from pre-event to post-event) to test the meditating roles of emotional and cognitive mechanisms. The consistent results across experiments and surveys, consumers and B2B customers, and diverse outcomes increase confidence in our model.

In turn, we make two primary contributions. First, we establish a foundation for identifying transformational rather than incremental events on the basis of the differential effect of relational versus product expectations and disconfirmations. We find opposite moderating effects across product and relational disconfirmations, such that strong relationships suppress the effect of a negative product disconfirmation (e.g., service failure) on customer responses (consistent with buffering; Hess, Ganesan, and Klein 2003) but aggravate the effect of a negative relational disconfirmation (i.e., the "love becomes hate" effect; Gregoire, Tripp, and Legoux 2009, p. 19). For positive events, the directions of the moderating effects reverse: strong relationships enhance the effects of product disconfirmation but suppress the effects of relational disconfirmation. For example, in Study 2, strong relationships reduce the effects of negative product disconfirmations by an average of 20% but increase the effects of negative relational disconfirmations by 43%.

Second, we conceptualize, define, and differentiate TREs from other disconfirming events and offer a process model that links TREs to exchange performance. We note that TREs occur (1) only for relational disconfirmation events in which (2) the relational discrepancy exceeds a given threshold (zone of indifference) and thus amplifies social emotions, which fuels (3) a reinterpretation of the relationship. We find that negative TREs are more likely when relational expectations are high; positive TREs are more likely if those expectations are low (and easier to exceed). The post hoc analyses in Study 2 reveal that negative TREs are nearly five times more likely, and positive TREs are two and a half times more likely, to dramatically worsen or improve the relationship, respectively, than product disconfirmations or small relational disconfirmations. Study 3's findings suggest that both positive and negative TREs induce emotional and cognitive responses that affect both sales growth and the partner's psychological identification with the seller. Although prior research has provided evidence of dramatic relationship change (Jap and Anderson 2007; Netzer, Lattin, and Srinivasan 2008), by introducing TREs, we can explain why certain exchange events dramatically change relationships and how this change affects exchange performance. Finally, several post hoc extensions suggest that the effects of TREs can be altered through managerial action. Good communication processes (proactive strategy) and effective apologies (reactive strategy) each can mitigate the damaging effects of a negative TRE; communication also can enhance the beneficial effects of positive TREs.

Understanding the Effects of Incremental and Transformational Events

Czepiel (1990, p. 13) proposes that exchange events are moments when "buyer and seller can negotiate and nurture the transformation of their accumulated encounters into an exchange relationship." Consistent with this view, most marketing scholars assume that events contribute to incremental developments, building on a relatively stable relationship history. However, social psychology research suggests that some events create turning points or moments of relationship transformation (Bolton 1961). We apply the expectancy-disconfirmation paradigm to integrate research on relational turning points with extant life cycle theories of incremental relationship change and thereby propose a theory of TREs.

Turning Point Theory and Transformational Relationship Change

Social psychology research on turning points provides a basis for examining discrete events as agents of transformational relationship change. Turning points are specific events within a relationship that disrupt incremental development, ignite "positive or negative explosions of relational commitment" (Baxter and Bullis 1986, p. 486), and "crystallize tentative commitments … [through] reassessments of self and other" (Bolton 1961, p. 236). Turning point events not only mark a dramatic change in the relationship's trajectory but also facilitate the integration of dynamic content into partners' mental models by making the relationship's trajectory salient. In turn, the relationship narrative shifts to include perceptions of the relationship improving or worsening (McLean and Pratt 2006), which affect future performance (Palmatier et al. 2013).

The implicit mental models that people form to represent how things should work within a relationship are central in turning point research. Turning point research indicates that

certain events can undermine and contrast these relational mental models to such a degree that the contrasting information prompts the person to reassess and manipulate memories of past events (Bolton 1961), such as converting positive memories into negative ones or vice versa, to alleviate the discomfort of holding opposing thoughts (Lloyd and Cate 1985). For example, after learning that a trusted supplier has been giving deeper discounts all along to Customer B, Customer A reinterprets previous "favors" from the supplier as a manipulative ploy.

Memories of a turning point comprise vivid enactments of multisensory information that contribute to the creation of narrative-based mental models and become "repeated touchstones in consciousness" that carry meaning over time (Blagov and Singer 2004, p. 483). These memories solidify "changes in knowledge structures" in ways that influence future interactions (Planalp, Rutherford, and Honeycutt 1988, p. 517). In summary, turning point research indicates that an event can have dramatic, enduring effects on relationship meaning, trajectory, and performance, through changes in the underlying mental model of the relationship.

Role of Expectancy Disconfirmation in Understanding the Effects of Events

Not every encounter between exchange partners produces the relationship-transforming effects predicted by turning point literature. The expectancy-disconfirmation framework provides useful insights for understanding the relative effects of different exchange events. It predicts that people develop standards (expectations) of comparison for evaluating exchange events, with varying ranges of values around this standard that are acceptable (Bitner, Booms, and Tetreault 1990; Oliver, Rust, and Varki 1997). The strength of a standard and the degree to which an event aligns with it together determine perceptions of disconfirmation. Thus, disconfirmation captures the individual comparison of the event against a predetermined standard; the zone of indifference describes the range of acceptable or normal levels, from minimum to maximum, around that standard (Parasuraman, Zeithaml, and Berry 1994; Wathne and Heide 2000). When an event falls within the zone of indifference, it confirms existing mental models, invokes little emotional response, and prompts heuristic information processing, such that the person responds using readily available, experience-based rules (consistent with life cycle theories). However, events that fall outside the zone of indifference disconfirm mental models and amplify responses. Emotions rise; because existing heuristics no longer fit, people engage in increased cognitive effort to interpret the event, modifying their behavior to be consistent with the new view. Most research has focused on product disconfirmations, but turning point theory suggests that disconfirmations of *relational* expectations can behave very differently. Thus, if discrepancies from expectations are essential for determining an event's effect, as proposed in expectancy-disconfirmation frameworks, and relational disconfirmations produce unique effects, as proposed by turning point research, it is critical to understand what constitutes a relational versus a product expectation and how changes in these standards affect disconfirmation.

Conceptual Model: A Theory of TREs

Foundational Assumptions of TREs

The theory of TREs rests on two foundational assumptions. First, product expectations and relational expectations, held simultaneously within a person's mental model of a relationship, have different effects on his or her interpretation of exchange events. Second, relational expectations are dynamic, evolving throughout the relationship's duration in ways that alter each person's perceptions of disconfirming events and the effect of these disconfirmations on the relationship. We explain these assumptions in turn.

Product versus relational expectations and disconfirmations. Exchange relationships exist to facilitate the transfer of products (or value, broadly construed) between partners. Thus, product expectations—or beliefs held before an exchange event regarding product performance and the potential benefits to be gained from the exchange—contribute to the mental model of the relationship. Exchange relationships are a basic form of social interaction for which people also hold mental models. Thus, relational expectations—or beliefs held before exchange events regarding relationship governance and norms, exchange partners' understandings of mutual obligations, and predictions of stewardship—supplement product expectations in the mental model of exchange relationships (Fiske and Tetlock 1997). Product expectations typically form in the realm of market exchanges, such that partners expect the performance of a product to correspond to the price they have paid (Fiske and Tetlock 1997). Relational expectations form through interactions among exchange partners and serve as the "basis by which one knows and predicts the other's behavior or identifies with the other" (Lewicki and Bunker 1996, p. 136). The immediate balance of costs to benefits is of lesser focus with relational expectations; partners typically "give benefits to others to demonstrate a concern for them and to attend to their needs—taking a perspective that transcends emphasis on self-interest alone" (Aggarwal 2004, p. 88).

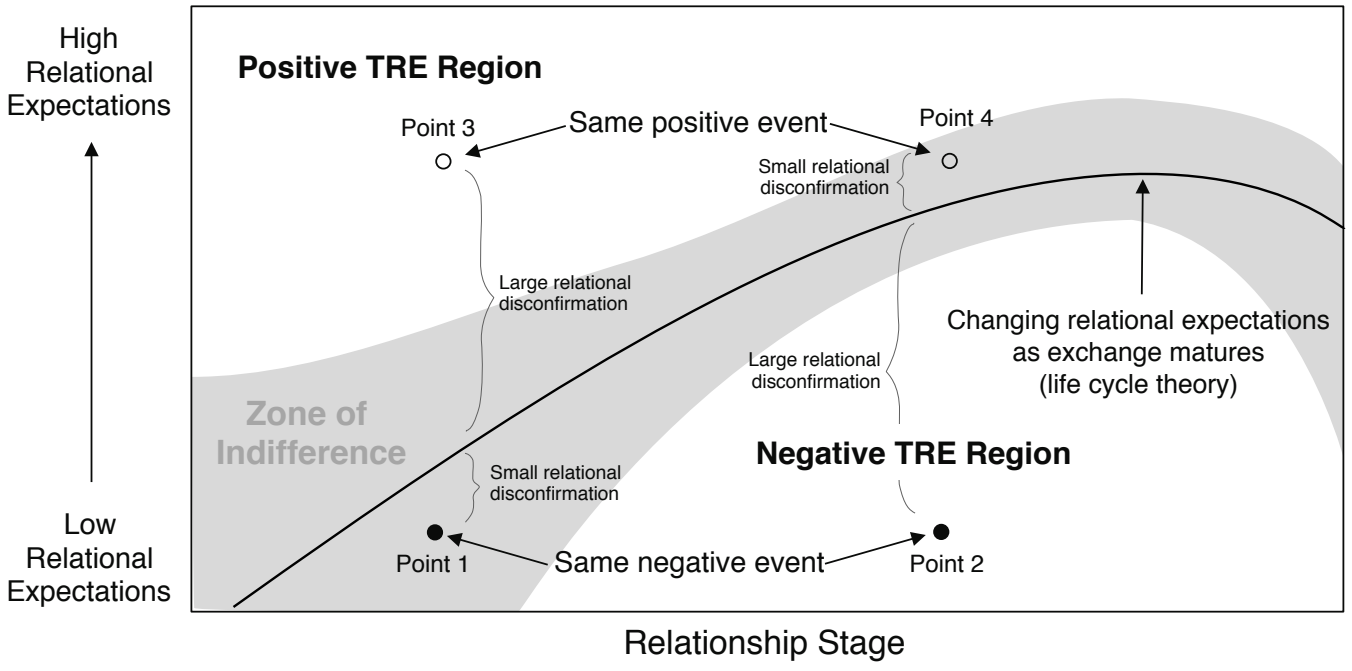
Whereas product disconfirmations center partners' attention on elements of the transaction, relational disconfirmations shift the focus from the discrete transaction to the underlying relationship (Bolton 1961). Relational disconfirmations prompt socially relevant responses because they challenge the essential system of cooperation and amplify "social emotions" that have evolved to reinforce the overall cooperative system (Nesse 1990, p. 274). They violate social processes and involve evaluations of emotion-laden procedural and interactional fairness (Lind and Tyler 1988). Because relationships govern value-creation mechanisms in an exchange (i.e., communicating, adapting, and investing), events that alter this governance structure often have strong and lasting effects on the behaviors that drive exchange performance. Thus, a key premise of our argument is that relational disconfirmations differ fundamentally from product disconfirmations.

Dynamic relational mental models. Relational expectations evolve over time, and the changing standards alter interpretations of exchange events (Harmeling and Palmatier 2015). Early in a relationship, expectations of mutually beneficial behaviors are low; both parties work toward individual goals (Dwyer, Schurr, and Oh 1987). As the partnership continues, repeated exchange events serve as concrete demonstrations of partners' abilities and intentions; within this context of experiential learning, parties negotiate norms, discover intentions, and cocreate working scripts that guide future exchanges (Hollmann, Jarvis, and Bitner 2015). Trust grows with each successful encounter; informal psychological contracts, supported by emotional attachment and communal norms that emerge between parties, gradually displace formal contracts (Wathne and Heide 2000). This evolution results in higher and more firmly defined standards for evaluating future events. Appendix A outlines relational expectations (norms) at different stages of development and provides illustrative examples of positive and negative relational disconfirmations.

The zone of indifference also evolves as the relationship develops (Boulding et al. 1993). Early in the relationship, a wide range of information (e.g., claims, industry-level norms, other relationships) informs a partner's expectations. Relational expectations are merely estimates (with high uncertainty) of expected behavior (Jones and George 1998). Thus, the zone of indifference is relatively broad, ranging from expectations of very positive to very negative potential events. As learning occurs with each event, the range of expectations is refined, such that previous negative expectations become increasingly improbable, and positive expectations become more clearly defined (Van Doorn and Verhoef 2008). These "implicit rules" then become the assumptions on which current and future interactions are based (Kaufmann and Stern 1988). Thus, through repeated interactions, exchange partners construct narrower zones of indifference, informed from within the relationship (rather than by external sources) and reflecting experiential learning.

In summary, through interaction, relational expectations increase, the zone of indifference narrows, and compliance becomes more critical. In turn, that which is considered abnormal (i.e., relational disconfirmation) also evolves with the changing standard. In Figure 1, we illustrate how the same event might be perceived as a TRE or not, depending on relational expectations. Early on, when relational expectations are low, partners anticipate autonomous behavior that reinforces individual goals. Mildly opportunistic behavior (e.g., arguing forcefully over a contractual detail) is a negative behavior that is unsurprising and well within the zone of indifference (Point 1). At low levels of relational expectations, these mild disconfirmations reinforce expectations and contribute to incremental development. In more fully developed relationships, opportunistic behavior is nearly unfathomable because norms of solidarity and trust are more prevalent and expectations are high. Therefore, the same behavior falls well below the zone of indifference and is interpreted as disconfirming (Point 2). At this high level of relational expectations, relational disconfirmations "tap into the values that underlie the relationship and create a sense of moral violation," threatening the very foundation of the relationship (Lewicki and Bunker 1996, p. 127). Conversely, a positive relational event (e.g., remembering the name of a customer's spouse) in a weakly developed relationship may be disconfirming (Point 3), but in

FIGURE 1
Dynamic Relational Expectations and Disconfirmations



a strong relationship, this same behavior reflects the underlying rules guiding the relationship and confirms relational expectations (Point 4). Thus, the continuous development illustrated in life cycle theory and the discontinuous shocks described in turning point theory can be woven together dynamically, such that changing relational expectations determine when an event contributes to incremental development and when it dramatically transforms the relationship.

To formalize these assumptions, we hypothesize the differential impacts of negative events (negative product or relational disconfirmations) under low versus high relational expectations. (Note that we generalize to positive events after this initial explication of the differing effects of product and relational disconfirmations.) With product disconfirmations (e.g., service failure), high relational expectations benefit the firm because strong emotions and trust in the exchange partner's positive intentions bias the interpretation of the event, such that the partner makes more favorable attributions (e.g., "I trust that they will make up for this problem on my next visit"). These attributions buffer the firm from the detrimental effects (e.g., switching behaviors, reduced loyalty) of a negative event (Hess, Ganesan, and Klein 2003; Hollmann, Jarvis, and Bitner 2015). Therefore, high relational expectations (strong existing relationship) increase the likelihood of customer retention after an event in which product expectations have not been fulfilled (e.g., late shipment, product failure).

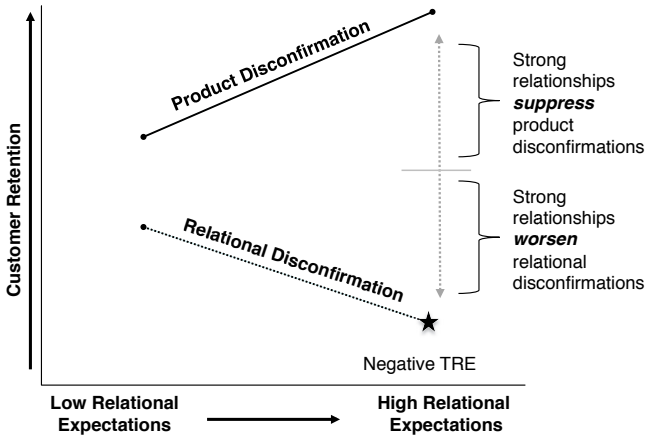
In contrast to product disconfirmations, in the face of relational disconfirmations (e.g., financial opportunism in a trusting relationship), high relational expectations can be detrimental to the firm. When relational expectations are high, negative relational disconfirmations not only represent poor performance in a single transaction but "threaten the fundamental organization of social relationships and society" (Fiske and Tetlock 1997, p. 257) and violate "deeply held intuitions about the integrity, even sanctity" of the relationship (McGraw, Tetlock, and Kristel 2003, p. 3). The negative event is interpreted as a sign of deeper incompatibility, thus challenging the relationship's foundation (Lewicki and Bunker 1996), overwhelming any switching costs, and reducing customer retention. High (vs. low) relational expectations then should make retaining a customer less likely after an event that fails to fulfill relational expectations. Figure 2 highlights these buffering and amplifying effects of relational expectations on negative disconfirmations, as we predict in H_1.

H_1: Relational expectations (a) suppress the detrimental effects of negative product disconfirmations and (b) strengthen the detrimental effects of negative relational disconfirmations on customer retention.

Differentiating TREs: Social Emotions and Relational Cognition

Building on these foundational assumptions, we examine the notion that TREs only occur for events involving large, relational disconfirmations (vs. small relational disconfirmations or product disconfirmations) and that they prompt emotional and cognitive mechanisms that spur transformational rather than incremental relationship change. In general, negative TREs are more likely in strong relationships (defined by high relational expectations), but positive TREs are more likely in weakly developed relationships with low relational expectations.

FIGURE 2
Study 1: Differential Effect of Product Versus Relational Disconfirmations as Relational Expectations Change



Turning point theory, consistent with research on relational norms, identifies social emotions and relational cognitions as unique mechanisms that fuel transformational behavioral changes, dramatically shifting the relationship trajectory. Among the emotions, betrayal represents negative social emotions that reflect moral outrage in response to a negative relational disconfirmation, whereas gratitude is a positive social emotion relevant to a positive relational disconfirmation. Relational sensemaking represents the cognitive redefinitions of the self and others that accompany relational disconfirmations (positive or negative).

Relationship trajectory. As an initial step and to enable a test of construct validity, we theorize the impact of these events on relationship velocity, which captures the rate and direction of change in relational constructs (Palmatier et al. 2013), making it an ideal construct through which to capture change in trajectory. By definition, a TRE marks a dramatic change in the trajectory of the relationship (improving or worsening). We only expect meaningful changes in velocity in response to TREs (vs. other events) because TREs mark a breakdown of perceptions of the existing relationship and a reformulation of a "new" relationship, shaped by a positive or negative TRE (Baxter and Bullis 1986). Because product disconfirmations and small relationship disconfirmations are expected to contribute to incremental relationship development, they should not have this same dramatic effect on relationship velocity.

Social emotions. Relationship transformation is costly, requiring a significant investment of resources. Most exchange events are assimilated using existing mental models. However, disconfirming events can heighten emotions that drive people to invest resources when they otherwise

would not. Both norm theory and evolutionary psychology suggest that events that challenge the underlying system of cooperation (i.e., TREs) ignite strong social emotions (e.g., betrayal, gratitude) (Wright 1995). Unlike basic emotions (e.g. anger, happiness), social emotions require recognition of the mental states or intentions of other people (Burnett et al. 2009). Thus, social emotions are more closely tied to relational rather than product disconfirmations and shift responses from self- and object-oriented to other-oriented. As a partner experiences them, amplified social emotions have a blinding effect, such that certain choice consequences become less evident, and behaviors that previously appeared irrational from an economic standpoint (e.g., costly punishments) serve as the ingrained, instinctual mechanisms that psychologically reinforce the overall cooperative system (Wright 1995). Thus, social emotions play an integral role in fueling and driving transformational processes.

Betrayal, or the breaking or violation of presumptive trust, requires some initial faith in the other's intentions, which is a key element of relational expectations. Negative product disconfirmations, based on market exchange norms, challenge perceptions of the partner in terms of predictable outcomes, competence, or ability, but they do not necessarily confront perceptions of the partner's underlying intentions. Thus, product disconfirmations (whether with low or high relational expectations) may trigger disappointment or anger but are not morally taboo and should have less effect on a customer's sense of betrayal (Jones and George 1998). In addition, we expect small relational disconfirmations to be assimilated with little emotional response. At low relational expectations, a partner's intentions are uncertain, so many negative relational disconfirmations fall within the broad zone of indifference and contribute to gradual learning, rather than threatening the underlying relationship. However, high relational expectations imply moral commitment between partners in which the partners exhibit greater psychological and emotional involvement (Lewicki and Bunker 1996). Violations of relational expectations are no longer viewed as merely evidence of unpredictable performance but instead are considered morally outrageous and signal a deeper incompatibility that might destabilize the cooperative system, intensifying the sense of betrayal (Fiske and Tetlock 1997).

Conversely, gratitude is an emotional appreciation for benefits received, which arises only when actions exceed the requirements defined by the relationship (Palmatier et al. 2009). Gratitude requires "the willingness to recognize the unearned increments of value in one's experience" and an interpretation of the other's actions as generous (Bertocci and Millard 1963, p. 389). Positive product disconfirmations are associated with the core exchange in which resources are traded for a benefit, which decreases perceptions that the benefit was provided with a benevolent motive. Consequently, they prompt evaluative emotions (e.g., satisfaction) but have less impact on gratitude than relational disconfirmations. With relational disconfirmation, at high levels of relational expectations, unexpected benefits are less likely to be perceived as "extra effort" because they are part of the underlying relationship rules and no longer disconfirmations (i.e., entitlement effect; Wetzel, Hammerschmidt, and Zablah 2014). However, low relational expectations are defined by uncertain assumptions of a partner's intentions and include the potential for negative behaviors, providing greater opportunity for a positive disconfirmation. Relational behaviors that exceed the zone of indifference signal a partner's positive intentions and induce strong feelings of gratitude (Palmatier et al. 2009). Thus, the most gratitude is expected for positive relational disconfirmations when relational expectations are low.

Relational cognition. All events contribute to a constant redefinition of the relationship in the minds of the partners. However, when an event invokes perceptions that significantly contrast with relational expectations, people engage in relational sensemaking (Weick 1995). Sensemaking is a cognitive process for organizing and converting events and experiences into words, categories, and, ultimately, holistic narratives. However, it varies in nature when the disconfirmation involves products versus relationships. In product disconfirmations, sensemaking focuses primarily on understanding the transaction outcome and assigning causal attributions. For relational disconfirmations, the size of the disconfirmation determines the impact on sensemaking. Small relational disconfirmations fall within the zone of indifference, so they can be easily understood using (and incrementally accommodated by) a partner's existing mental model. However, when a disconfirming event falls beyond the zone of indifference, it challenges the underlying assumptions that guide the relationship, so sensemaking begins with the destruction of the basic meaning of the relationship. The resulting sensemaking then is grounded in identity reconstruction and characterized by elaboration (rather than heuristic processing), such that the person attends to, analyzes, stores, and evaluates more cues (Baxter and Bullis 1986). Cognitive resources shift away from analyzing the focal transaction to considering the fabric of the relationship, including perceptions of past events and expectations of the future (Graham 1997). Thus, relational sensemaking is more likely to occur in response to large relational disconfirmations rather than small relational disconfirmations or product disconfirmations. In summary, we expect the impacts of relational disconfirmations on social emotions and relational cognitions to exceed those of product disconfirmations. However, the greatest impact of a relational disconfirmation will be when it moves beyond (above or below) the zone of indifference.

H_2: Negative relational (vs. product) disconfirmations (i.e., negative TREs) have the greatest effect on (a) relationship velocity, (b) customer betrayal, and (c) relational sensemaking when relational expectations are high.

H_3: Positive relational (vs. product) disconfirmations (i.e., positive TREs) have the greatest effect on (a) relationship velocity, (b) customer gratitude, and (c) relational sensemaking when relational expectations are low.

Effects of TREs on Exchange Performance

Not only do TREs influence behaviors, they also mark a fundamental shift in the exchange partner's self-definition

in the relationship, as illustrated by a quote from a long-term (13-year) customer of a manufacturing firm who recounted an event that occurred more than 6 years prior and that led the customer to reduce purchases from and drop his public affiliation with the firm: "This has always been [Company X's] way of doing business. Act like you are giving the [reseller] something exclusive then turn around and screw them. I seriously don't know why any [reseller in this industry] in their right mind would sell [Company X's] products." Thus, this once-loyal customer now defines that role as an undesired self, and this redefinition has dramatic and enduring effects on Company X's financial performance. Building on this example, we can situate TREs within a nomological model that captures their effects on exchange performance (Figure 3). We use sales performance, or the percentage change in sales for the year after the TRE, as an objective indicator of TREs' impact on the exchange. In addition, exchange partner identification, a psychological state that captures the exchange partner's definition of the self in relation to the other (Bhattacharya and Sen 2003), is a key aspect of relationship transformation (Bullis and Bach 1989). Exchange partner identity serves as a filter for organizing "self-relevant actions and experiences … and has motivational consequences, providing the incentives, standards, plans, rules, and scripts for behavior" (Markus and Wurf 1987, p. 299).

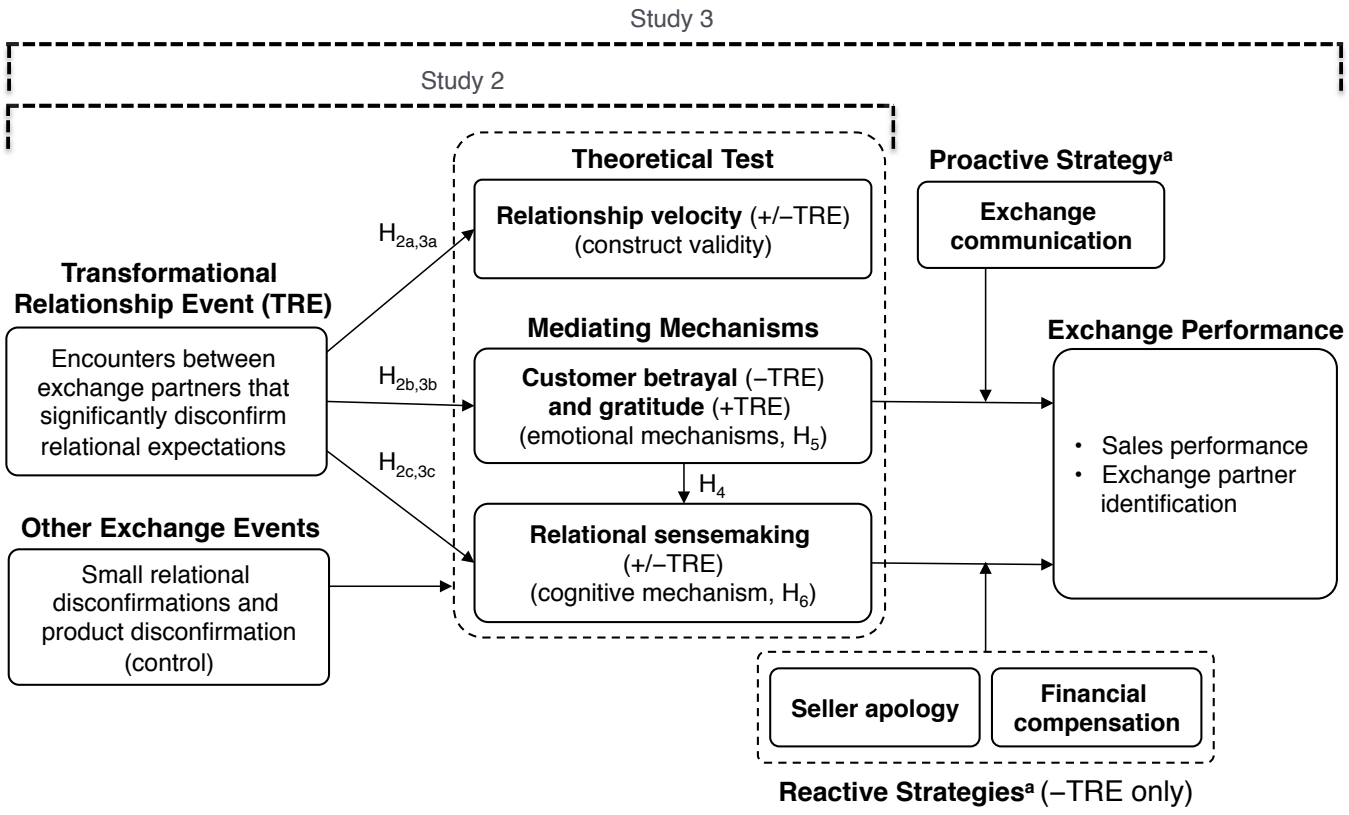
Turning point theory also emphasizes the role of social emotions in fueling relationship transformation (Nesse 1990). "Emotion is the energy that drives, organizes, amplifies, and attenuates cognitive activity" and thus is a critical driver of relational sensemaking (Dodge 1991, p. 159). Betrayal activates negatively valenced sensemaking that can alter how relational information is interpreted and promotes a negative outlook for the relationship's future (Grégoire and Fisher 2008). Gratitude helps guide decisions about social exchange and is critical to cognitively overcoming the risks that accompany deep commitments to a relationship (Bartlett and DeSteno 2006). We thus offer parallel hypotheses for positively and negatively valenced models.

$H_{4(negative)}$: Customer betrayal increases customer sensemaking.

$H_{4(positive)}$: Customer gratitude increases customer sensemaking.

The betrayal evoked by negative TREs motivates "customers to restore fairness by all means possible" (Grégoire and Fisher 2008, p. 247). Betrayal drives people to expend time, energy, and resources, with no foreseeable economic return, in an effort to retaliate against the betrayer (Bougie, Pieters, and Zeelenberg 2003). Though irrational, retaliation can warn other customers of a partner's unacceptable behavior, thus reinforcing the cooperative system (Wright 1995). Customers' primary avenue for retaliation is to reduce their own purchases. Positive TREs produce cus-

FIGURE 3
Studies 2 and 3: Effects of TREs on Exchange Performance



[a]We tested proactive and reactive moderating strategies using post hoc analysis in Study 3.

tomer gratitude, accompanied by a psychological pressure to reciprocate, even if such behaviors are not formally required (Palmatier et al. 2009). In exchange contexts, customers primarily repay their indebtedness by increasing their purchases from the firm.

$H_{5(negative)}$: Customer betrayal mediates the detrimental effect of negative TREs on sales performance.

$H_{5(positive)}$: Customer gratitude mediates the beneficial effect of positive TREs on sales performance.

Disruptive events prompt feelings of vulnerability that spur identity exploration or a redefinition of the self (Bullis and Bach 1989). In addition, self-defining information is often stored in memory in the form of stories, and events that create tension (i.e., TREs) are integrated into and supply meaning to these constructed stories (McLean and Pratt 2006). These stories provide temporal conceptualizations of the self (past, present, and future) and create concrete scripts for enacting and reinforcing the self in relation to specific events or in the presence of others. Thus, simple cues (e.g., hearing the firm's name) can evoke the strong emotions felt during the TRE and perpetuate active roles, even long after the event (McLean and Thorne 2003). In response to negative TREs, sensemaking provides a means of self-protection by distancing the self from the firm, through beliefs such as "I could never go back to being an XYZ customer." Following positive events, sensemaking can help integrate the firm into the customer's self-concept, leading to a deeper psychological connection, as illustrated by a quote from the FedEx (2015, p. 19) Employee Handbook: "The CEO has stopped calling us vendors. ... We're partners now."

Because sensemaking leads to a reconceived view of the relationship and perception of the self in that relationship, a customer's subsequent purchasing behaviors should shift to be self-reinforcing of their new view, such that negative sensemaking reduces purchases, whereas positive sensemaking increases them (Blagov and Singer 2004). Thus, the manner in which people define themselves can invoke enduring psychological change by affecting both self-perceptions and behaviors, such that it results in self-reinforcing actions that are consistent with the new view.

$H_{6(negative)}$: Relational sensemaking mediates the detrimental effect of negative TREs on (a) sales performance and (b) exchange partner identification.

$H_{6(positive)}$: Relational sensemaking mediates the beneficial effect of positive TREs on (a) sales performance and (b) exchange partner identification.

Methodology: Testing a Theory of TREs

We use a series of three studies to test our theoretical framework empirically. Study 1 establishes a foundation for TREs, based in expectancy-disconfirmation theory, by testing the differential effects of product versus relational disconfirmations on customer retention at different levels of relational expectations in a longitudinal field study. In addition, it provides evidence of the external validity of the TRE concept. Study 2 builds on this foundation with a lab experiment that examines the size of relational disconfirmations as a key condition of a TRE. It establishes internal validity and isolates TREs against related events (service failure and customer delight), so that we can compare the differential effects on key variables (relationship velocity, social emotions, and relational cognitions) predicted by turning point theory. Study 3 positions TREs in a process model to test their effects on real, ongoing exchange relationships, using a field survey of customers of a *Fortune* 500 manufacturer.

Study 1: Longitudinal Field Study Testing the Foundational Assumptions of TREs

Sample. To test H_1, which focuses on negative events, we use a database of customer complaints from a large financial services provider that offers a diverse array of consumer financial services across many different lines of business. We included noncomplaining customers as a control group to assess the incremental impact of both negative product and relational disconfirmations (vs. no complaints). After the complaint period (all complaints occurred during January–June 2013), we examined whether complaining and noncomplaining customers were retained as of September 2014 (15 months later). Our initial sample consisted of 4,424 complaining and 29,269 noncomplaining customers. We accounted for potential differences in these groups with propensity score matching, described in the analysis section, and created a control group that matched each complaining customer to a similar noncomplaining customer (Garnefeld et al. 2013).

Measures. Customer retention as the outcome variable is tied to profitability and reflects a customer's willingness to continue in a relationship. Customer tenure, or the number of years the customer has been with the firm, provides the proxy of relational expectation because the older a relationship, the greater the likelihood that it has passed through a critical "shakeout" period, and the more likely that a foundation is laid for personal trust and mutual liking (Anderson and Weitz 1989). The average relationship tenure in our final sample was 12.2 years, ample time for relationships to develop and relational expectations to evolve. With Study 1, we assess the impact on retention when we consider the interaction between tenure (relational expectations) and each type of negative disconfirmation (relational/product).

We used effect coding to capture the complaints as product ($P = 1, R = 0$) or relational ($P = 0, R = 1$) or to indicate noncomplaining customers ($P = –1, R = –1$), according to data recorded in the firm's complaint database. Using the firm's categorization labels, we coded a customer complaint as product related if it (1) involved an issue with a specific product, service, or technology (e.g., ATM is down); (2) pertained to general outcome problems (e.g., billing or statement errors); or (3) described general complaints about any other functional or fulfillment issues (e.g., store hours not long enough). In contrast, we coded a complaint as a relational disconfirmation if it (1) was interpersonal or interactional in nature, (2) was directed at an employee, or (3) described specific negative behaviors by an employee, such as rude or unprofessional conduct (e.g., failing to acknowledge customers) or failing to communicate effectively (providing faulty or unclear information). If a complaint was ambiguous, we omitted it. We then multiplied

each effect-coded disconfirmation variable by the mean-centered customer tenure variable.

We included 15 control variables to capture other factors that might affect customer retention, as well as observed customer heterogeneity in our sample. Customer age was the number of years between December 31, 2012, and the customer's birth date. We calculated the average number of accounts as the monthly mean of each customer's accounts in the three months before the complaint period. Customer transaction frequency was the monthly mean of total transactions that each customer performed in the three months before the complaint period. We calculated total share of wallet by dividing the sum of a customer's total deposits, investments, and loans with the firm by the total balances that customer had outstanding across all firms. The total deposits and investments across all firms came from IXI Wealth Complete Data, and Experian provided the total loans data.[1] We used the log of each customer's total balances (deposits + investments + loans) as a control variable. We also collected data on the number of accounts each customer opened and closed during the study period, as well as whether a service recovery attempt was made following each complaint. Finally, we collected a rich set of demographic variables from the bank's demographic databases: customer income, customer homeownership (yes/no), customer Internet subscription (yes/no), number of adults in the household, number of children in the household, educational attainment (high school, some college, bachelor's degree, or graduate degree), and occupational category (management, technical, professional, sales, administrative, blue collar, or retired). Table 1, Panels A–C, provide the correlations and descriptive statistics for Studies 1–3, respectively.

Analysis. We first controlled for differences between complaining and noncomplaining customers by calculating the propensity score of each customer using a logistic regression, in which customer tenure and our control variables served to predict whether each customer would complain. To match each complaining customer with a similar noncomplaining customer, we relied on a random-order, nearest-available-pair-matching method. Using the Silverman (1986) rule, we established a .0097 tolerance zone to pair each complaining customer with a noncomplaining customer. Even with this restrictive tolerance zone, in our large control group, we matched 4,399 of the 4,424 complaining customers (99.4%). Thus, our final sample consists of 8,798 customers, half of whom complained. Of the 4,399 complaining customers, 3,477 noted product disconfirmations, and the remaining 922 suffered relational disconfirmations (for details, see Web Appendix A). Finally, we performed a binary logistic regression to predict customer retention, using customer tenure (i.e., relational expectations), P (product disconfirmation), R (relational disconfirmation), no disconfirmation (effect coded), and the interactions of relational expectations and the two-disconfirmation variables as covariates. All the aforementioned control variables were also included as covariates.

Results and discussion. In Table 2, Model 1 represents the main effects model and Model 2, which includes the interactions, supports the hypothesis testing. Relational expectations buffer negative product disconfirmations ($\beta = .02$, $p < .01$), increasing the likelihood of retention 15 months later. However, relational expectations amplify negative relational disconfirmations ($\beta = -.02$, $p < .01$), decreasing this likelihood, in support of H_1. Noting the disputes in the satisfaction literature about whether relationships buffer (Boulding et al. 1993; Hess, Ganesan, and Klein 2003) or intensify customers' negative responses to failures (Grégoire, Tripp, and Legoux 2009), these opposite interaction results provide a possible explanation (i.e., disaggregating relational and product failures or disconfirmations while accounting for relational expectations).

Study 1 thus provides a foundation for understanding TREs by offering proof of concept of the factors that determine the impact of exchange encounters: the type of disconfirmation and existing relational expectations. Building on these results, Study 2 replicates and extends Study 1 by demonstrating the differential effects of product and relational disconfirmations, using a controlled experiment to provide stronger evidence of causality and the role of relational expectations (vs. using tenure), extending the theory to positive events, and differentiating the impact of TREs from other events, according to mechanisms suggested by turning point theory.

Study 2: Lab Experiment Discriminating TREs from Other Exchange Events

Design and sample. Study 2 uses a longitudinal, scenario-based experiment involving a 2 (disconfirmation type) × 2 (relational expectations) between-subjects factorial design for each valence (positive or negative) of disconfirmation. This design isolates the necessary conditions for a TRE and examines three outcomes (relationship velocity, social emotions, and relational cognition). We assigned participants randomly to conditions in which they responded to a series of three hypothetical, sequential interactions with a fictional restaurant (Appendix B).

All participants read Interaction 1, which contained a description of the service provider and set consistent product expectations across conditions. Thereafter, they were assigned to either the low or the high relational expectations condition, and then they responded to the manipulation checks and controls. To decrease demand artifacts, we provided filler questions between interactions. Interaction 2 prompted the participants to patronize the restaurant and was consistent for every condition. In Interaction 3, the respondents, split randomly between positive and negative valence, also were randomly presented with a product (perceived performance below or above product expectations) or relational (behavior below or above relational expectations) disconfirmation. Immediately following the final interaction, participants completed a thought-listing task.

[1]The IXI and Experian data sources come from the bank's purchased third-party data sources, which were merged with the bank's customer data, using personally identifiable information. Information on the IXI and Experian tables is available at https://www.ixicorp.com/products-and-services/customer-targeting-and-scoring/wealthcomplete/ and http://www.experian.com/business-services/business-portfolio-management.html.

TABLE 1
Descriptive Statistics and Correlations

A: Study 1 (n = 4,399)

Constructs	M	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1. Customer retention	.85	.36														
2. Negative product disconfirmation (effect coded)	–.10	.94	–.03													
3. Negative relational disconfirmation (effect coded)	–.40	.67	–.03	.73												
4. Relational expectations (customer tenure in years)	12.22	10.34	.20	.00	–.03											
5. Negative product disconfirmation × Relational expectations	.00	.76	–.01	–.01	.00	–.16										
6. Negative relational disconfirmation × Relational expectations	.09	8.20	–.10	.00	.01	–.52	.69									
7. Customer age (years)	51.37	17.12	.06	.00	–.01	.43	–.10	–.24								
8. Average number of accounts	4.73	3.99	.24	.00	.04	.36	–.04	–.19	.08							
9. Customer transaction frequency	32.28	43.56	.16	.00	.02	.22	–.03	–.12	–.08	.51						
10. Total share of wallet	.30	.35	.06	.01	–.04	.01	–.06	–.04	.02	.06	–.05					
11. Total account balances (log)	10.16	4.28	.18	–.01	.00	.14	–.02	–.08	.07	.22	.10	–.13				
12. Number of accounts closed during study period	.37	.48	–.15	–.01	.02	.01	.01	–.01	–.05	.25	.15	–.01	.02			
13. Number of new accounts opened during study period	.24	.43	.19	–.02	.01	.05	.02	–.03	–.06	.30	.21	–.01	.07	.26		
14. Service recovery attempt	.31	.46	.00	.64	.60	.00	–.01	.00	.00	.01	–.02	.02	.02	.00	–.01	
15. Customer annual income ($)	91,912	78,836	.06	.05	.02	.04	.00	–.02	–.01	.10	.02	.00	.09	–.01	.01	.05

B: Study 2 ($n_{negative}$ = 108, $n_{positive}$ = 120)

Constructs	M	SD	AVE	1	2	3	4	5
1. TRE	4.21/4.28	1.75/1.79	.74/.83	.92/.95				
2. Customer betrayal/gratitude	2.88/4.16	1.84/2.32	.72/.82	.38/.38	.91/.93			
3. Relational sensemaking	4.19/4.01	1.74/1.62	.88/.82	.67/.67	.54/.54	.96/.83		
4. Relationship velocity	–.48/1.21	1.21/1.06	N.A./N.A.	–.54/.49	–.65/.65	–.55/.48	N.A./N.A.	
5. Typicality	3.99/3.52	.58/1.52	.64/.65	–.32/–.32	–.15/–.15	–.01/–.01	.28/–.26	.69/.83

TABLE 1
Continued

C: Study 3 ($n_{negative}$ = 147, $n_{positive}$ = 626)														
Constructs	**M**	**SD**	**AVE**	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**	**9**	**10**	**11**
1. TRE	3.12/ 2.91	.84/ .74	.75/ .81	.89/ .92										
2. Customer betrayal/gratitude	2.63/ 3.86	1.04/ .79	.89/ .88	.40/ .10	.94/ .94									
3. Relational sensemaking	2.86/ 3.16	1.03/ .79	.87/ .86	.52/ .28	.52/ .36	.93/ .92								
4. Sales performance	–7.15/ 9.97	23.07/ 26.18	N.A./ N.A.	–.17/ .20	–.40/ .35	–.32/ .36	N.A./ N.A.							
5. Exchange partner identification	3.35/ 3.73	.84/ .74	.71/ .74	–.14/ .05	–.34/ .43	–.23/ .25	.20/ .22	.80/ .82						
6. Exchange communication	3.29/ 3.90	1.00/ .88	.69/ .73	–.17/ .06	–.41/ .41	–.30/ .22	.21/ .18	.41/ .40	.78/ .83					
7. Seller apology	2.90/ N.A.	1.03/ N.A.	.74/ N.A.	–.41/ N.A.	–.55/ N.A.	–.40/ N.A.	.21/ N.A.	.11/ N.A.	.47/ N.A.	.88/ N.A.				
8. Time since event (months)	43.51/ 45.53	77.68/ 111.61	N.A./ N.A.	–.13/ –.08	–.04/ –.08	–.17/ –.05	.17/ –.09	–.04/ .05	.10/ .05	–.03/ N.A.	N.A./ N.A.			
9. Relationship age (years)	6.18/ 6.36	2.52/ 2.47	N.A./ N.A.	.10/ .02	.05/ .02	.17/ –.02	.09/ .02	.11/ .06	.28/ .07	–.03/ N.A.	–.13/ –.01	N.A./ N.A.		
10. Customer size	369.63/ 477.19	2,152.33/ 2,689.33	N.A./ N.A.	–.02/ –.06	–.02/ –.06	–.08/ –.03	.06/ .25	–.04/ .01	.01/ .04	–.01/ N.A.	.08/ .03	.08/ .11	N.A./ N.A.	
11. Exchange fairness	3.11/ 3.53	.73/ .66	.87/ .88	–.18/ .08	–.43/ .08	-.28/ .13	.20/ .25	.42/ .41	.41/ .34	.29/ N.A.	.07/ –.03	.00/ .03	–.10/ .03	.93/ .93

Notes: N.A. = not applicable. Negative (positive) correlations are reported before (after) the slash symbol (/). Cronbach's alphas are reported on the diagonal (negative/positive).

TABLE 2
Study 1 Results: Understanding the Role of Relational Expectations in Product and Relational Disconfirmations

Exogenous Variable	Hypothesis	Model 1 Regression Coefficient	Model 1 SE	Model 2 Regression Coefficient	Model 2 SE
Main Effects					
Constant		.06	.22	.04	.22
Negative product disconfirmation		−.12*	.06	−.06	.06
Negative relational disconfirmation		−.28**	.08	−.34**	.08
Relational expectations (customer tenure in years)		.04**	.00	.04**	.01
Interaction of Disconfirmation Type and Relational Expectations					
Negative product disconfirmation × Relational expectations	H_{1a}			.02**	.01
Negative relational disconfirmation × Relational expectations	H_{1b}			−.02**	.01
Controls					
Customer age (years)		−.01**	.00	−.01**	.00
Average number of accounts		.36**	.00	.36**	.02
Customer transaction frequency		.00	.00	.00	.00
Total share of wallet		.61**	.10	.62**	.11
Total account balances (log)		.05**	.01	.05**	.01
Number of accounts closed during study period		−1.94**	.08	−1.94**	.08
Number of new accounts opened during study period		2.33**	.14	2.33**	.14
Service recovery attempt		.29**	.10	.29**	.10
Customer annual income		.00**	.00	.00**	.00

*$p < .05$.
**$p < .01$.
Notes: $R^2 = .28$. Dummy-coded demographic variables for household, education, and occupation type were also included in the model. (For more details, contact the authors.)

Finally, they responded to the outcome measures. We recruited participants from Amazon.com's Mechanical Turk and paid each respondent $.50. Among the 228 participants (108 negative, 120 positive), the mean age was 36 years, and 58% were women.

Expectancy manipulations. To simulate conditions in which we could differentiate a TRE from other related events, we manipulated the necessary conditions: relational expectations (low, high) and disconfirmation (product, relational). Because relational expectations reflect a genuine concern for the relationship and the partner, we manipulated them using descriptions of prior interactions with the service provider. The low relational expectations description focused on transactional exchanges (costs and benefits) and used phrases such as "saves you money and earns you points" and "receive a discount as an incentive." The high relational expectations description instead included phrases such as "taken a personal interest in you" and "part of a special [target] family." To test our manipulation, participants responded to a three-item scale adapted from Kaufmann and Stern (1988). Participants' relational expectations were higher when the manipulated level of relational expectations was high (vs. low) for both negative ($M_{low} = 4.33$, $M_{high} = 5.37$; $F(1, 106) = 28.59$, $p < .01$) and positive ($M_{low} = 4.03$, $M_{high} = 5.42$; $F(1, 118 = 68.51$, $p < .01$) disconfirmations. We found no perceived difference in relationship age across conditions. Although the product expectations were not manipulated, we wanted to verify that they were consistent across conditions, so we compared expectations of expensiveness across conditions and found no differences. That is, the manipulation of relational expectations did not affect perceptions of relationship age or product expectations. All measured items and sources appear in Appendix C.

Product disconfirmation manipulation. We next tested whether the events actually disconfirmed pre-event product expectations by comparing pre-event expectations against post-event expectations for each condition. A 2 (time: T_1 pre-event, T_2 post-event) × 2 (disconfirmation: product, relational) mixed factorial analysis of variance revealed a significant interaction in both the negative ($F(1, 106) = 18.03$, $p < .01$) and positive ($F(1, 118) = 8.39$, $p < .01$) conditions. Participants in the negative product disconfirmation condition had less favorable post-event product expectations ($M_{NegProdT1} = 4.56$, $M_{NegProdT2} = 5.46$; $t(1, 106) = 42.75$, $p < .01$), whereas those in the positive product disconfirmation condition had more favorable post-event product expectations ($M_{PosProdT1} = 4.92$, $M_{PosProdT2} = 3.48$; $t(1, 118) = 148.85$, $p < .01$) compared with pre-event product expectations. We also ensured that our product disconfirmation manipulation did not inadvertently create a relational disconfirmation by comparing pre- and post-event relational expectations in the product disconfirmation condition; we found no signs of relational disconfirmation.

Relational disconfirmation manipulation. We repeated the procedures to assess the relational disconfirmation manipulations. A 2 (time: T_1 pre-event, T_2 post-event) × 2 (disconfirmation: product, relational) mixed factorial analysis of variance revealed a significant interaction effect in both the negative ($F(1, 106) = 60.59$, $p < .01$) and the positive ($F(1, 118) = 8.39$, $p < .01$) conditions on relational expectations. Participants in the negative relational disconfirmation

condition reported lower post-event relational expectations ($M_{NegRelT1} = 4.89$, $M_{NegRelT2} = 2.79$; $t(1, 106) = 165.42$, $p < .01$), whereas those in the positive relational disconfirmation condition reported higher post-event relational expectations ($M_{PosRelT1} = 4.74$, $M_{PosRelT2} = 5.19$; $t(1, 118) = 16.05$, $p < .01$) compared with pre-event expectations. In both negative and positive relational disconfirmation conditions, pre- and post-event product expectations did not differ, revealing no evidence of a product disconfirmation. We manipulated the relational disconfirmation without altering product disconfirmations. We confirmed its realism with the item "I could easily put myself in the scenario described earlier."

Measurement. Participants responded to several multi-item Likert measures (1 = "strongly disagree," and 7 = "strongly agree"; see Appendix C). As a control, we also included the typicality of the event, or the customer's belief that this event was a common occurrence in the industry, because it can affect customer responses to service encounters (Hess, Ganesan, and Klein 2007). As a validity check, we conducted a confirmatory factor analysis and found an acceptable overall fit of the model (negative/positive: $\chi^2(59/71) = 81.39/81.42$, $p < .05/.10$; comparative fit index = .98/.99; incremental fit index = .98/.99; root mean square error of approximation = .06/.05). The scales also exhibited high internal consistency, with Cronbach's alpha values ranging from (negative/positive) .69/.83 to .96/.95 and the average variance extracted (AVE) ranging from .64/.65 to .88/.83. Furthermore, the AVE for each factor was greater than its squared correlation with any other factor, suggesting discriminant validity. The bivariate correlations and descriptive statistics appear in Table 1, Panel B.

Results and discussion. Using analyses of covariance, we examined the effect of the interaction between the level of relational expectations and the type of disconfirmation on outcomes, controlling for typicality. We then tested our hypotheses using planned contrasts to isolate the TRE condition from all other conditions. Table 3 presents the cell means and significance tests for H_2 and H_3. For negative events, we predicted in H_2 that the greatest impact of a negative disconfirmation event should arise from a relational disconfirmation in the presence of high relational expectations (i.e., relational failure hurts worse with friends). The interaction was significantly related to relationship velocity ($F(1, 108) = 4.86$, $p < .05$), customer betrayal ($F(1, 108) = 18.21$, $p < .01$), and sensemaking ($F(1, 108) = 9.94$, $p < .01$). To establish the uniqueness of negative TREs and test our hypotheses, we compared respondents in the high relational expectations × relational disconfirmation condition (boxed cells in Table 3) against those in the three other conditions. We confirmed that participants in the negative TRE condition reported significantly negative relationship velocity, betrayal, and sensemaking than did participants in any other conditions ($p < .05$), in support of H_2. Reviewing these contrasts affirmed the beneficial effect of strong relationships for negative product disconfirmations in Study 1 and their detrimental effect for negative relational disconfirmations.

For positive events, the interactions were significant for relationship velocity ($F(1, 120) = 7.26$, $p < .01$), gratitude ($F(1, 120) = 7.16$, $p < .01$), and sensemaking ($F(1, 120) = 6.94$, $p < .01$). In support of H_{3a} and H_{3c}, participants in the low relational expectation × positive relational disconfirmation condition reported a greater positive change in relationship trajectory and significantly more sensemaking than did those in any other conditions ($p < .05$). Customer gratitude in this cell differed from some but not all other conditions (though the means were in the predicted direction). Thus, H_{3b} did not receive support. The thought-listing exercise revealed a potential explanation for this result: events perceived as "too good to be true" prompted suspicion (Wang, Kayande, and Jap 2010), which may have suppressed the potential lift from positive TREs (e.g., "I would be a little suspicious. Why is Chris doing this?"). In the TRE condition, 27% of respondents expressed at least one suspicious thought.

Overall, and consistent with Study 1, relational (vs. product) disconfirmations amplify social emotions and relationship-transforming cognitions. However, post hoc tests across positive and negative events revealed several additional insights. Although both positive and negative TREs had greater effects on responses than did other disconfirming events with the same valence, the difference in effects between TREs and non-TREs was approximately 1.5 times greater for negative versus positive TREs, consistent with negativity bias research. We also found that TREs drove dramatic (vs. incremental) relationship change. Compared with all other conditions, nearly five times as many respondents in the negative TRE condition and two and a half times as many respondents in the positive TRE condition selected the most extreme measures of relationship velocity ("dramatically worsening" or "dramatically improving").

Study 3: Field Survey Testing a Theoretical Model of TREs in Exchange Relationships

Survey design and sample. To test H_4–H_6, we used a field setting and conducted a survey of current and past channel relationship partners of a large *Fortune* 500 supplier of durable goods. With a critical incident technique, we asked the respondents to recall the single most memorable event in his or her firm's relationship with the partner firm (Bitner, Booms, and Tetreault 1990). If they could not recall a memorable event, we asked them to reflect on their most recent interaction with the firm. This design ensured great variation in the types of events analyzed. Retrospective accounts are typical in event studies and useful in the study of TREs because the "construction of narratives of major ... turning points, rather than the experience itself" provides understanding and informs actions (McLean and Pratt 2006, p. 715; see also Bitner, Booms, and Tetreault 1990). The supplier created a panel of 5,238 current and former channel partners, who were invited to participate, over e-mail, in a letter from the seller's president. We received 773 completed responses (15% response rate), with 147 negative and 626 positive event reflections. A test of nonresponse bias indicated no difference in customer characteristics between respondents and nonrespondents.

Measurement and analysis. We followed well-established procedures to develop a TRE scale and tested its validity in Study 2 (Web Appendix B). For all constructs, we used

TABLE 3
Study 2 Results: Differentiating TREs from Other Exchange Events

	Negative Model				Positive Model			
	Test of 2 × 2 Interaction		Comparison of TRE Condition with Other Cells		Test of 2 × 2 Interaction		Comparison of TRE Condition with Other Cells	
Dependent Variable and Condition (Type of Disconfirmation)	**Hypotheses**	**F(1, 108)**	**Low Relational Expectations**	**High Relational Expectations**	**Hypotheses**	**F(1, 120)**	**Low Relational Expectations**	**High Relational Expectations**
Relationship Velocity	H_{2a}	4.86*			H_{3a}	7.26**		
Product disconfirmation		R^2 = .29	–.31[a]	–.27[a]		R^2 = .21	1.10[a]	1.37[ab]
Relational disconfirmation			–1.04[b]	**–1.83[c]**			**2.30[c]**	1.73[b]
Customer Betrayal/Gratitude	H_{2b}	18.21**			H_{3b}	7.16**		
Product disconfirmation		R^2 = .37	3.12[ac]	2.31[b]		R^2 = .32	4.34[a]	5.22[b]
Relational disconfirmation			3.72[c]	**5.20[d]**			**6.38[c]**	6.12[c]
Relational Sensemaking	H_{2c}	9.94**			H_{3c}	6.94**		
Product disconfirmation		R^2 = .41	4.12[a]	3.34[b]		R^2 = .18	3.79[a]	4.19[ab]
Relational disconfirmation			5.25[c]	**5.99[d]**			**5.52[c]**	4.67[ab]

*$p < .05$.
**$p < .01$.
Notes: For each measure, overall cell means with distinct superscripts differ significantly at $p < .05$. The means in boldface represent the TRE condition for each comparison. We measured relationship velocity with a visual depiction of the rate and trajectory of change, from –3 (dramatically worsening) to +3 (dramatically improving). We entered typicality (positive: 3.10; negative: 4.23) into the model as a covariate.

five-point Likert-type scales; the items, sources, and factor loadings appear in Appendix C. To reduce reflection biases, we measured the outcome variables before asking respondents to reflect on an event. We used an established measure to capture exchange partner identification (Ahearne, Bhattacharya, and Gruen 2005). The sales performance measure came from objective firm-provided financial data, for the year before the reported event to the year after it, using the date provided by the respondent. We calculated it as the percentage change in sales revenue relative to all the supplier's channel members. If objective sales data were not available (e.g., date of the TRE was beyond the range of sales data provided by the 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 remained positive and significant, except for the direct path from TREs to sensemaking (which lost significance); for negative events (n = 39), all relationships remained the same. We included relationship age (years), exchange fairness, time since event (months), and customer size (number of employees) as control variables. The other scales were the same as those in Study 2, with slight adaptations to the B2B context (Appendix C).

We conducted confirmatory factor analyses for all key constructs, for both a positive and a negative model. The results indicated good overall fit (negative/positive: $\chi^2(188/137) = 289.86/209.58$, $p < .01/.01$; comparative fit index = .95/.99; incremental fit index = .96/.99; root mean square error of approximation = .06/.03). All standardized factor loadings were greater than .50 and statistically significant at $p < .05$. The model exhibited high internal consistency, with Cronbach's alpha values ranging from (negative/positive) .78/.82 to .94/.94 and AVEs from .69/.73 to .89/.88. The AVE for each factor was greater than its squared correlation with any other factor, in support of discriminant validity. Table 1, Panel C, contains the correlations and descriptive statistics. We tested the overall conceptual model and H_4–H_6 using partial least squares,[2] which accommodates models with multiple mediators, is robust to both small and large samples, enables us to estimate the complex relationships in the model simultaneously, and is robust to the nonnormality of multiplicative terms for testing interactions, enabling us to explore potential moderating strategies.

Results and discussion. We estimated two parallel models on the basis of event valence (Table 4). To determine the statistical significance of the parameter estimates, we generated t-values with a nonparametric bootstrapping procedure. We generated 2,000 resamples, all of which matched the size of the original observations. The paths between betrayal and relational sensemaking ($\beta = .39$, $p < .01$) in the negative model and between gratitude and sensemaking ($\beta = .34$, $p < .01$) in the positive TRE model were both positive and significant, in support of H_4. The paths between negative TREs and betrayal ($\beta = .34$, $p < .01$) and positive TREs and gratitude ($\beta = .08$, $p < .05$) were significant. Furthermore, TRE related significantly to sensemaking in the negative ($\beta = .25$, $p < .01$) and positive ($\beta = .25$, $p < .01$) models. Customer betrayal ($\beta = –.32$, $p < .01$) and gratitude ($\beta = .21$, $p < .01$) both related significantly to sales. In the positive model, relational sensemaking related significantly to sales performance ($\beta = .27$, $p < .01$), but it was not significant in the negative model. Relational sensemaking related significantly to partner identification in the negative ($\beta = –.26$, $p > .05$) and positive ($\beta = .22$, $p > .01$) models.

To test the meditating mechanisms, we used Preacher and Hayes's (2008) PROCESS model with 2,000 bootstrapped samples. The indirect effect of negative TREs on sales performance through customer betrayal was significant, with a confidence interval (CI) that excluded zero ($\beta = –.19$, CI = [–.35, –.08], $p < .01$). The indirect effect of a positive TRE on sales performance through customer gratitude was significant ($\beta = .03$, CI = [.01, .06], $p < .05$). Thus, we found support for H_5 for both positive and negative TREs. The indirect effects of negative TREs though sensemaking on sales performance ($\beta = –.13$, CI = [–.27, –.04], $p < .01$) and exchange partner identification ($\beta = –.09$, CI = [–.19, –.01], $p < .05$) both were significant. Thus, H_{6a} and H_{6b} received support for negative TREs. Because the indirect effect of positive TREs on sales ($\beta = .09$, CI = [.04, .15], $p < .01$) and exchange partner identification ($\beta = .07$, CI = [.03, .13], $p < .01$), through relational sensemaking, was significant, the results also supported H_{6a} and H_{6b} for positive TREs. To determine whether the effects of TREs on exchange performance were fully mediated by the proposed mechanisms, we estimated a rival model for each sample that included direct paths from the TRE to both outcomes. Neither direct path was significant, in support of full mediation.

Post hoc analysis of proactive and reactive management strategies. Because TREs unleash relationship-altering emotions and cognitions that reshape exchange performance, further research is needed into whether the effects of TREs can be altered by managerial strategies. In an initial exploration of possible strategies, we included measures for various proactive (e.g., communication) and reactive (e.g., financial contribution, seller apology) management strategies in the Study 3 data collection. Because partial least squares is robust to the nonnormality of multiplicative terms, we entered each moderating variable into the model using a multiplicative construct of standardized scores (Chin 1998).

As a proactive strategy, we found that exchange communication, or timely sharing of meaningful information about the relationship (Anderson and Narus 1990), can both insulate firms from the detrimental effects of betrayal in negative TREs ($\beta = .17$, $p < .10$) and enhance the beneficial effects of gratitude in positive TREs ($\beta = .15$, $p < .05$). Turning point literature suggests that relationship communication, "in which [partners] assess how well they are meeting their explicit and implicit relationship rules," is a critical relationship management strategy (Dindia and Baxter 1987, p. 148). Effective communication provides sellers

[2]Our results are robust to alternative model specifications, including nested models tested in AMOS that compared single mediator models against the full model.

TABLE 4
Study 3 Results: Effects of TREs on Exchange Performance

Structural Path	Hypothesis	Negative β	Negative t-Value[a]	Positive β	Positive t-Value[a]
Effects on Mediating Mechanisms					
Customer betrayal/gratitude → relational sensemaking	H_4	.39**	4.51	.34**	8.33
TRE → customer betrayal/gratitude		.34**	4.15	.08*	1.72
TRE → relational sensemaking		.25**	2.70	.25**	5.21
Effects of Mediating Mechanisms on Exchange Performance					
Customer betrayal/gratitude → sales performance		–.32**	3.12	.21**	5.32
Relational sensemaking → sales performance		–.15	1.38	.27**	6.16
Relational sensemaking → exchange partner identification		–.26*	1.80	.22**	5.51
PROCESS Test of Indirect Effects					
TRE → customer betrayal/gratitude → sales performance	H_5	–.19**	–.35/–.08	.03*	.01/.06
TRE → relational sensemaking → sales performance	H_{6a}	–.13**	–.27/–.04	.09**	.04/.15
TRE → relational sensemaking → exchange partner identification	H_{6b}	–.09*	–.19/–.01	.07**	.03/.13
Controls					
Relationship age → customer betrayal/gratitude		.02	.21	.03	.13
Relationship age → relational sensemaking		.11	1.60	–.03	.98
Exchange fairness → customer betrayal/gratitude		.34**	5.16	.34**	8.10
Exchange fairness → relational sensemaking		–.06	.85	–.01	.22
Time since event → customer betrayal/gratitude		.03	.51	.03	.77
Time since event → relational sensemaking		–.11**	1.97	–.03	1.19
Relationship age → sales performance		–.11*	1.76	.01	.46
Relationship age → exchange partner identification		.14	1.63	–.03	.97
Exchange fairness → sales performance		.02	.27	.14**	3.31
Exchange fairness → exchange partner identification		.38**	4.51	.40**	11.52
Customer size → sales performance		.02	.64	–.03	1.29
Customer size → exchange partner identification		–.09	.46	–.01	.20
Exchange communication → sales performance					
Seller apology → sales performance					
Seller apology → exchange partner identification					
R^2 for customer betrayal/gratitude		.13		.29	
R^2 for relational sensemaking		.19		.37	
R^2 for sales performance		.21		.18	
R^2 for exchange partner identification		.24		.22	

*$p < .05$.
**$p < .01$.
[a]Confidence intervals are reported for the mediation analysis run in PROCESS.
Notes: β represents the standardized path coefficient.

with opportunities to mitigate feelings of betrayal and insights for how to do so (Anderson and Narus 1990; Graham 1997). Communication can leverage the effects of a positive TRE by allowing for the discovery of potential opportunities for reciprocation and other actions to reinforce the relationship.

From a reactive position, negative TREs can threaten the long-term viability of a relationship through the drastic redefinitions of sensemaking. Yet our findings showed that a seller apology suppressed the negative effects of sensemaking on sales performance (β = .21, $p < .05$) and exchange partner identification (β = .21, $p < .10$). However, financial compensation, one of the most widely used service failure recovery strategies, had no impact. A sincere apology includes remorse, taking responsibility (without excuse or justification) for the action, a willingness to make restitution, and a promise to change. It can be effective for responding to betrayals and other relational violations by managing the initial sensemaking to help shape a customer's relationship narrative and repair some perceptions of the partner's integrity and intentions (Miller et al. 2013). Thus, because of the nature of TREs, strategies for mitigating their negative effects may vary from those traditionally used for product failures.

In summary, Study 3 supports the validity of our model by (1) generalizing our results to a B2B context, (2) demonstrating the mediating mechanisms by which TREs affect exchange performance, (3) increasing confidence in TREs through the use of objective financial data, and (4) providing initial insights into strategies for managing TREs. As with Study 2, the indirect effects of negative TREs on exchange performance, on average, were (three times) higher than those of positive TREs. Further supporting a TRE perspective, we found a clear threshold (four on the five-point TRE scales) for positive (rapid increase in exchange partner identification) and negative (rapid decline in sales) events. Similar to the analysis of the thought-listing responses in Study 2, respondent event reflections provided illustrations of the theoretical effects of TREs, such as heightened social emotions and self-transformation. By

combining the thought-listing responses (Study 2) with the event reflections (Study 3), we developed a list of keywords to identify TREs, which represents a potentially useful managerial tool for identifying TREs in customer sentiments. Graphs of the discontinuous effects, quotes, and lists of keywords appear in Web Appendix B.

Discussion, Implications, and Research Directions

A single event can disrupt gradual relationship development and serve as a defining moment in a relationship's history, driving transformational emotions and cognitions and causing a dramatic change in the relationship's velocity. Evidence of the instrumentality of a single event comes from interpersonal research on turning points, marketing research on expectancy disconfirmation and relational norms, and psychological research on sensemaking and social emotions. Such research, together with empirical evidence from our field studies and laboratory experiment, demonstrates compellingly that TREs have significant implications for firm performance, with new insights for marketing theory and practice. In particular, the TRE perspective usefully extends the field's extant knowledge about events that disconfirm customer expectations. In commercial relationships, TREs are distinct from other disconfirmation-based constructs (e.g., service failure, delight) in their underlying nature (relational vs. product) and operations. Managers thus must go beyond measuring product expectations to be vigilant of disconfirmations of relational expectations. Relational disconfirmations—particularly negative ones—can be powerful as a result of the intensity of the mechanisms (social emotions and relational sensemaking) that affect customers' conceptualizations of the relationship and behavior.

Our studies suggest that TREs are not confined to small niches of customers. By developing and testing parallel models for positive and negative events, we not only demonstrate the generalizability of our model but also provide a theoretically parsimonious explanation of a TRE, independent of its valence. Finally, TREs extend our understanding of how commercial relationships develop by providing a basis to explain why and how a nontrivial proportion of relationships fail to follow the smooth trajectory predicted by life cycle perspectives. Extending relationship marketing theory to recognize TREs is beneficial: it draws attention to the power of discrete events to dramatically (vs. incrementally) alter a relationship's nature and course.

Implications of TREs for Relationship Marketing Theory and Practice

In addition to the general notion that scholars should recognize TREs and disruptive relationship change, our findings offer new insights into key managerial and research issues in business relationships. In particular, TREs have implications for loyalty program reward designs. Loyalty programs provide rewards to strengthen the customer–firm relationship, yet many fail to produce the desired results (Henderson, Beck, and Palmatier 2011). Recognizing the shortcomings of traditional loyalty programs, many firms (e.g., Budweiser, MasterCard) avoid the use of earned rewards and offer spontaneous rewards instead. A TRE perspective could inform the timing, level of deployment, and design of spontaneous reward programs. For example, the effects of a discrete event depend on the level of relational expectations. If a loyalty-building event meaningfully exceeds the zone of indifference, it can prompt transformational mechanisms that spur relationship change. However, our thought-listing results suggest a ceiling effect for positive disconfirmation, beyond which events are "too desirable" and prompt adverse responses, such as suspicion or negative social emotions such as guilt. Thus, there may be an ideal window; calibrating rewards to the proper magnitude of disconfirmation seems critical to program success. This research direction implies a complex task because relational expectations and zones of indifference evolve. Research on how windows change (broaden, narrow, strengthen) is needed.

In addition to deployment, a TRE perspective could inform reward designs. Delight research identifies pleasant surprise as a desirable outcome of loyalty-building efforts, but we also suggest that the type of surprise (e.g., product vs. relational) influences its effects. Interpersonal research goes so far as to suggest that some turning points may be so meaningful that without the event, certain relationship stages become unattainable (Baxter and Bullis 1986). Our research offers a foundation for identifying effective design elements for positive TREs, such as personalization, which could help guide sensemaking and positive self-transformation. The unique relational narratives triggered by TREs can justify investments in experiential (e.g., dinners, trips) rather than monetary (e.g., discounts, cash) rewards for customers with strong relationships.

The dark side of relationships remains of interest. Strong relationships increase partners' vulnerability to opportunistic behavior because of their reliance on trust (Seggie, Griffith, and Jap 2013), decrease competitiveness due to greater complacency, or increase the cost of serving "entitled" customers (Wetzel, Hammerschmidt, and Zablah 2014). We identify another dark side of strong relationships: the risk of a negative TRE, which is high because the stage is set for betrayal and retaliation. We provide illustrative insights into potential strategies for mitigating the effects of negative TREs, but the elements of an effective apology should be further investigated.

Limitations and Future Research Directions

Our mixed methods enable us to benefit from the strengths of lab experiments and field studies to isolate the effects of TREs and identify and examine them in business relationships. Additional research should track the effects of TREs over time to answer key questions: What is the optimal window for engaging customers after a positive TRE to increase involvement? What is the optimal window in which firms can act to mitigate negative TREs to avoid destructive effects? Although our predictions hold across three very different contexts (financial services, restaurants, and B2B), each context is unique. Research in other contexts is needed to explore issues related to generalizability, such as whether our findings extend to all firm–customer

relationships, whether boundaries exist, and if differences arise between service- and product-based firms. Only one of our studies employs a method that can provide empirical evidence of the causal ordering among variables that we propose. However, concerns of this nature should be reduced by the theory-driven nature of our model, in combination with the consistent findings across the three studies.

Our study focused on customers, but TREs also might affect sellers. Research into dyadic effects could tap complementary emotions (e.g., shame, embarrassment, anxiety) experienced by violators who cause negative TREs or examine complementary behaviors prompted by the event, such as avoidance. Because TREs provide rich content for relational stories, their dissemination among groups (i.e., ripple effects) could yield new insights into group relationship development. We focus on two specific social emotions, but others may be at play too (e.g., guilt, shame, remorse, pride, envy). We suggest that only relational disconfirmations can produce the transformational effects predicted in turning point literature, but it may also be possible that the nature of causal attributions, questioning either the seller's capabilities or intentions, following a large product disconfirmation (e.g., a product failure that causes critical negative consequences for the buyer, without a true relational disconfirmation) could dictate whether that event would spark relationship transformations. Further research could investigate the role of attributions.

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APPENDIX A
Relational Expectations (Norms) at Each Stage of Development and Illustrative Examples of Relational Disconfirmations

A: Relational Expectations

Exploration Stage	Build-Up Stage	Maturity Stage
•Conditional, calculative trust based on credible information on partner intentions and competence supported by laws and social sanctions	•Repeated successful interactions and observations of the other's response to different social encounters broadens trust from simple replication of similar interactions	•Unconditional, relational trust in which trustworthiness is assured and backed by evidence from repeated interactions, emotional connections, and attachment between partners
•Each party assumes little risk and initiates small, "trial" encounters that are easily exited if needed	•Partners employ "secret tests" of relationship commitment and make increasingly idiosyncratic investments in the partnership	•Cooperation entails some degree of self sacrifice with high levels of relationship commitment
•Communication is superficial (e.g., "small talk")	•Increasing expectations of informal communication	•Extensive interpersonal communication
•Minimal self-disclosure limited to information relevant to the particular encounter	•Increasing self-disclosure with wider range of topics and revealing of deeper attitudes, values, beliefs, and morals	•Extensive self-disclosure including sharing each other's deepest secrets
•Superficial emotional exchange	•Searching for mutual emotional affection	•Emotional attachment and affective identification to the other
•Partner views the other as "outsider/stranger"; evaluates similarity in openly observable interests, values, and beliefs	•Partners evaluate each other on compatibility across many social and personal dimensions	•Partner views other as "insider/partner" with a unified identity whereby one can make a decision on the other's behalf
•Expectations of autonomous behavior with each partner pursuing individual goals	•Partners identify existing shared goals and begin to negotiate joint goals	•Relationship-level goals dominate with expectations of mutual dependence and sharing
•Partners perform cost–benefit analysis and identify individual rewards of relationship investments	•Partners learn to interact with each other and negotiate terms of interactions	•Partners give without any expectation of reciprocity and invest in relationship rather than merely individual success
•Partners interact with little to no expectations of future interactions	•Expectations of joint social activities in more varied settings and shared experiences	•Frequent interaction across varied social settings with public display of relationship and commitment
•Formal social interaction rules dominate	•Unique interactive norms develop in communication and behavior	•Implicit, relationship-specific rules and shared vocabulary guide interactions

Notes: We developed the list of norms from Harmeling and Palmatier (2015), Heide and John (1992), Lewicki and Bunker (1996), Altman and Taylor (1973), and Berger, and Calabrese (1975).

APPENDIX A
Continued

B: Illustrative Examples of Relational Disconfirmations

Example (Source)	Explanation
Positive Relational Disconfirmation	
"I would be surprised—pleasantly so. I wouldn't expect this given my perception that I was just another customer. Perhaps I was mistaken. I am grateful, touched, and relieved." (Study 2 thought listing from relational disconfirmation × low relational expectations condition)	Disconfirms expectations of autonomous behavior between partners
"A passenger on my flight misdirected me to the basement when I inquired as to where to pick up my luggage. ... I found myself in the Southwest employee parking lot and it was only there that a female SW employee, seeing that I was crying hysterically and was distraught, walked up to me and offered to help. ... I just wanted you to know how much I appreciated her kindness and that it really amazed me how she went out of her way to sympathize and help with my situation. I doubt any of the other airlines I've flown would have gone above and beyond the call of duty as she did." (Letter to Southwest Airlines from passenger, Nigam 2008)	Disconfirms expectations of balance between costs and benefits and illustrates the resulting feelings of gratitude
Negative Relational Disconfirmation	
"The Frontier Airlines folks have UP TO TODAY earned and kept my business, I trust them to fly me there and back on time mostly and the flight crew are friendly. I had trusted them to do the right thing by me, and not be part of a scam that tricks people into signing up for magazine subscriptions." (Frontier Airlines customer blog post, Fung 2009)	Disconfirms expectations of solidarity, shared goals, and trust
"Think of the way most women have a best friend. For many of us, our favorite department stores and brands are like best friends. We rely on them to offer what we need and provide support and interest in our lives. Large-scale drastic changes to stores and brands are akin to having a best friend become a completely different person and leave the friendship…. Not only does it create discomfort, but it shatters trust and causes emotional pain…. We are being treated as mindless idiots who can't possibly understand your grand strategy. We see your new Personality and feel betrayed by it." (JCPenny Platinum cardholder letter to company, Bhasin 2012)	Disconfirms expectations of shared identity and illustrates feelings of betrayal and transformation of self in the relationship
"As a mother of three, and [a] devoted Cascadian Farm consumer, I can't imagine why more sugar was added to previously excellent product. We consumed about 2, 3 boxes of Purely O's per week until my children all [of a] sudden told me how they tasted [different]. Naively, I thought it would be marked on the box if any changes of the products had taken place. … Then I noticed the increased sugar content. This made us lose faith in your entire brand." (Cascadian Farm customer blog post, Weingarten 2010)	Disconfirms expectations of information sharing and illustrates the resulting transformation of the relationship partner
"They brought us to the dance. We opened [another channel] and a bunch of them left us. That was 20 years ago. It's an event that happened that soured them for the rest of their life, which is the worst possible thing." (Interview, Vice President of Sales, Study 3 industrial supplier)	Disconfirms expectations of shared goal and illustrates dramatic and enduring transformation of the relationship

Notes: We developed the list of norms from Harmeling and Palmatier (2015), Heide and John (1992), Lewicki and Bunker (1996), Altman and Taylor (1973), and Berger, and Calabrese (1975).

Appendix B: Longitudinal Scenario Interaction Timeline

Interaction 1

(Every participant received the same description of the service provider, which establishes product expectations while controlling for relationship age, attractiveness of alternatives, switching costs, and previous service quality. The respondents then were randomly assigned to the low or high relational expectation manipulation.)

> Brennan's is an upscale restaurant near your house. The owner, Chris Brennan, is a local up-and-coming chef and is very visible in both the promotion and daily operations of the restaurant. There are a few other restaurants in the area that provide many of the same products at about the same price that you could go to relatively easily. You first dined at the restaurant one year ago and have eaten at Brennan's a few times since then. They serve a wide array of lunch and dinner items with entrees typically costing around $17.00.

Low Relational Expectations Manipulation

> Brennan's will accommodate any customer's special requests as long as they are willing to pay the associated costs. You feel the owner is very knowledgeable and works hard to provide good products. You use Brennan's loyalty card because it saves you money and earns you points towards rewards. If you refer someone to Brennan's, you receive a discount on your next visit, as an incentive. You realize the restaurant has many customers and you feel you are just one of many Brennan's customers.

High Relational Expectations Manipulation

> You have a strong relationship with Brennan's, which always goes out of the way to care for your special requests. You feel Chris has taken a personal interest in you and makes a point to always greet you. You use Brennan's loyalty card because you know it saves the restaurant money and you enjoy helping Brennan's. You have gone out of your way to refer several friends and family to Brennan's because you want to contribute the restaurant's success. Although the restaurant has many customers, you feel you are part of a special Brennan's family.

Interaction 2

(Participants seek the firm's services.)

> Your parents are coming to town and you decide to take them to Brennan's.

Interaction 3

(Every participant was randomly assigned to either the positive or negative condition. Within each valance, randomly selected participants received the performance or the relational disconfirmation.)

Negative Product Disconfirmation Manipulation

> When you arrive at the restaurant, you ask for a recommendation and the hostess describes their seasonal entrees. You choose one for your meal. Your food arrives shortly after you order and is similar in quality to other dishes you have had at the restaurant. When you get the bill, you notice the seasonal entrée costs $25.00. You pay and leave.

Negative Relational Disconfirmation Manipulation

> When you arrive at the restaurant, you see Chris, the owner, who nods and smiles at you. You approach the hostess, who informs you that they are completely booked and there is a very long wait. As you talk with your parents, a group of three walks in and says, "We don't have a reservation, but do you think you could find us a table?" Chris sees the group, and says to the hostess, "This is one of my favorite customers," and then personally escorts them to a table. After a long wait, you and your parents are seated at a table in the dining room.

Positive Product Disconfirmation Manipulation

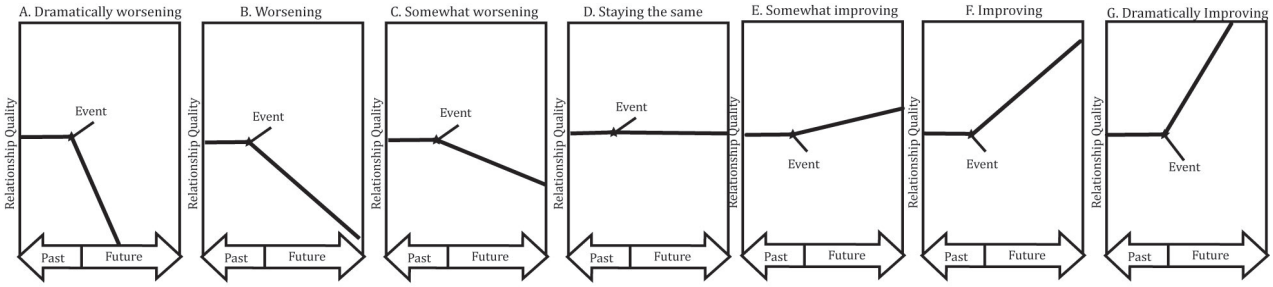
> When you arrive at the restaurant, you ask for a recommendation and the hostess describes their seasonal entrees. You choose one for your meal. Your food arrives shortly after you order and is similar in quality to other dishes you have had at the restaurant. When you get the bill, you notice your entrée costs $9.00. You pay and leave.

Positive Relational Disconfirmation Manipulation

> When you arrive at the restaurant, you see Chris, the owner, who nods and smiles at you. You approach the hostess, who informs you that they are completely booked and there is a very long wait. As you begin to leave, Chris approaches you from across the restaurant and says, "I remembered you mentioned your parents were coming to town this weekend and I was hoping you would bring them here." Chris personally escorts you to a table in the dining room and explains to the hostess, "This is one of my favorite customers."

APPENDIX C
Constructs and Measures

Constructs (Scale Sources)	Item Loadings: Study 2	Item Loadings: Study 3
Product Disconfirmation: Study 1		
Customer complaint descriptions: 0 = no product disconfirmation, 1 = product disconfirmation, based on whether the complaint (1) included a product, service, or machinery not working correctly; (2) pertained to general errors or problems that the customer encountered; or (3) described general complaints with regard to any other functional or fulfillment issues.	N.A./N.A.	N.A./N.A.
Relational Disconfirmation: Study 1		
Customer complaint descriptions: 0 = no relational disconfirmation, 1 = relational disconfirmation, based on whether the complaint was (1) interpersonal or interactional in nature, (2) directed at an employee, or (3) regarded as negative behavior on the part of employees.	N.A./N.A.	N.A./N.A.
Relational Expectations: Study 1		
Calculated using customer tenure (years)		
Relationship Velocity: Study 2 (based on Palmatier et al. 2013)		
Please choose which of the following images best depicts the change in trajectory of your relationship with [target].		



Customer Betrayal: Studies 2 and 3 (adapted from Grégoire and Fisher 2008)		
Because of this experience, I (we) felt …		
... betrayed by [target].	.93/N.A.	.88/N.A.
...[target] took advantage of me (us).	.70/N.A.	.93/N.A.
…[target] misled me (us).	.81/N.A.	.93/N.A.
…[target] let me (us) down when I needed them.	.93/N.A.	N.A./N.A.
Customer Gratitude: Studies 2 and 3 (adapted from Palmatier et al. 2009)		
Because of this experience, I (we) felt extremely grateful to [target].	N.A./.94	N.A./.92
I was (We were) incredibly thankful for what [target] did.	N.A./.91	N.A./.95
I was (We were) very appreciative of [target]'s efforts.	N.A./.86	N.A./.87
Relational Sensemaking: Studies 2 and 3 (based on Weick 1995)		
Because of this event …		
… I (we) reconsidered our role in my (our) relationship with [target].	.95/.91	.87/.85
… I (we) redefined how this relationship works.	.94/.93	.91/.91
… I (we) thought about how this event changed my (our) relationship with [target].	.92/.88	.93/.90
TRE: Studies 2 and 3 (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].	.82/.91	.91/.90
•The [target] representative's behavior was very unexpected.	.82/.91	.64/.76
•I (We) did not think [target] would do something like this.	.95/.89	.90/.90
•This event was outside of what I would have expected from the norms of our relationship.	.83/.94	.80/.91
Exchange Partner Identification: Study 3 (based on Ahearne, Bhattacharya, and Gruen 2005)		
When someone praises [target], it feels like a personal compliment.	N.A./N.A.	.78/.76
When we talk about [target], we usually say "we" rather than "they."	N.A./N.A.	.73/.68
Our firm is very interested in what others think about [target].	N.A./N.A.	.74/.86
Exchange Communication: Study 3 Moderator (Anderson and Narus 1990)		
Our firm and [target] keep each other informed about events that impact our relationship.	N.A./N.A.	.62/.68
We speak with our [target] representative(s) on a regular basis.	N.A./N.A.	.78/.86
We feel comfortable providing both positive and negative comments to our [target] representative(s).	N.A./N.A.	.82/.81
Seller Apology: Study 3 Moderator		
The [target] employee apologized to us.	N.A./N.A.	.78/N.A.
[Target] took accountability for the problem.	N.A./N.A.	.73/N.A.
The [target] employee was very understanding.	N.A./N.A.	.86/N.A.

APPENDIX C
Continued

Constructs (Scale Sources)	Item Loadings	
	Study 2	Study 3
Average Number of Accounts: Study 1 Control		
Three-month mean of accounts for each customer in three months prior to complaint period	N.A./N.A.	N.A./N.A.
Customer Transaction Frequency: Study 1 Control		
Three-month mean of total transaction for each customer in three months prior to complaint period	N.A./N.A.	N.A./N.A.
Share of Wallet: Study 1 Control		
Calculated by dividing the sum of each customer's total deposits, investments, and loans with the firm by the total estimated balances that each customer had outstanding across all firms	N.A./N.A.	N.A./N.A.
Customer Total Balances: Study 1 Control		
Log of each customer's total balances (deposits + investments + loans)	N.A./N.A.	N.A./N.A.
Relational Expectations: Study 2 Manipulation Check (based on Kaufman and Stern 1988)		
I (We) consider(ed) [target] and I (our firm) to be a team.	.82/.84	N.A./N.A.
I (We) know [target] values their relationship with me (us) as much as I (we) value my (our) relationship with them.	.86/.87	N.A./N.A.
When it comes to [target], we often help each other out.	.92/.88	N.A./N.A.
Relational Disconfirmation: Study 2 Manipulation Check (based on Olson and Dover 1979)		
Calculated difference in pre- and postencounter relational expectations	N.A./N.A.	N.A./N.A.
Product Disconfirmation: Study 2 Control (Parasuraman, Zeithaml, and Berry 1994)		
Calculated difference in pre- and postencounter product expectations	N.A./N.A.	N.A./N.A.
Relationship Age: Study 2 Confound Check and Study 3 Control		
How many years have you (your firm) been a customer of (worked with) [target]?	N.A./N.A.	N.A./N.A.
Typicality of Event: Study 2 Control (Hess, Ganesan, and Klein 2007)		
The situation described here ...		
... is characteristic of my experiences/not at all characteristic of my experience.	.89/.90	N.A./N.A.
... is not at all typical/is extremely typical.	.96/.94	N.A./N.A.
... occurs frequently/occurs infrequently (reverse coded)	.59/.49	N.A./N.A.
Customer Size: Study 3 Control		
Please estimate the number of employees in your firm.	N.A./N.A.	N.A./N.A.
Time Since Event: Study 3 Control		
Calculated based on the response to the following question: Approximately when did the event you reported take place? (mm/yyyy)	N.A./N.A.	N.A./N.A.
Exchange Fairness: Study 3 Control (Samaha, Palmatier, and Dant 2011)		
Our earnings from [target's] business are fair given …		
… the duties and responsibilities that we perform for [target].	N.A./N.A.	.82/.86
... what [target] earns from our firm's sales.	N.A./N.A.	.95/.96
…the contributions we make towards [target] marketing efforts.	N.A./N.A.	.93/.90

Notes: Item loadings presented as negative/positive. N.A. = not applicable.