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This paper presents a conceptualisation of the factors that lead dissatisfied business-to-business (B2B) customers to stay with their existing service providers. While studies in a B2B context have addressed some important barriers to switching, they have not discussed all of these, and not necessarily under conditions of dissatisfaction. A literature review of previous research, both theoretical and empirical, identified that a gap in the body of knowledge exists regarding the reason that dissatisfied customers are behaviourally loyal, and results from a previous qualitative study unearthed additional barriers that exist. Hence, this paper proposes a model of the deterrents to switching amongst dissatisfied business services customers, including moderators and mediators that are postulated to influence the relationship.

### **Keywords**

Behavioural Loyalty, Dissatisfied Customers, Business Services

### **Disciplines**

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# **A Conceptual Model of the Antecedents of Behavioural Loyalty of Dissatisfied Business Services Customers**

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## **Abstract**

This paper presents a conceptualisation of the factors that lead dissatisfied business-to-business (B2B) customers to stay with their existing service providers. While studies in a B2B context have addressed some important barriers to switching, they have not discussed all of these, and not necessarily under conditions of dissatisfaction. A literature review of previous research, both theoretical and empirical, identified that a gap in the body of knowledge exists regarding the reason that dissatisfied customers are behaviourally loyal, and results from a previous qualitative study unearthed additional barriers that exist. Hence, this paper proposes a model of the deterrents to switching amongst dissatisfied business services customers, including moderators and mediators that are postulated to influence the relationship.

## **Introduction**

Just as satisfied customers are not necessarily loyal (Rowley and Dawes, 2000), dissatisfied customers do not always exit (Day, 1984; Hirschman, 1970). While Colgate and Lang (2001) empirically validated the reasons why dissatisfied customers stay with service organisations in the consumer market, studies in a B2B context have only addressed some individual barriers to switching (Bozzo, 2002; Hansen, Swan and Powers 1996; Nielson, 1996; Sengupta, Krapfel and Pusateri, 1997). These studies (with the exception of service recovery) have not empirically investigated the switching barriers under conditions of dissatisfaction. Further, no attempt appears to have been made to conceptualise those determinants comprehensively in a single model in the B2B services sector (Yanamandram and White, 2005). Since the highest growth in services marketing is in business markets (Brown, 2002), this is a valuable area of investigation.

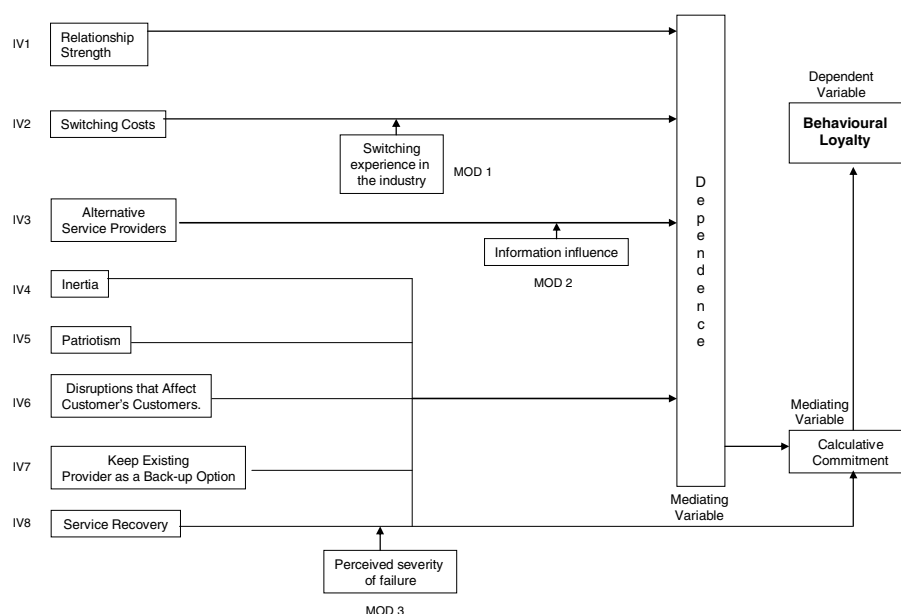
## **Conceptual Framework**

Based on the literature review in consumer and business markets, and results from a qualitative study (Yanamandram and White, 2005) conducted previously in the Australian B2B services sector, a conceptual framework of behavioural loyalty amongst dissatisfied customers in the B2B services sector is presented in figure one. Some elements of consumer research (Bennett, Hartel, and McColl-Kennedy, 2005; Patterson, Johnson, and Spreng, 1997) are incorporated in the proposed model due to the lack of empirical studies in business services loyalty, and hence this research follows the guidelines offered by Webster and Wind (1972), who suggested modifying generalised models of consumer research for the B2B sector. The dependent variable is behavioural loyalty. The following sections discuss the switching barriers first, then the moderators, and finally the mediators.

## **Independent Variables**

### **Relationship strength**

Relationship strength refers to the magnitude of a relationship between two individuals in a commercial setting (Bove and Johnson, 2001). Dwyer, Schurr and Oh (1987) commented that a strong relationship serves as a mobility barrier. Jones, Mothersbaugh and Beatty (2000) discovered in consumer markets that, in situations of low customer satisfaction, strong interpersonal relationships positively influence the extent to which customers intend to repurchase. Within the context of B2B buyer-seller relationships, interpersonal relationships evolve through social interaction between buyers and sellers. Bendapudi and Berry (1997) proposed that the social bonding serves to increase the customers' dependence on the service provider.



**Figure 1 Conceptual model**

### Switching costs

Switching costs refer to the buyer's perceived costs of switching from the existing to a new supplier (Heide and Weiss, 1995; Jackson, 1985; Porter, 1980). The domain of switching costs include (i) loss of detailed knowledge (Patterson and Smith, 2003); (ii) learning costs, such as pre-switching search and evaluation costs, post-switching behavioural and cognitive costs, and set-up costs (Jones, Mothersbaugh, and Beatty, 2002), (iii) loss of performance costs (Jones, Mothersbaugh, and Beatty, 2002) (iv) benefit loss costs, and (v) sunk costs (Jones, Mothersbaugh, and Beatty, 2002). In a B2B context, switching costs for a buyer arise as a result of prior organisational-level investments in physical assets, organisational procedures, and/or employee training (Nielson, 1996; Wathne, Biong, and Heide, 2001). Caves and Porter (1977) posited that even proactive, rational managers resist changing unsatisfactory practices because the cost or difficulty of switching to a better practice is prohibitive. Other determinants found in a previous qualitative study (Yanamandram and White, 2005) such as recognition by the service provider, reciprocal purchase arrangements, sales leads, lower price, and legal issues are integrated within the dimensions of switching costs. Overall, switching costs reflect dependence on the selling-firm (Lam *et. al.*, 2004; Nielson, 1996).

### Alternative service providers

The construct 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. Patterson and Smith (2003) commented that the existence of alternatives is a key factor in defining dependence. So, if customers are either unaware of attractive alternatives or simply does not perceive them as any more attractive than the current relationship, then they are likely to stay in that relationship, even when it is less than satisfactory (Patterson and Smith, 2003).

### **Service recovery**

Service recovery can reverse dissatisfaction, and prevent customer defection (Fornell and Wernerfelt, 1987). A good recovery can turn even frustrated customers into loyal ones and may create more goodwill than if things had gone smoothly initially (Feinberg *et al.*, 1990; Hart, Sasser and Heskett, 1990). According to conceptualisations and empirical studies in the consumer market, customers evaluate the fairness of a service recovery along the three dimensions of distributive (perceived outcome), procedural (processes and policies) and interactional fairness (interactional treatment) (Smith, Bolton and Wagner, 1999; Tax, Brown and Chandrashekar, 1998).

### **Inertia**

The results of a qualitative study (Yanamandram and White, 2005) suggested that a perspective of inertia is that the customers are lazy, inactive or passive. This view is consistent with that of Colgate and Lang's (2001, p.339) view of customers not switching because it is 'too much bother in terms of time and effort', indicating that there is an "experienced absence of goal-directed behaviour" (Zeelenberg and Pieters, 2004, p.449); a lack of conscious decision to change (Huang and Yu, 1999), or being conditioned by habit (Bozzo, 2002). Theories of structural inertia suggest that even if arrangements between two organisations are unsatisfactory, one organisation may have a tendency to persist with the other (Hanan and Freeman, 1984). Hanan and Freeman (1984) portrayed businesses as entities that stubbornly cling to their old ways, effective or not.

### **Other Independent Variables**

Uncles, Dowling, and Hammond (2003) argued that a conceptualisation of loyalty should take into account variables such as the individual's current circumstances, their characteristics, and/or the purchase situation faced. Based on a qualitative study, the following contingency variables were found to be determinants of behavioural loyalty amongst dissatisfied customers (Yanamandram and White, 2005). According to Oliver (1999), contingency variables play a primary and inescapable role in explaining observed patterns of purchase behaviour.

### **Disruptions that affect customer's customers**

Unlike the consumer market, switching to another business provider would not only affect the customer firm, but also the customer firm's customers. This might make the firm reluctant to switch, and make them feel dependent on the service provider.

### **Patriotism**

Patriotism could be a deterrent to switching, as some customers prefer to support Australian firms rather than international players. In the absence of another viable Australian firm, a buying firm is likely to stay with its current service provider in spite of being dissatisfied.

### **Keep an existing provider as a “back up”**

Some customers, despite being dissatisfied with their current service provider may still retain the current service provider so as to negotiate and obtain a better deal from competitive providers. Hence, the need to keep an existing provider as a back up could act as a determinant.

### **Moderating Effects**

The link between (dis)satisfaction and loyalty is not straightforward (Anderson and Mittal, 2000), and more research is needed to understand moderating characteristics of the relationship, and particularly, the effects of situational characteristics (de Ruyter, Wetzels and Bloemer, 1998). Further, limited attempts have been made to investigate moderating relationships in a B2B setting (Lam *et. al.*, 2004; Wangenheim, 2003), with no research yet known that investigates moderating roles under a dissatisfactory condition. Hence, it may be useful to consider whether some of the variables, in particular, switching experience (Nilssen, 1992), perceived severity of service failure (Hess, Ganesan and Klein, 2003; Weun, Beatty and Jones, 2004), and information influence (insights gained from Capraro, Ronlarczyk and Srivastava, 2003) have modifying effects.

#### **Switching experience in the industry**

Switching experience in the industry refers to the extent to which the buying firm has switched between providers in the past. Increased switching experience reduces switching costs by increasing the customers' familiarity with the process of both switching and learning to use new providers (Nilssen, 1992).

#### **Perceived severity of failure**

Perceived severity of failure is defined as the magnitude of loss that customers experience due to the failure (Hess, Ganesan and Klein, 2003). Since the loss incurred from a severe service failure is greater than the loss incurred from a minor failure, a more substantial recovery is needed to restore equity (Goodwin and Ross 1992). However, research has shown that despite adequate service recovery process and outcome, a severe service failure will produce a perceived loss even when a sufficient recovery has taken place (Weun, Beatty and Jones, 2004). Equity theory (Adams, 1963), and zone of tolerance (Zeithaml, Berry, and Parasuraman, 1993) provide theoretical explanations for the moderating effect of failure magnitude on the effectiveness of service recovery in retaining dissatisfied customers.

#### **Information influence**

Capraro, Ronlarczyk and Srivastava (2003) studied 'how much customers know about alternatives' as a determinant of likelihood of defection. Specifically, it suggests that for repurchase intentions where customers consider alternatives and make information based decisions, likelihood of defection will be influenced by the level of two kinds of knowledge – subjective knowledge and objective knowledge. Objective knowledge is believed to moderate the effect of alternatives on dependence, that is, the less the objective knowledge, the more the likelihood of staying with the current service provider.

### **Mediating Effects**

Three main mediating relationships are examined in the conceptual model: (1) the mediating role of dependence in the relationship between the independent variables (with the exception of service recovery) and calculative commitment; (2) the mediating role of calculative

commitment in the relationship between service recovery and behavioural loyalty; and (3) the mediating role of calculative commitment in the relationship between dependence and behavioural loyalty. Consequently, it is posited that higher dependence by customers on service providers will lead to calculative commitment. Finally, it is expected that there will be a positive relation between calculative commitment and behavioural loyalty.

### **Dependence**

Dependence is referred to as asymmetry in a relationship between two partners. A company's dependence on a partner is defined as the company's need to maintain a relationship with the partner to achieve its goals (Gassenheimer, Houston and Davis, 1998; Kumar, Scheer, and Steenkamp, 1995). Heide and John (1988) and Kumar, Scheer and Steenkamp (1995) suggested that a firm's inability to replace a partner has also been considered as an indication of the firm's dependence on its partner.

### **Calculative commitment**

Given the above view of dependence, there is no empirical evidence or theory to suggest that service recovery leads to dependence. Since commitment plays a central role in the continuity of relationships (Wetzels, Ruyter and Birgelen, 1998), and as commitment is the most advanced phase of partners' interdependence (Scanzoni, 1979), the phenomena of "why customers stay" could be explained using the behavioural component of commitment. This form of commitment is referred to as calculative commitment (Geyskens *et. al.*, 1996; Gilliland and Bellow, 2002), and stems from cognitive evaluation of the instrumental worth of a continued relationship with the organisation. All gains and losses, plusses and minuses, or rewards and punishments are added up (Morgan and Hunt, 1994), when a service failure and attempted recovery happens. So, it is expected that calculative commitment mediates the impact of service recovery on behavioural loyalty.

### **Effect of dependence on calculative commitment**

As dependence increases, dependent partners will find themselves 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. Wetzels, Ruyter and Birgelen (1998) in a study on the role of commitment in marketing service relationships found a positive correlation between dependence and calculative commitment. Hence, in this study, it is expected that higher dependence between partners will lead to more calculative commitment.

### **Effect of calculative commitment on behavioural loyalty**

Wetzels, Ruyter and Birgelen (1998) also found a positive relationship between calculative commitment and behavioural loyalty, and hence it is expected that higher calculative commitment will lead to behavioural loyalty.

## **Implications**

This study is the first, to the researchers' knowledge, to investigate, in a single integrative model, the range of barriers to switching in a B-to-B services context. In order to promote longer-term customer relationships, and to reduce customer exit as a result of dissatisfaction, it follows that an understanding of the phenomenon of 'why customers stay' is essential. Understanding how various factors relate to behavioural loyalty can help managers monitor the situation effectively through initiatives involving those factors that directly affect behavioural loyalty. 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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