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Why Do Dissatisfied Customers in the Business-to-Business Services Sector Stay With Their Existing Service Providers? An Exploratory Study

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Abstract

There have been few studies that investigate the reasons that dissatisfied customers stay with service organisations. Further, there have been no studies that have investigated a range of factors simultaneously in a single model in the business services sector. This paper attempts to address this research gap. A qualitative study was conducted, with 17 personal interviews undertaken with managers who are involved in the choice of service providers. The results not only confirmed factors in the literature: switching costs, impact of alternative service providers, investment in relationships, service recovery and inertia, but also uncovered seven other factors: the service provider offers sales leads, lower price, legal issues, delivers good quality core product, favouritism, impact on other business units and need to keep the existing service provider as a back-up option. Contrary to the literature on buyer-seller relationships in business markets that state that relationships are of utmost importance, this category was not considered as important by customers as a reason not to switch. Switching costs and quality of alternatives were much more important. Implications of the findings are discussed.

Keywords

customer dissatisfaction, business-to-business, services, conceptual model, exploratory study

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There have been few studies that investigate the reasons that dissatisfied customers stay with service organisations. Further, there have been no studies that have investigated a range of factors simultaneously in a single model in the business services sector. This paper attempts to address this research gap. A qualitative study was conducted, with 17 personal interviews undertaken with managers who are involved in the choice of service providers. The results not only confirmed factors in the literature: switching costs, impact of alternative service providers, investment in relationships, service recovery and inertia, but also uncovered seven other factors: the service provider offers sales leads, lower price, legal issues, delivers good quality core product, favouritism, impact on other business units and need to keep the existing service provider as a back-up option. Contrary to the literature on buyer-seller relationships in business markets that state that relationships are of utmost importance, this category was not considered as important by customers as a reason not to switch. Switching costs and quality of alternatives were much more important. Implications of the findings are discussed.

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Introduction

Just as satisfied customers are not necessarily loyal (Rowley and Dawes, 2000), dissatisfied customers do not always exit (Day, 1984; Hirschman, 1970). While a significant amount of research has investigated the reasons that dissatisfied customers switch service organisations (Colgate *et al*., 1995; Colgate and Hedge, 2001; Crosby and Stephens, 1987; Keaveney, 1995; Kelley *et. al*., 1995; Levesque and McDougall, 1996; Stewart, 1998) and the importance of switching (Fornell and Wernerfelt, 1987; Mittal and Lassar, 1998; Reichheld and Sasser, 1990), there has been little research that investigates the reasons why dissatisfied customers stay with service organisations. Colgate and Lang's (2001) research was one of the first studies to comprehensively investigate why dissatisfied customers do not switch. Their study was undertaken in the consumer market, with research questions addressing the extent to which various categories of switching barriers were substantiated across various service industries and the relative importance of each.

The highest growth in services marketing today is in business markets (Fitzsimmons, Noh and Thies, 1998; Haddix, 2004), making this an important area of study. In the business to business (B-to-B) context, whilst there have been numerous studies addressing individual barriers to switching, such as interpersonal relationships, inertia, switching costs, the impact of alternative service providers and service recovery strategies, there have been no studies which have investigated a range of factors simultaneously in a single model. This paper attempts to address this research gap by investigating the following research question: What are the determinants of behavioural brand loyalty amongst dissatisfied customers in the business-to-business services sector?

Literature Review

Investment in Relationships

Due to the potential benefits of relationship marketing (Bendapudi and Berry, 1997; Colgate and Danaher, 2000), investment into a relationship may be one of the reasons that customers stay with their service provider. While many services by their very nature require a continuing relationship owing to ongoing membership (Lovelock, 1983), a customer's motivation for relationship maintenance with their service provider focuses either on the desire to continue the relationship or on the dependency in the relationship, referred to as dedication-based relationship maintenance and constraint-based relationship maintenance respectively (Stanley and Markman, 1992). Liljander and Strandvik (1995) describe a 'knowledge bond' as a type of bond that serves as an exit barrier for the customer who continues to deal with a service provider with whom they are dissatisfied because they have confided in them for so long. 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. 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.

Inertia

B-to-B customers may also purchase from an unsatisfactory service provider owing to inertia, which may be conditioned by habit (Bozzo, 2002). In this situation, the customer does not feel any strong links with the service provider, but repeats the same buying behaviour in order to reduce the perceived risk linked to a bad choice (Bozzo, 2002) or to limit the information search process and the cost of thinking (Bawa, 1990). According to McMullan and Gilmore (2003), "Inertia relates to a customer's contentment with a product or service to the degree that his or her information-seeking relating to substitutes has diminished" (p. 235).

Switching Costs

Switching costs are conceptualised as the perception of the magnitude of the additional costs required to terminate the current relationship and secure an alternative (Jackson, 1985; Ping, 1993; Porter, 1980). These are the cost of changing services in terms of time, monetary and psychological expenditure (Dick and Basu, 1994; Sengupta, Krapfel and Pusateri, 1997). Gronhaug and Gilly (1991) argue that a dissatisfied customer may remain loyal because of high switching costs. It has been argued that the costs of switching providers tend to be higher for services than for goods (Gremler and Brown, 1996). Switching costs for services that are intrinsically difficult to evaluate, or for which there is only a limited number of suppliers are high (Brown and Swartz, 1989; Patterson and Johnson, 1993).

Impact of Alternative Service Providers

The impact of alternative service providers can be characterised by four dimensions (Anderson and Narus, 1984). These are the number of alternatives available, the degree of differences among alternative service providers, the degree of difficulty in understanding the various alternatives and the degree of difficulty in comparing the alternatives. Few

alternatives (Bendapudi and Berry, 1997) and low alternative attractiveness (Ping, 1993) are suggested to be a favourable situation to keep clients.

Service Recovery

Keaveney (1995) found that service failures and failed recoveries are leading causes of customer switching behaviour in service organisations. Well-executed service recoveries can reverse this dissatisfaction, and prevent customer defections (Fornell and Wernerfelt, 1987). Moreover, a good recovery can turn even frustrated customers into loyal ones and may create more goodwill than if things had gone smoothly in the first place (Feinberg *et al*., 1990; Hart, Sasser and Heskett, 1990).

Methodology

A qualitative methodology was chosen because the determinants of service loyalty amongst dissatisfied customers in a business-to-business context have not been fully explored and exploratory research is warranted. The technique used was the in-depth, personal interview and a semi-structured interview guide was designed according to insights gained from the literature on dissatisfaction and loyalty. The study investigated dissatisfied business-to-business customers who decided to stay with their service provider. This style of research reflects more accurately what customers do (Colgate and Norris, 2001) than asking behavioural intention questions in terms of what they expect will happen in a service failure situation (Boshoff and Leong, 1998). A theoretical or judgement sample of customers was selected. The set of services that the managers chose to discuss represented a wide variety of industries including security, electrical consulting, education, software, process control, financial planning, banking, media, telecommunication, advertising, call centre, market research, superannuation, commercial cleaning, and internet services. Sixteen managers or directors who are involved in the choice of service providers were interviewed. One manager gave two interviews on two different services, making a total of 17 personal interviews. The respondents together cover all the roles of a buying centre. Interviews were recorded on tape and ranged in length from 25 to 45 minutes. The respondents belonged to 12 organisations located in Sydney, Wollongong or Melbourne. The figure of 17 respondents is within the acceptable range of respondents in a qualitative research project (de Ruyter and Scholl, 1998; McCracken, 1988; Schouten, 1991).

Results

Assessment of the reasons why dissatisfied customers stayed with the service providers resulted in six categories. The categories were found to be, in order of decreasing frequency, switching costs (13), impact of alternative providers (13), investment in relationships (11), service recovery (11), inertia (8) and others (8). Regarding switching costs, the respondents mentioned being locked in through a contract, investments in technology and infrastructure, the need to learn about other service providers, the need to train their employees on the use of technology if a new service provider steps in, being concerned about incremental costs to start a new relationship, uncertainty of the outcome of switching and being concerned about the impact switching would have on their customers. On switching costs, a respondent commented: "…we would lose the knowledge that this company has generated over quite a period of time…and we would certainly be exposed to a risk of a new company and having to

learn the intricacies of the process again…further, they would have to build a facility which provides a service to us and to be cost competitive, they would have to compete against a company that has fully depreciated their facility”. Other respondents mentioned that their equipment settings and management processes have to be changed which would result in considerable inconvenience to their employees and/or their customers. One respondent even mentioned that their firm would lose its clients if it switched to another service provider.

On the use of alternative service providers, respondents commented that they tended to search for information about alternatives. Five of the 13 respondents gathered factual information about other service providers. Three of these reduced their purchasing from their existing service provider; one mentioned that their parent body prevented them from switching to another service provider owing to market uncertainty and corporate restructuring and another stated that their firm would dilute the existing relationship in the future, however couldn’t dilute it now as the service provider provides considerable new business leads. The eight respondents who did not gather factual information provided varied responses. One respondent mentioned that there was no alternative provider as the supplier is the only major player in that region. Another respondent stated that they did not want to dissolve the relationship as the service provider brought in new business. Six respondents mentioned that they perceive other service providers in the market to be similar and that the comments they received through word-of-mouth suggested that their counterparts were experiencing similar problems with their respective service providers. A few amongst the six respondents mentioned that their perceptions are that there is a limited choice of providers to choose from and that they are sceptical of alternate service providers’ performance in the marketplace.

The third category related to relationship issues such as loyalty and being offered special treatment. One respondent commented: “The salesperson is actually a personable person…so you enjoy when things are going well, but it’s very disappointing; you sort of trade on mutual respect and they start not to deliver…putting the relationship under pressure”. A few respondents mentioned that either it is the loyalty to the service provider or the complexity of the relationship that is holding them back from switching. One of them said: “I want to continue to have a good relationship with the firm, who has managed to produce continued good quality work, though the attitude of the managing director and the price increases they demand is appalling…for me loyalty is all about continued support in return for job well done…it involves caring for someone even when they are not perfect”. A few other respondents commented that though they were very dissatisfied with certain aspects of the relationship, they were reasonably satisfied with other components of the relationship and hence are willing to work through the problems.

The fourth category is service recovery. Of the 11 respondents who had experienced attempted service recovery, nine mentioned that they were only somewhat satisfied with the outcome and this level of service recovery wouldn’t stop them from switching. A few of these respondents mentioned that their service provider was more concerned about getting new business from the dissatisfied customer than solving existing problems. Respondents who mentioned that partial recovery took place explained that an insincere apology or inadequate compensation or excuses were offered. One respondent commented: “…the problem was eventually solved through a negotiated settlement…further, the apology did not come from the right people and some of our buying centre members were not convinced at all”. Only two respondents mentioned that they believe that the service providers are working honestly and quickly to resolve the issues.

Inertia was mentioned by eight respondents. One respondent provided an illustration: "…it would appear that I have been delaying the decision, like in my own head I think…I could have made this decision to switch then and there…I allowed it to go on…I am still allowing it go on… …I have got other issues to deal with at the same time". Another respondent said that even though it's a business case, there is a inertial force of resistance to change and added: "it is certainly part of my role, part of the responsible officers' role and others to question any inertia that exists and drive that out. However, if people are given a choice, they will continue with the same service provider". Three respondents mentioned that the other categories of switching barriers collectively restrain a customer from switching and act to create inertia rather than it being a separate category.

While the above results matched categories previously found in the literature, respondents, mentioned other factors that constrained them to stay with their existing service provider. The factors are: the service provider offers sales or business leads (2), lower price (1), legal issues (1), delivers good quality core product (1), bias or favouritism (1), impact on other business units (1) and need to keep the existing service provider as a back-up option (1).

Discussion and Further Research

The results of the exploratory study are of significance as they raise important issues. Switching costs and unattractiveness of alternatives were considered to be major switching barriers given that it was raised in 13 of the 17 interviews. Regarding switching costs, the results suggest that customers who faced high investments in capital or technology faced more challenges to switch,. The results of the other category, unattractiveness of alternatives, indicate that change that seems too difficult, and potentially fruitless, is a significant reason for dissatisfied customers to stay. This line of thought parallels Ping's (1993), who states that a lack of viable alternatives in the market place should increase customer's reliance on a provider even when core service performance is sub-standard. The results however do not imply that all business customers who voiced unattractiveness of alternatives as a concern simply accepted a sub-standard quality of service from their existing service providers. The third category was investments in relationships. Contrary to the literature on B-to-B buyer-seller relationships that state that relationships are of utmost importance (e.g. Jackson, 1985), this category was not considered as important by customers as a reason not to switch. This is notable given the amount of research that supports the relationship approach (Johnston and Lewin, 1996; Payne, 1994). However, this result should be interpreted with caution given the smaller sample size and qualitative methodology. The results involving service recovery show that by failing to recover satisfactorily, the trust that goes into the foundation of a relationship seem to have undermined (Gronroos, 1990), though they currently choose to stay with their existing service providers. The results of the final category, inertia, indicate that the above categories of switching barriers collectively restrain the customer to switch to another service provider rather than inertia acting as a separate category amongst barriers.

This research is the first study to investigate in a single model a range of barriers to switching in a B-to-B services context. The results, which confirmed categories found in the literature, also discovered seven other factors not evident in the extant literature. As part of further research, more qualitative interviews followed by quantitative study are planned in addition to addressing a number of related research questions such as the effect of the size of the business and the industry.

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