EXAMINING THE EFFECTS OF EXIT BARRIERS ON MARKETING RELATIONSHIPS IN THE CONTEXT OF SERVICE FAILURE AND RECOVERY

by

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Knowledge of the effects of exit barriers on customer relationships with service providers is limited. Some empirical evidence suggests that moderate exit barriers enhance customer commitment. Some authors have argued; however, that high exit barriers can damage marketing relationships, but little empirical evidence of this exists. This study examines the effect of high exit barriers on a marketing relationship after a service failure and service failure recovery attempt has occurred.

Sixteen structured interviews were conducted for the purpose of further understanding the relationships between the constructs in this study as well as to help create scales for some of these constructs. Later an experiment was conducted using 320 subjects that were recruited by the help of several community groups.

The key constructs in this study include trust, commitment, powerlessness, grudge holding, illusory control, predictive control, and the desire to retaliate. Trust was measured before and after the service failure to determine what differences exists between firms that have high and low exit barriers even before a service failure occurs. In addition to the experiment, a model was created that illustrates what may happen in a marketing relationship when a service failure occurs.

The results indicate that initially, customers trust firms more that have low exit barriers than firms that have high exit barriers. After a good service recovery, customer trust in high exit barrier relationships increased almost to the level of customer trust of

high exit barrier firms. After a service failure, customers of high exit barrier firms felt more powerless than customers of low exit barrier firms.

The results from this research imply that the strength of exit barriers is an important component of marketing relationships and should be investigated in the future. In addition, the importance of a good service recovery is still important to a marketing relationship, despite the size of the exit barriers.

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"We learn more by looking for the answer to a question and not finding it than we do from learning the answer itself" (Lloyd Alexander).

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PURPOSE, CONTRIBUTIONS, AND PLAN OF STUDY

Markets exist in the United States where consumers are limited to a single supplier, or some consumers feel there is no option but to choose one company. Examples include local telephone service, electrical service, garbage collection, or employer-provided medical insurance. In addition, in some situations customers feel locked into a relationship with a service provider because a contract exists between that customer and the service provider. For example, a customer may feel locked in for a period of time with a certain cellular phone provider due to penalties for switching before the contract is completed. The marketing literature refers to these restrictions on customers leaving a service relationship as switching barriers (Jones, Mothersbaugh, and Beatty 2000). Switching barriers may exist due to contractual costs, government regulations, set-up costs or psychological costs (Guiltinan 1989). In some cases, even the switching costs employed by loyalty programs may eventually reach a critical point at which the consumer perceives that switching service providers in the near future is not a viable option (Bolton, Kannan, and Bramlett 2000).

The importance of understanding the effects of high exit barriers on the relationship between a service provider and its customers lies in the assumption that customers may have different attitudes towards companies that have high exit barriers than towards companies that have low exit barriers. This research tested that assumption, using a service failure context. The reason that this research is placed in a service failure context is because service failure and the quality of recovery from it are likely to interact with exit barriers to produce effects on the relationship. The ability to switch is an

important option for dissatisfied customers because previous research has shown that dissatisfied customers do one of three things: exit, exercise voice through complaining or do nothing (Andreasen 1984, 1985; Hirschman 1970; Keaveney 1995). When the option to exit is weakened, customers may engage in voice with third parties or experience other types of emotions, intentions, and actions not necessarily obvious to researchers and firms. The results of these emotions and intentions eventually add to the costs of the company or at the minimum, lower the consumption of that service by that upset customer (Jones and Sasser, Jr., 1995).On the surface, it may appear that unhappy customers "do nothing" when they cannot exit. However, after conducting exploratory research by conducting twenty in-depth interviews, I found that upset customers of companies that have high exit barriers "do something." A worst-case scenario might involve a mass customer exodus when the exit barriers are lowered by either an alternative service or by competition for that same service (Jones and Sasser, Jr., 1995).

PURPOSE OF STUDY

Understanding consumer behavior within a context of a company that has high exit barriers is underrepresented in the consumer behavior literature (for exceptions see Andreasen 1984, 1985; Jones and Sasser, Jr. 1995; Singh 1991; and alluded to by Jones et al. 2000). Yet, it is important to understand how these relationships operate since consumers do engage in many different relationships with companies that have high exit barriers. One way that researchers can understand these relationships is to compare them with other relationships and check for differences that emerge from that comparison (Iacobucci and Ostrum 1996). So, this work compares the differences in customer

relationship variables between customers of companies with high exit barriers and customers of companies with low exit barriers.

The purpose of this dissertation is to investigate whether service failure by a company with high switching barriers affects the relationship between the consumer and the service provider differently from a service failure with a company that has low exit barriers. A second purpose is to test for any differences that may occur in the service relationship, due to the effects of service recovery. It is the thesis of this work that customers will react differently to service failure and recovery with a company that has high exit barriers than with a company that has low exit barriers. Based on qualitative research, I expected customer reactions, attitudes, and feelings to be more unstable towards a company that has high exit barriers than with a company that has low exit barriers. Fournier (1998) noted that relationship research must be acutely sensitive to variations in form. For example, service relationships between customers and companies with low exit barriers may differ from service relationships between customers and companies with high exit barriers. The goal of this dissertation was to begin looking at those differences in order to better understand the effects of high exit barriers on customer relationships.

CONTRIBUTION OF STUDY

Individuals engage in relationships with different categories of people, such as spouse, friends, and students (Hinde 1979). Just as there are different categories of personal relationships, there are different categories of marketing relationships as well. For example, marketing relationships may come in the form of commercial friendships

(Price and Arnould 1999), loyalty reward programs (Bolton et al. 2000), and IT-based relationships (Chaston 2000).

Furthermore, Fournier (1998) created a typology of brand relationships that describes different relationship categories that exist between a consumer and a brand. This typology provides directions for the study of relationship marketing in the future, and sets up a plan for comparing these relationships. For example, two of Fournier's (1998) brand-relationship forms, enslavement and arranged marriages, recognize the importance of studying consumer's relationships with brands under constrained conditions. This dissertation concentrated on the form of marketing relationships that is defined by high exit barriers that appear like constraints to the consumer. Table 1 presents some examples from exploratory research that suggests how different constraints can affect beliefs that switching would be detrimental to consumers.

When these constraints exist, consumers may feel a loss of freedom in the market place thus leading to feelings of vulnerability (Seiders and Berry 1998). Since consumers of high exit barrier companies may perceive themselves as more vulnerable, they may trust that company less (Seiders and Berry 1998). So a company with a high exit barrier will have to prove to its customers that it is benevolent in some way, in order to earn trust from its consumers (Cunningham and MacGregor 2000).

Trust alone will not maintain relationship stability. But commitment along with trust can lead to behaviors that are conducive to marketing relationships (Morgan and Hunt 1994). Pitchard, Havitz, and Howard (1999) noted that commitment is strengthened when a relationship is formed as a result of free choice. Bagozzi (1993) further supported the importance of free choice and commitment by stressing the

importance of volition in commitment. This research will test if it is possible to earn commitment even when exit barriers are high. Volition is important in this aspect, because if consumers feel that no other option is available, and if they are committed, this commitment forms because of other reasons other than, company "x" is better than company "y." It is important to find what those reasons may entail so that the field of marketing can further understand the nature of commitment, so when exit barriers are dropped, consumers will not switch to other alternatives.

TABLE 1

EXAMPLES OF HIGH EXIT BARRIERS AS PERCEIVED BY CONSUMERS

Service Provider	Constraint	Consumers' Beliefs
Repair services at a car dealership	Warranty on new car	"And so I made arrangements to take the car back to the dealership, because I had a warranty under them and I felt they needed to take it with them, because the way they approached me with the warranty that its best if you do it with that…if anything went wrong they would take care of it. If you took it to somebody else they wouldn't really be responsible for that.
Cable television company	Only cable company in town	It's a babysitter sort-of (Laughs)….Well, it's a luxury to some degree, if I was really hurting for money I would call them and turn it off, but I'd also suffer in other ways…And so [I'm] kind of stuck.
HMO	Respondent has past heart problems	And the same way if once you're covered by insurance and then all of a sudden you develop a heart trouble or something like this, and to just say I want to go out and get another company now, it's too late….So you are locked in.
Local telephone company	No local competition in a region of the United States	[Phone company x] had taken over all of the phones in Minnesota, up in Northern Minnesota, in this end anyway. In the northwest corner [Phone company x] had a monopoly on that….We have a cell phone, but of course, our cell phone was out of roaming….So, it costs you a fortune to call anybody.

Fournier (1998) suggested that relationships should not be investigated as single phenomena, but determine those variables that best apply to relationship quality in a

particular relationship setting. In-depth interviews were conducted in order to find appropriate constructs in which exit barriers, service failure and recovery would play a key role. One construct that flowed as a theme throughout these interviews was powerlessness. Powerlessness in a services setting is important because people who feel powerless in a relationship approach the relationship with hypervigilance concerning the more powerful others' benevolence, or lack thereof. As a result, those who feel powerless tend to view the relationship more cautiously than people who feel more powerful (Fiske, Morling, and Stevens 1996). So if consumers feel powerless upon entering a relationship with a service provider, they may actually begin searching for trouble even before a service failure. In addition, powerlessness affects how people attribute negative causes, such as a real or potential attraction between a partner and a rival, thus resulting in heightened jealousy (Rotenberg, Shewchuk, and Kimberly 2001). These attributions potentially could change how people cope with certain problems such as service failure. For example, if people already have heightened anxiety towards a firm, a service failure may result in verifying the consumers' fears about that firm.

Rothbaum, Weisz and Snyder (1982) created a typology that shows how people adjust their coping behavior under circumstances that are characterized by large power imbalances. That is, when people are relatively more powerful they tend to exercise primary control by changing the environment. On the other hand, if primary control does not work, then a person may eventually feel powerless and thus attempt to adapt to the environment. This process of shifting control strategies from primary to secondary is referred to as a dual process of control (Rothbaum et al. 1982). The way a person adapts to the environment, or the way in which a person uses secondary control has the potential

to alter the relationship between the less powerful person and the more powerful other. For example, a consumer may believe that a calling a service provider after a service failure occurs will result in more grief than good. So that consumer will choose not to call the firm, thus establishing a sense of control (by avoiding grief) with the relationship to the firm.

When consumers find the psychological and monetary costs too high to switch or complain, on the surface they may appear to "choose inaction as the best course" (Andreasen, 1985, p. 136). Following Rothbaum et al's. (1982) argument, these consumers are not necessarily choosing inaction, but could be practicing secondary control. This is not to say that a customer is not choosing inaction, as the coping method is now more cognitive and affective than behavioral. For example, a customer may realize that calling to complain about a bill will not help them reduce that bill, and so decide to drop the problem and move on. Or a customer may choose to hate that company and engage in small acts of retaliation such as stapling a check to the bill, thus adding to the cost of billing. Later this consumer may eventually switch when the exit barriers are lowed. As this example shows, some types of secondary control might prove injurious or fatal for a relationship between consumers and a service provider.

PLAN OF STUDY

The primary goal of this study was to compare how two levels of switching barriers (very high and low) affect customers' relationships with service providers after a service failure occurs. In addition, a service failure recovery attempt (good recovery or poor recovery) was manipulated with both the high exit barrier scenario and the low exit barrier scenario, to test the extent to which the size of the exit barrier moderates the

impact of a positive service recovery on the service relationship. Kelley, Hoffman, and Davis (1993) found that effective service recovery efforts have the potential of strengthening relationship ties between a customer and a company even more than before the service failure even occurred. Trust was measured even before the service failure occurred, and trust was measured after the service failure, in order to assess the effects of service failure and recovery and exit barrier on consumers' trust towards a service provider. In order to gain a deeper understanding of the effects of service failure, recovery condition, and high or low switching barriers on a service relationship, a two by two experiment (exit barrier by service recovery) was run measuring several relationship variables (trust , powerlessness, grudge-holding, desire to retaliate, predictive control, illusory control, and commitment). Figure 1 details the experimental design used for this study.

FIGURE 1:

EXPERIMENTAL DESIGN FOR CURRENT STUDY

THE EFFECT OF EXIT BARRIER AND SERVICE RECOVERY ON CUSTOMER RELATIONSHIPS WITH A LOCAL TELEPHONE COMPANY

	Low Exit Barrier	High Exit Barrier
Poor Service Failure Recovery		
Good Service Failure Recovery		

An experimental design was performed for this study that compared respondents' reactions by exit barrier size before a service failure, and by exit barrier size and service recovery quality after a service failure Scenarios were created using the example of an imaginary local telephone company in a town into which the respondent had just moved. The respondents first read a scenario describing the situation for local telephone service in the town – either a situation with a single local telephone service supplier and no cellular alternatives, or a situation in which there were two local telephone suppliers plus cellular service available. Then, the respondent rated his or her level of trust of the telephone company described by the scenario. Then the respondents read one of four scenarios, each one describing their local telephone company's recovery efforts after a severe service failure had occurred. After reading these scenarios, the respondents' completed the questionnaire that probed different constructs that would affect their relationship with the service provider. It was expected that the relationship variables tested in this study would show significant differences between service providers depending on the size of the exit barriers and the service recovery efforts put forth by the hypothesized local telephone service provider.

It was expected that the central variable of high exit barriers would be powerlessness, and that customers would feel more powerless with companies that have high exit barriers than with companies that have low exit barriers. Generally if customers have the feeling that they cannot exert influence on customer service, price, or other aspects of company policy as it affects them, they feel powerless, at least in regards to the relationship they have with that company (Lambert 1980).

After conducting 20 in-depth interviews and 16 structured interviews some forms of secondary control emerged. The types of secondary control that are discussed in this dissertation are "predictive control," "illusory control," and "desire to retaliate." This dissertation hypothesizes that these coping behaviors are a result of powerlessness, and each of them in turn affects commitment.