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# Exploring Mediating and Moderating Relationships amongst Some Switching Barriers in the Business Services Sector

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## **Keywords**

dissatisfaction, switching barriers, business-to-business, services

## **Disciplines**

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# Exploring Mediating and Moderating Relationships amongst Some Switching Barriers in the Business Services Sector

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## Abstract

This paper presents a research model to explore the (i) direct effects of independent variables (interpersonal relationship and attractiveness of alternatives) on behavioural loyalty, (ii) the mediating effects of dependence and calculative commitment on the relationship between independent variables and behavioural loyalty, and (iii) the moderating role of subjective knowledge on the relationship between attractiveness of alternatives and dependence. While the direct effects of interpersonal relationships and attractiveness of alternatives have been examined in a business-to-business (B2B) context, there is no research yet known that investigates these constructs under conditions of dissatisfaction in the B2B services sector. Similarly, there is no research identified that investigates mediating or moderating roles in this context. We attempt to fill this knowledge gap by contributing to a better understanding of how customer loyalty towards service providers is formed under a troubled or dysfunctional relationship.

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## Introduction

Two reasons documented in the literature on why dissatisfied customers do not always defect are the existence of a good personal relationship between boundary spanners (Young & Denize, 1995) and customers not perceiving alternative service providers to be any more attractive than the current relationship (Patterson & Smith, 2003; Ping, 1993). A number of scholars have conducted separate empirical studies in a consumer context (e.g. Gremler, 1995; Jones, 1998; Liljander & Strandvik, 1995) and to a lesser extent, in a B2B context (e.g. Wathne, Biong & Heide, 2001) on the direct effect of interpersonal relationships on loyalty or repurchase intentions. With respect to attractiveness of alternatives, notable empirical studies include Patterson and Smith (2003) in a consumer context and Ping (1993, 1997, 2003) in a channels

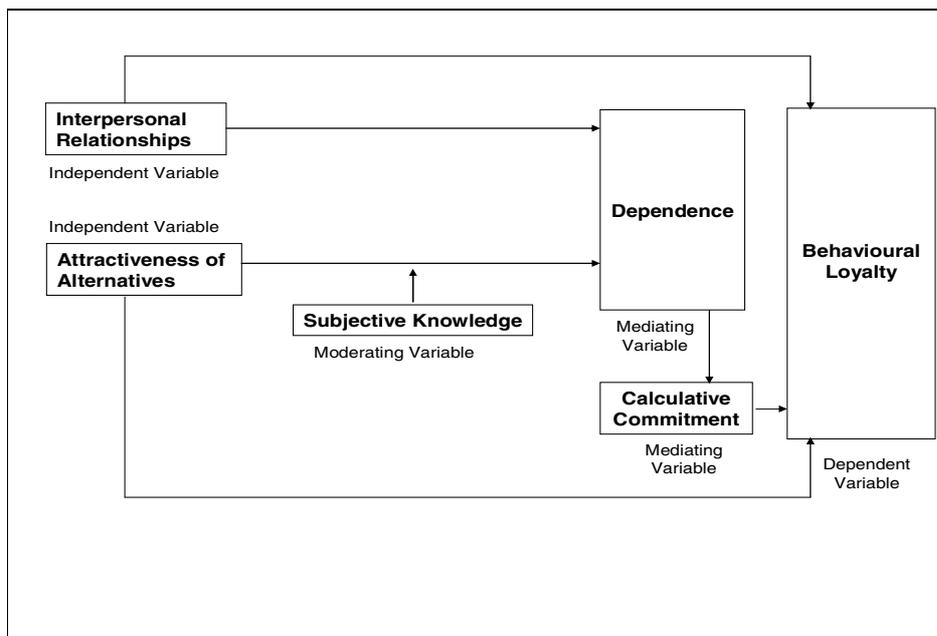
context. However, these studies do not necessarily investigate the constructs under conditions of dissatisfaction in the business-to-business (B2B) services sector.

Further, there is no research yet known that investigates mediating or moderating roles in this context. Mediating variables between certain antecedents and behavioural outcomes can explain what drives a loyal customer in managing a stable, though unsatisfying customer relationship (Wiener, 1982; Zins, 2001). Similarly, moderating variables have potential managerial significance for prioritisation of customer groups.

We therefore attempt to contribute to a better understanding of how customer loyalty towards service providers is formed, as research on the continuation of troubled business relationships is scarce (Tahtinen & Vaaland, 2006). Further, the fastest growth in services marketing is in business markets (Brown, 2002; Haddix, 2004), making this a valuable area of investigation and there is a dearth of research on loyalty in this context.

Accordingly, the objectives of the study are to explore (i) the direct effects of independent variables (interpersonal relationship and attractiveness of alternatives) on behavioural loyalty, (ii) the mediating effects of dependence and commitment on the relationship between independent variables and behavioural loyalty, and (iii) the moderating role of subjective knowledge on the relationship between attractiveness of alternatives and dependence.

This conceptual paper is organised as follows: First, a research model consisting of six key constructs, namely interpersonal relationships, attractiveness of alternatives, subjective knowledge, dependence, calculative commitment and behavioural loyalty is presented in figure 1. The paper then discusses these key constructs, along with proposed measures to be adopted to investigate the model. This is followed by a discussion on the relationship between the key constructs, and the proposal of nine key propositions.



**Figure 1 Conceptual model of behavioural loyalty amongst dissatisfied customers**

### Discussion of Key Constructs

#### Interpersonal Relationships

Interpersonal relationships refer to positive personal relationships between a customer and an employee or employees of a service provider. The notion of interpersonal relationships in a marketing context has been referred to in the literature in several different ways. Gremler (1995, p. 150) for example, used the term interpersonal bond to refer to the “degree to which a customer perceives having a personal, social relationship with a service provider employee”. Using qualitative and quantitative data in consumer markets, Gremler (1995) found that dimensions of the overall construct of interpersonal bonds include familiarity, care, friendship, rapport and trust. Other researchers refer to personal relationships as social bonds (Berry & Parasuraman, 1991; Liljander & Strandvik, 1995; Turnball & Wilson, 1989).

Some scholars who have researched in a business-to-business (B2B) context seem to have incorporated Turnball and Wilson’s (1989) terminology of interpersonal relationships, however have added ‘closeness’ to the definition. This is particularly

evident in Wathne, Bion and Heide's (2001, p.55) study, where similar definitions are cited and interpersonal relationships are conceptualised as "the degree to which a close and personal relationship exists between boundary-spanning personnel in the transacting organisations" (Baker, 1990; Marsden & Campbell, 1984; Seabright, Levinthal & Fichman, 1992; Uzzi, 1997).

However, Bove and Johnson (2001) argue that the concept of 'close' relationships is inappropriate for commercial relationships, because the term 'close' is associated with romantic, friendship and family contexts. They argue that customer relationships with service providers would not fall into this context, as participants would not have relational expectations of intimacy. Bove and Johnson (2001) further suggest that closeness should only be used in a commercial setting when the relationship between a customer and a service provider has developed into a friendship. Similarly, Iacobucci and Ostrom (1996) found that B2B manufacturer-retailer relationships are close, but not necessarily warm and friendly. However, studies have found friendship relationships in a B2B context (Haytko, 2004; Movondo & Rodrigo, 2001; Mummalaneni and Wilson, 1991; Price and Arnould, 1999).

Based on the foregoing arguments, we conceptualise interpersonal relationships as "the degree to which a personal relationship exists between boundary-spanning personnel in the transacting organisations that subsumes dimensions of familiarity, rapport and friendship".

### **Attractiveness of Alternatives**

In a services marketing context, the attractiveness of alternatives refers to the level of service expected in one's best available alternative to the present service provider (Jones, 1998). In a channels context, Ping (1993) used the term "attractiveness of alternatives" consistent with social psychology research and found retailers were more likely to change suppliers when the attractiveness of alternatives was high. In a strategy context, the notion of the attractiveness of alternatives is linked to the idea of service differentiation (Jones, 1998; Kim, Park & Jeong, 2004). A firm is differentiated when it provides something unique that competitors do not offer, and that is valued by their customers (Day & Wensley, 1988; Porter, 1980). Thus, a customer using a firm that is differentiated will tend to perceive that there are few attractive alternatives. If a

company offers differentiated services that are difficult for a competitor to match or to provide with equivalents, customers tend to remain with the existing company (Bendapudi & Berry, 1997). Other scholars discuss attractiveness in terms of substitutability (Bagozzi & Phillips, 1982; Rodin, 1982). It is recommended that a scale based on Ping (1993, 1997, 2003) be adopted, as the measure was found to be reliable and valid in previous studies (e.g. Dwyer & Oh, 1987; Gaski, 1986; Ruckert & Churchill, 1984).

### **Subjective Knowledge**

Research suggests that the relative evaluation of incumbent and alternatives can be influenced by how much a customer knows about alternatives. For instance, information processing theories of choice (e.g. Bettman, 1979; Fishbein & Ajzen, 1975) suggest that a customer's evaluation of an alternative will depend on the content of the customer's knowledge.

Two knowledge constructs have been distinguished. The first is objective knowledge: accurate information stored in long-term memory, or what an individual actually knows (Brucks, 1985; Park & Lessig, 1981). The second is subjective or self-assessed knowledge: their perception of what or how much they know (Brucks, 1985; Russo & Johnson, 1980). Although objective and subjective knowledge are related to aspects of information search and decision-making behaviour, they relate in different ways (Brucks, 1985).

Despite the pervasiveness of the concept of subjective knowledge in the customer behaviour literature, definitions are varied. For example, Engel, Blackwell and Miniard (1990, p.296) define subjective knowledge as "the consumers' impressions of their total knowledge and familiarity". Brucks (1985) defines subjective knowledge as, "what individuals perceive that they know" (p.2) and includes an individual's degree of confidence in his/her knowledge. Following Brucks (1985, p.154), Raju, Lonial and Mangold (1995) call subjective knowledge "the feeling of knowing". In the context of defection and knowledge on alternatives, Capraro, Broniarczyk and Srivastava (2003) borrow conceptualisation of subjective knowledge from Brucks (1985) and Park, Mothersbaugh and Feick (1994) and define level of subjective knowledge in terms of how much individuals *perceive* they know about alternatives. Flynn and Goldsmith

(1999) criticised many of the previous measures of subjective knowledge and developed a multi-item scale. They define subjective knowledge as “a consumer’s perception of the amount of information they have stored in their memory” (p.59). For any multi-industry study, a scale used by Flynn and Goldsmith (1999) is recommended, as the measure was found to be valid and reliable for a variety of different product/service fields.

### **Dependence**

Extending concepts from interdependence theory (Kelley & Thibaut, 1978; Thibaut & Kelley, 1959), the decision to remain in a given relationship is strongly related to the degree of dependence on that relationship. A company’s dependence on a partner is defined as the extent to which a target firm needs the source firm to achieve its goals (Frazier, 1983; Gassenheimer, Houston & Davis, 1998; Kumar et al., 1995). So, the target firm has little choice but to maintain the relationship with the source firm (Frazier, 1983). According to Stanley and Markman (1992), dependency in the relationship is referred to as constraint-based relationship maintenance because of the asymmetry in a relationship between two partners.

Heide and John (1988) indicate that the dependence of a retailer on a vendor can be increased by four means. First, when outcomes obtained by the retailer from the vendor are important and highly valued and the magnitude of the exchange is high. Second, when outcomes obtained by the retailer exceed outcomes available to the retailer from the best alternative vendor. Third, dependence is increased when fewer alternative sources of exchange are available to the focal party. Fourth, dependence is increased when fewer potential alternative sources of exchange are available. Though this measure was validated in a later study (Ganesan, 1994), a pilot study conducted earlier by the authors of this paper found that this measure was not found to be unidimensional. The current study hypothesises unattractiveness of alternative as an antecedent to dependence. Inclusion of all dimensions to build a summated scale of an overall dependence construct would confound the results. Hence, the first measure as described by Heide and John (1988) and Ganesan (1994) is endorsed. Several authors have used the notion of magnitude and/or importance of exchange to describe

dependence (e.g. Dickson, 1983; El-Ansary & Stern, 1972; Etgar, 1976; Pfeffer & Salancik, 1978).

### **Calculative Commitment**

Since commitment plays a central role in continuity of relationships (Wetzels, Ruyter & Birgelen, 1998), and as commitment is the most advanced phase of partners' interdependence (Scanzoni, 1979), the phenomena of 'why customers are motivated to stay' could be explained using the behavioural component of commitment referred to as calculative commitment (Geyskens et al., 1996; Gilliland & Bello, 2002). It is the state of attachment to a partner which is cognitively experienced as a realisation of the benefits sacrificed and losses incurred if the relationship were to end (Geyskens et al., 1996; Kumar et al., 1994). Relations that are based on calculative commitment continue on a cost-benefit basis. That is, as long as the costs associated with leaving the partner are higher than the expected benefits of switching, the customer will be motivated to maintain the current relationship. Geyskens et al. (1996) characterise this motivation for continuing the relationship "negative" as compared with the "positive" motivation underlying affective commitment. This psychological state of commitment represents what has been termed by some as the dark-side of relationship marketing (Fournier, Dobscha & Mick, 1998).

According to Gilliland and Bello (2002), calculative commitment adapted from the high sacrifice scale of Meyer and Allen (1984) represents a business customer's attachment to a service provider cognitively experienced as recognition of the sacrificed benefits and incurred losses if the relationship were to end. Our conceptualisation parallels the view held by Gilliland and Bello (2002) and McGee and Ford (1987), who have suggested that previous work on calculative commitment has confounded the measurement of lack of alternatives with the notion of sacrifice and that a sacrifice-based approach more closely parallels the investment-based view of commitment, as described originally by Becker (1960).

### **Behavioural Loyalty**

Customers may demonstrate their loyalty in any one of a number of ways; they may choose to stay with a service provider, whether this continuance is defined as a

relationship or not. Uncles et. al. (2003) identify a contingency approach to conceptualising loyalty and argue that an attitude towards a brand may provide only a weak prediction of whether or not a brand will be bought on the next purchase occasion because any number of factors may co-determine which brand(s) are deemed to be desirable. Our views parallel the views held by Uncles et. al. stated above; this research therefore views loyalty in terms of expressed behaviour.

In our study, behavioural loyalty is viewed as a temporal construct to include (i) tendency to repeat purchase, (ii) patterns in repeat purchasing (number and frequency of purchase orders placed), (iii) the tendency to increase or reduce the number of service providers used, and (iv) the proportion of total purchases from a given service provider before and after dissatisfaction. In other words, behavioural loyalty is measured as a combination of behavioural indicators in a B2B environment, as suggested by Morris and Holman (1988).

### **Relationships between Key Constructs**

Nine propositions are proposed to explain the relationships between the key constructs.

#### **Interpersonal Relationships and Behavioural Loyalty**

Dwyer, Schurr, and Oh (1987) and Kim et al. (2004) state that a strong interpersonal relationship serves as a mobility barrier. Studies in consumer markets note that interpersonal relationships serve to buffer the negative impact of dissatisfaction on loyalty. For example, Jones, Mothersbaugh and Beatty (2000) discovered that, in situations of low customer satisfaction, strong interpersonal relationships positively influence the extent to which customers intend to repurchase. Gwinner, Gremler and Bitner (1998) argue that even if a customer perceives the core service attributes as being less than optimal, they may remain in a relationship if they are receiving important relational benefits. A qualitative study by Young and Denize (1995) on business service relationships indicated that a personal relationship was the primary motivation to stay even when there were strong reasons to seek another provider. On the basis of the foregoing arguments and evidence, we advance the following proposition:

*Proposition 1:* Stronger interpersonal relationships are associated with higher levels of behavioural loyalty.

### **Interpersonal Relationships and Dependence**

Though there is a strong argument for the direct effect of interpersonal relationship on behavioural loyalty, Jones, Mothersbaugh and Beatty (2000) suggest that interpersonal relationships may increase customers' dependence. Similarly, Bendapudi and Berry (1997) propose that the social bonding that may occur in the context of a customer relationship can serve to increase the customer's dependence on the service provider. This reasoning leads to the following proposition:

*Proposition 2:* Stronger interpersonal relationships are associated with higher levels of dependence.

### **Attractiveness of Alternatives and Behavioural Loyalty**

Low alternative attractiveness is suggested to be a favourable situation to retain customers (Ping, 1993). Conceptual work on customer loyalty by Dick and Basu (1994) suggests that customers may exhibit spurious loyalty where alternatives exist but are not perceived as differentiated. Lee and Cunningham (2001) in an empirical study of the banking and travel agency sectors in the consumer market found that the higher the substitutability of the current service provider, the lower the consumer's intention to re-patronise the provider. Tahtinen and Vaaland (2006) found that a perceived lack of alternative suppliers dampens the customer's willingness to end a business relationship. Based on these arguments and associated evidence, the following proposition is posited:

*Proposition 3:* Lower levels of attractiveness of alternatives are associated with higher levels of behavioural loyalty.

### **Attractiveness of Alternatives and Dependence**

Though there is a strong argument for the direct effect of attractiveness of alternatives on behavioural loyalty, the literature on inter-organisational relationships suggests that

there is an inverse relationship between the substitutability and dependence of one organisation on another (Bagozzi & Phillips, 1982; Heide & John, 1988; Patterson & Smith, 2003; Pfeffer & Salancik, 1978). Other researchers refer to the outcomes available from the best alternative in an exchange relationship between a manufacturer and distributor as dependence (e.g. Anderson & Narus, 1990; Frazier, 1983; Ganesan, 1994). This reasoning leads to the following proposition:

*Proposition 4:* Lower levels of attractiveness of alternatives are associated higher levels of dependence.

### **Dependence and Calculative Commitment**

An organisation's dependence on another organisation is regarded as an important antecedent to its relationship commitment (Venetis & Ghauri, 2004). That is, commitment can be formed when one party perceives dependence on the other party to the exchange (Heide & John, 1992). As dependence increases, the dependent organisation will find itself in an increasingly vulnerable position, and it could be argued that the dependent firm is more likely to continue the relationship because it seems necessary given the losses involved in terminating the relationship. This is because when customers feel trapped in a relationship, it becomes difficult for them to switch suppliers (Anderson & Weitz, 1992; Gundlach, Achrol & Mentzer, 1995).

There is a body of research on the effects of dependence-based commitment. Geyskens et al. (1996) and Gilliland and Bello (2002) found a positive correlation between dependence and calculative commitment in an industrial goods channel context and Wetzels, Ruyter and Birgelen (1998) found a positive correlation in business service relationships. This leads us to advance the following proposition:

*Proposition 5:* Greater dependence leads to higher levels of calculative commitment.

### **Calculative Commitment and Behavioural Loyalty**

Commitment can be viewed as a mechanism through which behavioural outcomes are maintained (Wilson & Mummalaneni, 1986). Further, the importance of the possible integration of the concept of commitment in loyalty studies has been emphasised by

Zins (2001, p.271), who states, “it seems that the essential theoretical advancement emerged by introducing the...calculative commitment construct into the marketing literature lies in the more transparent demonstration of how cognitive...antecedents may interfere with future loyal or disloyal behaviour”. From this perspective, it does not make sense to exchange the loyalty notion with the commitment notion (Samuelson & Sandvik, 1997). Fullerton (2003) asserts that customer commitment to a service provider would be a very important driver of customer loyalty in service industries.

Literature on marketing relationships in consumer markets has identified a positive effect of dependence-based commitment on customer retention (Fournier, Dobscha & Mick, 1998; Fullerton, 2003; Grayson & Ambler, 1999). In business service relationships, Wetzels, Ruyter and Birgelen (1998) found a positive correlation between calculative commitment and intention to stay; actual behaviour such as repeat buying behaviour was not included. However, they strongly emphasise that repeat purchasing behaviour should be studied to obtain a complete picture on the role of commitment. However, Gounaris (2005) did not find a positive correlation between calculative commitment and intention to stay in a B2B service context. Given the alternative view, the following proposition is advanced:

*Proposition 6:* Greater calculative commitment leads to higher levels of behavioural loyalty.

#### **Mediating effect of Dependence and Calculative Commitment**

The foregoing arguments suggest that dependence and calculative commitment mediate the relationship between the independent variables, interpersonal relationship and attractiveness of alternatives, and the dependent variable, behavioural loyalty. Accordingly, the following propositions are proposed:

*Proposition 7:* The relationship between interpersonal relationships and behavioural loyalty is mediated by dependence and calculative commitment.

*Proposition 8:* The relationship between attractiveness of alternatives and behavioural loyalty is mediated by dependence and calculative commitment.

### **Moderating Effect of Subjective Knowledge**

Studies in buying behaviour (e.g. Engel, Kollat & Blackwell 1973) have observed that a buyer will not initiate purchase behaviour toward an alternative until some requisite level of information about that alternative has been gathered. In a switching context, this suggests that a buying firm will need to have some requisite level of knowledge about an alternative in order for that firm to consider an alternative a viable option to defect to. While a customer may have a positive evaluation of an alternative, a perception of insufficient knowledge about an alternative will preclude switching to it. Customers with higher levels of subjective knowledge about alternatives will perceive themselves as being more knowledgeable about alternatives (Brucks, 1985) and thus should perceive that there are more alternatives for which they have sufficient knowledge to defect to. Capraro Broniarczyk and Srivastava's (2003) study in the consumer health insurance service found support for the hypothesis that the levels of subjective knowledge about alternatives will be positively associated with likelihood of defection. Based on these arguments, the following proposition is posited:

*Proposition 9:* The strength of the positive relationship between unattractiveness of alternatives and dependence is weaker for buying firms with subjective knowledge on alternatives.

### **Implications**

This study proposes (i) the direct effects of the independent variables, interpersonal relationship and attractiveness of alternatives on behavioural loyalty, (ii) the mediating effects of dependence and calculative commitment on the relationship between independent variables and behavioural loyalty, and (iii) the moderating role of subjective knowledge on the relationship between attractiveness of alternatives and dependence. Future research is required to undertake the empirical work necessary to test this theoretical model.

An understanding of why "at risk customers" stay could help to determine marketing strategies including barriers to exit. For those service firms that are attempting to attract competitors' prospective switchers, an understanding of why they do not switch

is important, as it will enable them to develop strategies to overcome these switching barriers and gain market share.

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