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A model of customer retention of dissatisfied business services customers

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1. Introduction

Customer dissatisfaction has the potential to: (i) diminish an organisation's customer base; (ii) require the firm to rely on a more volatile customer mix; and (iii) erode the firm's reputation (Levesque and McDougall, 1996). This is particularly true in service industries, in which customer dissatisfaction is a significant problem (Fornell, 1992; Singh, 1990).

It is common for customers to be dissatisfied with the relationship they have with their service providers (Colgate and Lang, 2001; Colgate and Norris, 2001; Gronhaug and Gilly, 1991; White and Yanamandram, 2004), but *how* customers react to dissatisfaction is the crucial issue for marketing managers (Richins, 1987). Just as satisfied customers are not necessarily loyal (Rowley and Dawes, 2000), dissatisfied customers are not always disloyal (Hirschman, 1970). Some customers take no action at all when dissatisfied, whereas others take various actions—such as complaining directly to the provider about the service or switching suppliers (Richins, 1987). Ultimately, the buyer's actions, and how the supplier reacts to those actions, determine whether that customer is retained (Singh, 1988).

The purpose of this study is to explore the factors that have the potential to induce dissatisfied customers in the business-to-business (B2B) service context to remain with their present service providers. The study presents a theoretical model of the factors involved and advances several propositions regarding the relationships among these factors. The study concludes with managerial implications and suggestions for future research.

2. Overview of literature

2.1 Customer retention in consumer markets

Many studies have investigated the reasons for customers switching service providers (e.g. Colgate *et al.*, 1996; Colgate and Hedge, 2001; Keaveney, 1995) and the significance of switching behaviour (Fornell and Wernerfelt, 1987; Reichheld and Sasser, 1990; Mittal and Lassar, 1998). Other studies have investigated why customers do *not* always defect to competing providers. These latter studies have suggested a variety of factors (or 'switching barriers'):

- switching costs (Burnham *et al.*, 2003; Colgate and Lang, 2001; Fornell, 1992; Grace and O'Cass, 2003; Gronhaug and Gilly, 1991; Jones *et al.*, 2000; Jones *et al.*, 2002; Kim *et al.*, 2004; Lee and Cunningham, 2001; Panther and Farquhar, 2004; Patterson, 2004; Patterson and Smith, 2003; Sharma and Patterson, 2000);
- interpersonal relationships (Colgate and Danaher, 2000; Colgate and Lang, 2001; Gwinner *et al.*, 1998; Jones *et al.*, 2000; Kim *et al.*, 2004; Patterson, 2004; Patterson and Smith, 2003);
- availability and attractiveness of alternatives (Bendapudi and Berry, 1997; Colgate and Lang, 2001; Grace and O'Cass, 2003; Jones *et al.*, 2000; Kim *et al.*, 2004; Panther and Farquhar, 2004; Patterson and Smith, 2003; Sharma and Patterson, 2000);
- service recovery (Blodgett *et al.*, 1997; Hess *et al.*, 2003; Smith *et al.*, 1999; Smith and Bolton, 1998; Spreng *et al.*, 1995; Tax *et al.*, 1998); and
- inertia (Bawa, 1990; Colgate and Lang, 2001; Ranaweera and Neely, 2003; White and Yanamandram, 2004).

Most of the studies listed above did not discriminate between *satisfied* customers and *dissatisfied* customers; indeed, only two studies have specifically investigated retention of dissatisfied customers (Colgate and Lang, 2001; Panther and Farquhar, 2004).

2.2 B2B Markets

Compared with the large number of studies that have investigated switching barriers in consumer markets, relatively few studies have investigated this subject in B2B markets. Those that do exist have studied the effects of: (i) switching costs (Lam *et al.*, 2004; Nielson, 1996; Sengupta *et al.*, 1997; Wathne *et al.*, 2001); (ii) interpersonal relationships (Young and Denize, 1995); (iii) unattractiveness of alternative providers (Ping, 1993, 1997, 2003); (iv) service recovery (Colgate and Norris, 2001; Durvasula *et al.*, 2000; Homburg and Furst, 2005); and (v) inertia (Bozzo, 2002).

2.3 Research gaps

It is apparent from the overview of the literature presented above that three research gaps exist in the literature on responses to dissatisfaction, especially among B2B service customers.

- Only studies on service recovery have specifically focused on the effects of switching barriers among *dissatisfied* customers (Colgate and Norris, 2001; Durvasula *et al.*, 2000; Homburg and Furst, 2005); other studies have not differentiated between *satisfied* customers and *dissatisfied* customers. There is virtually no work on the continuation of troubled business relationships (Tahtinen and Vaaland, 2006), and scholars (e.g. Liu, 2006) have recommended that future research should explore the impact of dissatisfaction on the effects of 'buyer entrapment' in a business service context.

- There has been no attempt to conceptualise all the important barriers comprehensively in a single model in the B2B services sector. The fastest growth in services marketing today is in business markets (Wolfl, 2005), making this an important area of study with significance for marketers, particularly in terms of the development of customer retention.

- No research has hitherto investigated mediating factors under the condition of dissatisfaction in the B2B services sector; in particular, there have been no studies that consider aspects of the relationship between customers and service providers. Scholars (e.g. Dube and Shoemaker, 2000) have recommended that research on switching should include ‘relationship’ variables.

The present review article addresses these gaps by presenting a conceptual framework of B2B service dissatisfaction and customer retention based on Rusbult (1980) and using research from relevant business and consumer market literature.

3. Conceptual framework

Rusbult’s (1980) investment model of ongoing personal relationships indicates that high investment and the perception that only poor alternatives are available, will tend to keep an individual committed to a relationship that is dissatisfying. Commitment to continue the relationship may be high, even though relationship satisfaction is low.

Adopting propositions of the investment model to a B2B repurchase situation, a buyer’s intention to purchase is determined by the attractiveness of alternatives and resources invested. However, long-term business exchange relationships often require modifying how these concepts influence repurchase behaviour. Regarding the size of investment, the investment model argues that resources invested create deterrents to the termination of the current relationship. However, in business exchange relations, termination of the current relationship entails establishing a new relationship to replace the current service provider. Hence, the concept of perceived switching costs includes investment costs and adjustment costs to better represent the repurchase behaviour in the business world.

In addition to switching costs and attractiveness of alternative service providers, three other factors based on studies reported in the literature on switching barriers are included as explaining the repurchase behaviour in B2B markets: interpersonal relationships (e.g. Wathne *et al.*, 2001), service recovery (e.g. Homburg and Furst, 2005), and inertia (e.g. Bozzo, 2002).

Because mediating relationships between certain antecedents and behavioural outcomes can explain what drives a loyal customer in managing a stable, though *unsatisfying* customer relationship (Wiener, 1982), we introduce potential mediators in our conceptual framework. Two of the central concepts in relationship marketing paradigm are customer dependence (Heide and John, 1988; Ganesan, 1994) and commitment (Dwyer *et al.*, 1987). Figure 1 illustrates the various constructs and their linkages in the proposed model. These are explored in greater detail in the following paragraphs.

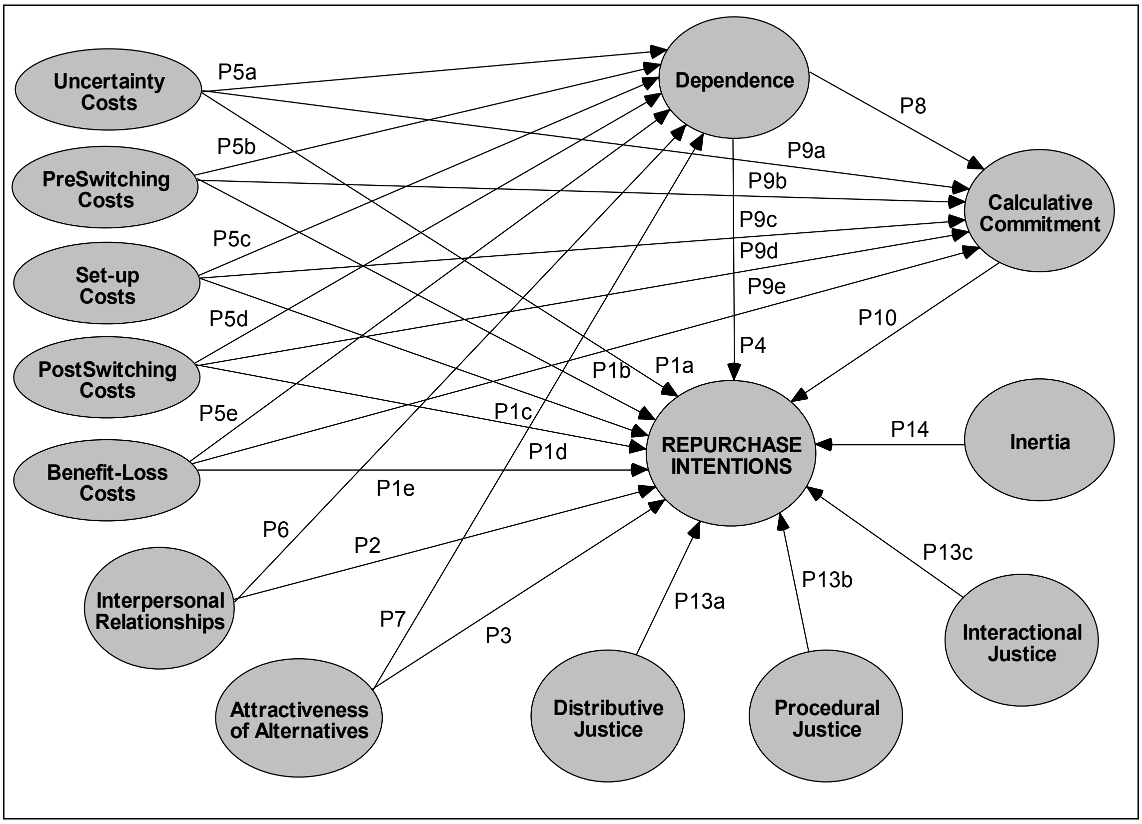

Figure 1 Model of customer retention amongst dissatisfied business service customers

3.1 Repurchase intentions

The centrepiece of the proposed model in Figure 1 is represented by 'repurchase intentions'—which is related to, but not synonymous with, the concept of 'loyalty'. Customers demonstrate their 'loyalty' in various ways, and there is no consensus regarding the definition of 'loyalty' (Dick and Basu, 1994; Oliver, 1999). Conceptualisations of 'loyalty' include:

- *behavioural conceptualisations:* which conceive of 'loyalty' purely in terms of revealed behaviour—such as repeat purchase behaviour, proportion of purchases, sequence of purchases, and share of market;
- *attitudinal conceptualisations:* which conceive 'loyalty' in terms of whether people like the brand, feel committed to it, recommend it to others, and have positive beliefs and feelings about it relative to competing brands; and
- *combined behavioural and attitudinal conceptualisations:* which conceive 'loyalty' in terms of both attitudinal and behavioural dimensions.

According to Uncles *et al.* (2003), repeat buying is moderated by contingent factors—such as the buyer's individual's characteristics, circumstances, and purchase situation. Similarly, Blackwell *et al.* (1999) have argued that an attitude towards a brand is only a weak predictor of whether a brand will be purchased again—because various contingent factors play a significant role in determining which brands are desirable. This is even more evident when attitudes are weakly held. The thrust of this view is adopted in the model presented here—whereby 'loyalty' is understood in terms of 'repurchase intentions'. This approach takes into account factors that play a role when customers are dissatisfied with their service provider in the B2B services sector.

The term ‘repurchase intention’ is understood in the proposed model to be a customer’s judgment about again buying a designated service from the same service provider, taking into account the customer’s current situation and likely circumstances (Hellier *et al.*, 2003). Although such a ‘repurchase intention’ can be included under the more general concept of ‘behavioural intention’ (Zeithaml *et al.*, 1996), and although ‘behavioural intention’ has been viewed as one facet of ‘attitude’ (Kotler, 1997), authors such as Soderlund *et al.* (2001) have contended that ‘behavioural intention’ is distinct from ‘attitude’. This view is supported by Belk (1985) and Bagozzi *et al.* (1989), who viewed ‘behavioural intention’ as a particular form of volition that transforms an attitude into guided physical responses. The understanding of ‘repurchase intentions’ in the present study’s proposed model—that is, a customer’s judgment about again buying a designated service from the same service provider—takes account of the fact that purchase intentions can incorporate psychological influences, economic and environmental considerations, and the customer’s ability and need to make a purchase (Pickering and Isherwood, 1974).

3.2 Switching costs and repurchase intentions

Switching costs are the buyer’s perceived costs of switching from the existing to a new supplier (Heide and Weiss, 1995). These include the cost of changing services in terms of time, monetary and psychological expenditure (Dick and Basu, 1994). While business goods suppliers primarily strengthen switching costs through ‘hard assets’, such as installed proprietary equipment that cannot be transferred to other exchange relationships (Wilson *et al.*, 1995), providers of business services often cannot utilise hard assets to lock in current customers (Liu, 2006). Consequently, business service providers explore the establishment of ‘soft assets’, such as procedural investments and customer-specific expertise which enhance switching cost perceptions (Wilson *et al.*, 1995).

The term ‘switching costs’ is used in the proposed model to indicate: (i) uncertainty costs; (ii) pre-switching costs; (iii) set-up costs; (iv) post-switching costs; and (v) benefit/loss costs. These are illustrated in the top-left of Figure 1. Each of these is described below.

Uncertainty costs
An ‘uncertainty cost’ is the cost associated with the psychological uncertainty that accompanies the performance of an untested service provider (Guiltinan, 1989). Uncertainty costs are especially significant in service industries, given the intangible and heterogeneous nature of services (Mitchell, 1999).

Pre-switching costs
Search and evaluation costs are entailed in the time and effort required of customers in seeking out information about available alternatives and evaluating their viability prior to switching (Jones *et al.*, 2002).

Set-up costs
Set-up costs are the time and effort associated with the process of initiating a relationship with a new provider, or setting up a new service for initial use (Guiltinan, 1989).

Post-switching
Because customers play an integral role in service routines and procedures, time and effort is required of customers in acquiring and adapting to the new procedures and routines of an alternative provider. These behavioural and cognitive costs are referred to here as ‘post-switching costs’ (Jones *et al.*, 2002).

Benefit/loss costs
Contractual arrangements often mean that there are economic benefits in staying with an incumbent firm (Guiltinan, 1989), and the potential loss of these benefits thus represents a disincentive to switching (Turnball and Wilson, 1989).

According to Dwyer *et al.* (1987) and Heide and Weiss (1995), customers are motivated to stay in existing relationships to economise on the types of switching costs described above. These potential costs thus constitute a significant barrier to moving to other service providers when customers are dissatisfied with the services of a provider. Empirical support for the influence of switching costs on retailer–supplier loyalty has been provided by Ping (1993).

On the basis of the above discussion, the following propositions regarding 'switching costs' and 'repurchase intentions' are advanced (as illustrated in Figure 1):

- *Proposition P1a:* Among dissatisfied customers, higher levels of uncertainty costs are associated with higher levels of repurchase intentions.
- *Proposition P1b:* Among dissatisfied customers, higher levels of pre-switching (search and evaluation) costs are associated with higher levels of repurchase intentions.
- *Proposition P1c:* Among dissatisfied customers, higher levels of set-up costs are associated with higher levels of repurchase intentions.
- *Proposition P1d:* Among dissatisfied customers, higher levels of post-switching (behavioural and cognitive) costs are associated with higher levels of repurchase intentions.
- *Proposition P1e:* Among dissatisfied customers, higher levels of benefit/loss costs are associated with higher levels of repurchase intentions.

3.3 Interpersonal relationships and repurchase intentions

'Interpersonal relationships' appear towards the bottom-left corner of Figure 1. Interpersonal relationships are defined as the degree to which personal relationships exist between boundary-spanning personnel in the transacting organisations. Dwyer *et al.* (1987) and Kim *et al.* (2004) contended that strong interpersonal relationships between frontline service personnel and customers diminish mobility. Adamson *et al.* (2003) found empirical support for this contention in a small-business context, and Jones *et al.* (2000) demonstrated that strong interpersonal relationships positively influence the repurchase intentions of dissatisfied customers. Gwinner *et al.* (1998) argued that customers who perceive core service attributes as being less than optimal might remain in a relationship if they are receiving important relational benefits. Young and Denize (1995) found that a personal relationship was the primary motivation to stay in a business service relationship, even if there were strong reasons to seek another provider.

On the basis of the above discussion, the following proposition regarding 'interpersonal relationships' and 'repurchase intentions' is advanced (see Figure 1):

- *Proposition P2:* Among dissatisfied customers, higher levels of interpersonal relationships are associated with higher levels of repurchase intentions.

3.4 Attractiveness of alternatives and repurchase intentions

'Attractiveness of alternatives' appears towards the bottom-left corner of Figure 1. In the context of services marketing, the 'attractiveness of alternatives' refers to the quality of service that the customer anticipates in the best available alternative to the present service provider (Jones, 1998; Patterson and Smith, 2003). The notion of the 'attractiveness of alternatives' can also be linked to service differentiation—that is, the provision of a unique and valued service that competitors do not offer (Jones, 1998; Kim *et al.*, 2004). If a company offers differentiated services, customers tend to remain with that company (Bendapudi and Berry, 1997).

Low alternative attractiveness favours the retention of customers (Ping, 1993; Tahtinen and Vaaland, 2006). Conversely, Lee and Cunningham (2001) found that the higher the substitutability of the current service provider, the lower the consumer's intention to re-patronise the provider. If customers feel that alternative service providers are of the same or similar quality, the perception of high barriers to exit is accentuated (Colgate and Norris, 2001).

On the basis of the above discussion, the following proposition with respect to 'attractiveness of alternatives' and 'repurchase intentions' is advanced (see Figure 1):

- *Proposition P3:* Among dissatisfied customers, lower levels of attractiveness of alternatives are associated with higher levels of repurchase intentions.

3.5 Dependence and repurchase intentions

'Dependence' is illustrated in the top-centre of Figure 1. Much of the literature on 'dependence' focuses on marketing-channel relationships—such as that between a vendor and a retailer, or that between a manufacturer and a distributor (Ganesan, 1994; Heide and John, 1988; Kumar *et al.*, 1995). In this context, a company's 'dependence' is defined as the extent to which that company needs a particular supplier to achieve its goals (Frazier, 1983; Kumar *et al.*, 1995). Dependence is higher if the required resources cannot be found elsewhere and if goals can be realised only from a given relationship (Andaleeb, 1996). In these circumstances, a firm has little choice but to maintain its relationship with the supplier (Frazier, 1983). 'Dependence' of a customer on a provider is increased if the outcomes obtained by the customer are highly valued and the magnitude of the exchange is high. Scholars have used this notion of magnitude and/or importance of exchange to describe dependence (e.g. Dickson, 1983; Pfeffer and Salancik, 1978).

On the basis of the above discussion, the following proposition with respect to 'dependence' and 'repurchase intentions' is advanced (see Figure 1):

- *Proposition P4:* Among dissatisfied customers, higher levels of dependence are associated with higher levels of repurchase intentions.

3.6 Antecedent variables and dependence

3.6.1 Switching costs

There is empirical evidence that 'switching costs' are associated with dependence on a service provider (Heide and John, 1988; Lam *et al.*, 2004; Nielson 1996). Moreover, a positive relationship has been demonstrated between asset specificity and dependence (Ganesan 1994), and it is therefore likely a business customer who has invested specific assets in a service provider will have some degree of dependence on that service provider.

On the basis of the above discussion the following propositions with respect to 'switching costs' and 'dependence' are advanced (see Figure 1):

- *Proposition P5a:* Among dissatisfied customers, higher levels of uncertainty costs are associated with higher levels of dependence.
- *Proposition P5b:* Among dissatisfied customers, higher levels of pre-switching search and evaluation costs are associated with higher levels of dependence.
- *Proposition P5c:* Among dissatisfied customers, higher levels of set-up costs are associated with higher levels of dependence.
- *Proposition P5d:* Among dissatisfied customers, higher levels of post-switching behavioural and cognitive costs are associated with higher levels of dependence.
- *Proposition P5e:* Among dissatisfied customers, higher levels of benefit-loss costs are associated with higher levels of dependence.

3.6.2 Interpersonal relationships

According to Bendapudi and Berry (1997) and Jones *et al.* (2000), the social bonding that can occur in a business relationship can increase the customer's dependence on the service provider.

On the basis of the above evidence the following propositions with respect to 'interpersonal relationships' and 'dependence' are advanced (see Figure 1):

- *Proposition P6:* Among dissatisfied customers, higher levels of interpersonal relationships are associated with higher levels of dependence.

3.6.3 Attractiveness of alternatives

An inverse relationship exists between the substitutability and dependence of one organisation on another (Heide and John, 1988; Patterson and Smith, 2003; Pfeffer and Salancik, 1978). In addition, other researchers have noted that the outcomes available from the best alternative in an exchange relationship between a manufacturer and distributor can be manifested as dependence (Frazier, 1983; Ganesan, 1994).

On the basis of the above discussion the following proposition with respect to 'attractiveness of alternatives' and 'dependence' is advanced (see Figure 1):

- *Proposition P7:* Among dissatisfied customers, lower levels of attractiveness of alternatives are associated with higher levels of dependence.

3.7 Dependence and calculative commitment

Commitment is central to the continuity of relationships (Wetzels *et al.*, 1998) and is the most advanced phase of the interdependence of partners (Scanzoni, 1979). In terms of the motivation of customers to remain in a relationship, the model proposed in the present study utilises the behavioural component of commitment known as 'calculative commitment' (Geyskens *et al.*, 1996; Gilliland and Bello, 2002). 'Calculative commitment', which appears towards the top-right of Figure 1, can be understood as a cognitive evaluation of self-interest in assessing the worth of a continuing relationship (Gundlach *et al.*, 1995; Becker, 1960). Such a 'calculative commitment' is thus the state of attachment to a partner, cognitively experienced as a realisation of the benefits that would be sacrificed and the losses that would be incurred if the relationship were to end (Geyskens *et al.*, 1996; Kumar *et al.*, 1994).

A distinction can be made between 'dependence' and 'calculative commitment'. 'Dependence' relates to the structural elements that bind a relationship, whereas 'calculative commitment' relates to the degree of motivation that exists to continue a dependent relationship based on structural ties (Geyskens *et al.*, 1996). Thus, although 'dependence' and 'calculative commitment' are related constructs, and although both variables are associated with stay/leave decisions, they are not synonymous (Drigotas and Rusbult, 1992). Indeed, dependence on another organisation is an important antecedent to commitment (Venetis and Ghauri, 2004; Heide and John, 1992). As dependence increases, the dependent organisation finds itself increasingly vulnerable and thus more likely to continue the relationship to avoid the potential losses associated with terminating the relationship. When customers feel trapped in a relationship, it becomes difficult for them to switch suppliers (Anderson and Weitz, 1992; Gundlach *et al.*, 1995), and dependency on the service provider intensifies the customer's perception of being in a hostage relationship (Colwell and Hogarth-Scott, 2004).

These contentions regarding dependence-based commitment have received empirical support. Geyskens *et al.* (1996) and Gilliland and Bello (2002) found a positive correlation between dependence and calculative commitment in the context of industrial goods channels, and Wetzels *et al.* (1998) found a positive correlation in business service relationships.

On the basis of the above discussion, the following proposition is advanced with respect to 'dependence' and 'calculative commitment' (see Figure 1):

- *Proposition P8:* Among dissatisfied customers, higher levels of dependence are associated with higher levels of calculative commitment.

3.8 Switching costs and calculative commitment

As noted above, an important aspect of 'calculative commitment' is recognition of the high 'switching costs' that would be associated with leaving a relationship. Relationships based on 'calculative commitment' thus entail a cost/benefit analysis of whether the costs associated with leaving the relationship are greater than the expected benefits of switching.

Furthermore, if a dispassionate cognitive assessment of the costs and penalties associated with switching to an alternative business relationship lead to a cognitive commitment to continue the present relationship, a form of 'negative cognitive commitment' (Sharma *et al.*, 2006) is manifested. This has also been called 'cognitive-continuance' (Kanter, 1968) or 'cognitive instrumental' motivation (Wiener, 1982).

It is thus apparent that 'switching costs' lead to 'calculative commitment', and the following propositions are thus advanced (see Figure 1):

- *Proposition P9a:* Among dissatisfied customers, higher levels of uncertainty costs are associated with higher levels of calculative commitment.
- *Proposition P9b:* Among dissatisfied customers, higher levels of pre-switching search and evaluation costs are associated with higher levels of calculative commitment.
- *Proposition P9c:* Among dissatisfied customers, higher levels of set-up costs are associated with higher levels of calculative commitment.
- *Proposition P9d:* Among dissatisfied customers, higher levels of post-switching behavioural and cognitive costs are associated with higher levels of calculative commitment.
- *Proposition P9e:* Among dissatisfied customers, higher levels of benefit/loss costs are associated with higher levels of calculative commitment.

3.9 Calculative commitment and repurchase intentions

When customers feel trapped in a relationship, it is difficult for them to switch suppliers (Anderson and Weitz, 1992; Gundlach *et al.*, 1995). Most of the literature on marketing relationships in consumer markets has identified a positive relationship between dependence-based commitment and customer retention (Fournier *et al.*, 1998; Fullerton, 2003; Grayson and Ambler, 1999), although Gruen *et al.* (2000) found that calculative commitment had no effect on member retention in a consumer context.

In business service relationships, Wetzels *et al.* (1998) found a positive correlation between calculative commitment and intention to stay, but Gounaris (2005) did not find a positive correlation between these two constructs.

Despite some evidence to the contrary, the following proposition with respect to 'calculative commitment' and 'repurchase intentions' is advanced (see Figure 1):

- *Proposition P10:* Among dissatisfied customers, higher levels of calculative commitment are associated with higher levels of repurchase intentions.

3.10 Mediating effect of dependence and calculative commitment

The preceding discussion suggests that 'dependence' and 'calculative commitment' act as mediating variables in particular relationships. The following propositions are advanced (see Figure 1):

- *Proposition P11:* Dependence is a mediating variable in the relationship between the independent variables (switching costs, interpersonal relationships, and attractiveness of alternatives) and the dependent variable (repurchase intentions).

- *Proposition P12:* Calculative commitment is a mediating variable in the relationship between dependence and repurchase intentions.

3.11 Service recovery

The term 'service recovery' refers to how a service provider rectifies a service-related failure (Kelley and Davis, 1994). According to Bell (1994, p. 49), 'service recovery' includes "… all the actions taken to get a disappointed customer back to a state of satisfaction". Although customers who receive poor recovery efforts might dissolve the buyer–seller relationship and purchase elsewhere (Schneider and Bowen, 1999), there is evidence that most dissatisfied customers will do business again if their problems are solved satisfactorily (Brown, 1987). However, customers are often more dissatisfied by an organisation's failure to recover than by the service failure itself (Bitner *et al.*, 1990), and La and Kandampully (2004) therefore recommended the adoption of a strategic perspective on service-failure management.

Theories of justice can help to explain people's reactions to conflict situations (Gilliland, 1993). According to Smith *et al.*, 1999, three dimensions of social justice can be identified (see bottom right of Figure 1):

- *distributive justice:* which describes a customer's perception of fairness in the complaint outcome—including notions of equity, equality, and need consistency (Homburg and Furst, 2005);
- *Procedural justice:* which reflects the perceived fairness of the complaint-handling process—including timeliness and process control (Tax *et al.*, 1998); and
- *interactional justice:* which refers to the perceived fairness of the behaviour that employees exhibit toward complainants—including customer perceptions of employee empathy (Tax *et al.*, 1998), employee politeness (Goodwin and Ross, 1989) and employee effort (Smith *et al.*, 1999).

Chebat and Slusarczyk (2005) found that interactive justice had a direct effect on loyalty-exit behaviour in the context of retail service, and Blodgett *et al.* (1997) found that the distributive and interactional dimensions of justice had a significant effect on repurchase intentions in the context of retail goods. Teo and Lim (2001) found a direct effect of procedural justice on repurchase intentions.

In the B2B service context, Durvasula *et al.* (2000) found that various aspects of the three dimensions of justice are relevant to service recovery, although they did not explicitly make use of the justice theory.

On the basis of the above discussion, the following propositions are advanced with respect to 'repurchase intentions' and 'service recovery' (represented by the dimensions of justice described above):

- *Proposition P13a:* Among dissatisfied customers, higher levels of distributive justice are associated with higher levels of repurchase intentions.
- *Proposition P13b:* Among dissatisfied customers, higher levels of procedural justice are associated with higher levels of repurchase intentions.
- *Proposition P13c:* Among dissatisfied customers, higher levels of interactional justice are associated with higher levels of repurchase intentions.

3.12 Inertia

'Inertia' is illustrated in the centre-right of Figure 1. The literature on 'inertia' offers two meanings for the term.

- *Inertia as the outcome, rather than a determinant of behaviour:* According to this perspective the customer thinks that the alternatives are unattractive due to switching costs or other barriers to switching (Bozzo, 2002).
- *Inertia as a behavioural characteristic:* According to this perspective, the customer is lazy, inactive, or passive (Zeelenberg and Pieters, 2004; Huang and Yu, 1999; Bozzo, 2002; Colgate and Lang, 2001).

Ranaweera and Neely (2003) proposed that a higher level of inertia was associated with customer retention in the context of UK consumer telecommunication services, but found inadequate evidence to support their hypothesis. However, these authors commented that this does not preclude the existence of a non-linear relationship between the two constructs. In view of a previous qualitative study (Yanamandram and White, 2006), which found the presence of inertia in a B2B context, the following proposition with respect to inertia and repurchase intentions is proposed (see Figure 1):

- *Proposition P14:* Among dissatisfied customers, higher levels of inertia are associated with higher levels of repurchase intentions.

4. Managerial implications

Several managerial implications arise from the comprehensive model (Figure 1) of the factors that induce dissatisfied business customers to continue to purchase from their existing service providers.

Managers of service firms should determine which of the switching barriers is present in their particular service industry. Such barriers are likely to vary, depending on contact levels, physically linked assets, solicitation methods, and other product and/or market factors (Burnham *et al.*, 2003). Service firms should also determine the relative impact of these barriers on customer retention in their industry. In the B2B services sector, switching costs, attractiveness of alternatives, and inertia are relatively important determinants. This suggests that increasing switching costs and reducing the attractiveness of alternatives might be important to relationship maintenance in this context.

However, managers should be cautious in employing switching barriers as a mechanism for customer retention because: (i) customer awareness of switching costs might actually impede customer acquisition and (ii) switching costs might be neutralised by competing firms (for example, by reducing search costs) (Fornell, 1992). Moreover, dependent relationships might cause B2B buyers to feel 'entrapped' (Heide and John, 1988; Jones *et al.*, 2000). Such retained (but dissatisfied) customers might spread negative word-of-mouth, become hostile, and even engage in communication sabotage.

In contrast, managers should be aware that an emphasis on interpersonal relationships and service recovery add value to the relationship by providing intrinsic benefits that diminish the likelihood of switching behaviour (Payne, 1994; Burnham *et al.* 2003). However, other studies have found that the presence of interpersonal relationships did not seem to be an important disincentive to switch suppliers (Colgate and Lang, 2001; Wathne *et al.*, 2001). These discrepancies in the evidence could be explained by the variability of relationships with different service personnel—with customers having greater loyalty to specific personnel than to the service firm.

Managers should not underestimate the importance of service recovery though some of the past consumer studies on switching barriers did not find customers rating service recovery to be as important as the other barriers. A poor service recovery may result in "magnification of the negative evaluation" (Bitner *et al.*, 1990, p. 80) and loss of customers, unless other barriers constrain them to stay. Good service recovery is therefore crucial to the retention of existing customers who encounter service failures. Managers can apply restoring actions as a maintenance strategy in deteriorating relationships, thus preventing such relationships from entering a dissolution phase (Tahtinen and Vaaland, 2006).

From a managerial perspective, an understanding of the mediating function of the key variables of 'dependence' and 'calculative commitment' can also be useful. For example, a service provider might choose to foster customer retention by increasing various switching costs. However, there is a time lag between the introduction of these measures and the desired outcomes. In the interim, service providers can monitor changes in 'dependence' and 'calculative commitment'—thus enhancing managerial awareness of the reasons for continuing the relationship.

5. Conclusion and future research

This paper has proposed a model of the factors that potentially influence dissatisfied business customers to continue to purchase from their existing service provider. Propositions regarding the nature of the relationships among these various factors have been advanced. Practical managerial implications have been drawn.

Future research could seek to provide empirical support for the theoretical model presented here. The link between (dis)satisfaction and loyalty is not straightforward (Dick and Basu, 1994), and more research is needed to understand the moderating characteristics of the relationship (Homburg and Giering, 2001). Furthermore, it seems reasonable to postulate that determinants might differ among industries with different structural characteristics or among those of different size. Research is therefore required into the different aspects of service delivery that are emphasised by various types and sizes of service firms.

6. References

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