

# Why do customer relationships come to an end?

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## Abstract

The phenomenon of relationship ending has received, recently, an increased attention of marketing researchers, but is still in its initial stage. Marketing managers know that success depends not only on acquiring and maintaining customers, but also on reducing their defection rate. By knowing more about nature, elements, stages and factors involved in this process, it will be easier to predict customer defection at an early stage and to regain lost customers. This is a theoretical paper that presents and discusses a literature search carried out in order to find and analyse empirical studies that propose factors, reasons, antecedents, or others, that influence ending in consumer services. A categorization is presented with three types of reasons connected with ending processes.

**Keywords:** *Relationship Dissolution, Switching, Ending, Relationship Dynamics, Customer Relationships, Relationship Marketing (RM), Services Marketing.*

**Track:** *Relationship Marketing.*

## **1. Introduction**

Theory on relationship ending on business-to-business contexts constitutes the basic conceptual background of this work, yet the relationships discussed here do not address the relationships between two organisations but the relationships between an organisation and its individual customers. Indeed, relationships, as studied in business literature, are not totally applicable and present considerable barriers in consumer markets (O'Malley & Tynan, 2000), where there are too many customers, with too many variations, often spending relatively small amounts of money (Fernandes & Proença, 2008). The majority of consumer relationships are distant and discrete (O'Malley & Tynan, 2000), with a low personal involvement and not complex. Also, patterns on consumer market relationships are hard to establish when customers differ in terms of the types of relationships required and different situations are likely to coexist with different consumers (Fernandes & Proença, 2008; Zolkiewski, 2004). On this context the developing of loyalty and commitment is an almost impossible task (Pressey & Mathews, 2000) and firms should try not to be the “marriage partner”, but rather the “preferred friend“ (Szmigin & Bourne, 1998). The customers’ perspective of relationships remains the blind spot of relationships in consumer markets (Fernandes & Proença, 2008; Pels, 1999) where dyadic approaches are needed. Arguing that RM is not appropriate for all consumer markets, the literature affirms that a relationship strategy is suitable for most services (Colgate & Stewart, 1998; O’Loughlin & Szmigin, 2006). Hence, findings from industrial markets should not be uncritically applied in the context of consumer markets (Fernandes & Proença, 2008). Also, according to Halinen and Tähtinen (2002), endings are likely to differ at least in three dimensions: complexity of the ending process in terms of stages and actor levels involved, amount of social and economic costs incurred, and speed and practical easiness of the process. We believe that in consumer markets different factors and processes are developed, varying these dimensions substantially from the broadly referenced process proposed by these authors.

Furthermore, there is a lack of research in services literature focusing the end of customer relationships. Knowing that the size of the service sector is increasing around the world, in both developed and emerging countries (Lovelock & Wirtz, 2007) and that, by these days, all economies are service economies and all businesses are service businesses (Vargo & Lusch, 2008) this research shows interest for itself.

Work on relationship ending has emerged mainly within the Nordic School of Services Marketing, the Interaction and Network Theory, the area of RM, Channel Research and Consumer Behaviour (for a review see Tähtinen & Halinen, 2002).

In order to get a better understanding of the nature of the development and change of customer relationships, the aim of this study is to explore the dynamics of the customer relationship ending process in service settings. The research presented here as one question to answer: Why do customer relationships come to an end? For that this paper includes a brief review on relationship ending in general and in services in particular, along with a review and a proposal of categorization of the factors influencing this type of relationship ending.

## **2. Theory on Relationships Ending**

Morgan and Hunt (1994: p. 22) described RM as “all market activities directed toward establishing, developing and maintaining successful relational exchanges”. Thus, the prominence of RM theory is based on the belief that the building and maintenance of relationships is beneficial for an organization and more efficient than the traditional marketing

mix approach in today's marketplace. More recently, services and RM literature suggest that the link between longer customer relationships and profitability is not automatic considering that in some cases firms may have to deal with high costs of retaining customers or increasing costs of serving long-standing customers demanding more attention and service. For that, firms are advised to follow up customer's profitability over time not to be surprised with relationships turning unprofitable (Grönroos, 2007; Zeithaml, Bitner, & Gremler, 2006).

Some authors defend that while RM literature primarily focuses on how relationships can be strengthened to prevent them from entering an ending process, the growing literature on relationship ending copes better with dissolution processes (Tähtinen & Vaaland, 2006). Nevertheless, an accepted theory on relationship ending does not yet exist (Michalski, 2004).

A relationship dissolution model explains how change in the development of a relationship happens, how a relationship comes to an end and what influences this process (Halinen & Tähtinen, 2002). Process is used as the nature, sequence and order of activities and events, describing how relationships change over time (Halinen, 1997; Van de Ven, 1992) and are dissolved. Activities and events include all the actions taken by parties within the relationship and the decisions made concerning the future of this relationship (Halinen & Tähtinen, 2002).

As this is a recent research field, terminology is in construction. Nevertheless, some consensus has been reached concerning the essential concepts. Tähtinen and Halinen (2002), reviewing and assessing research done between 1980 and 2000 and concerning the ending of exchange relationships, presented various approaches (business marketing, services, channels and advertising) in terms of terminology used, research focus and applied methods. These authors noted that diverse terms are being used within the same studies and often interchangeably and, based on the usage of terms within several research approaches, suggested some definitions. Namely, the term relationship "ending" is proposed as the general term when referring to the focal phenomenon, covering all types of relationship break-ups, in all types of relationships, no matter what the reasons for their ending are. "Termination", "dissolution", "switching" and "exit" are suggested as different types of relationship ending, used within these different approaches and situations.

For our study we follow the suggestion of Tähtinen and Halinen (2002) and use the general term of "ending". We also use the term "switching" as it is currently used in services marketing and refers to endings where the supplier (or the customer) is substituted for another alternative, stressing one actor's decisions and actions related to relationship ending as well as the actor's formation (or strengthening) of another relationship and considering the consumer's voluntary switching behaviour. "Dissolution" appears to refer to the ending process irrespective of whether an ending decision has been made.

### ***2.1. Ending on service settings***

Within services marketing the period of publication and research on exchange ending is short giving that the first study did not appear until 1995 (Keaveney, 1995). Authors originate both from the USA and from Europe, where some of the few repeated names are Kate Stewart (Stewart, 1998a; , 1998b) and Inger Roos (Roos, 1999; Roos, Edvardsson, & Gustafsson, 2004). The roots of articles of this area are quite homogeneous, within the marketing discipline in general and services marketing in particular. They focus on consumers as customers, seldom considering both consumers and companies (Beloucif, Donaldson, & Waddell, 2006; Tähtinen & Halinen, 2002). Most studies are empirically driven and research starts from the exploratory empirical study conducted by Keaveney (1995), which was referred in several subsequent research (Michalski, 2004; Roos, 1999; Stewart, 1998a).

Tähtinen and Halinen (2002) found that only few authors use relationship ending models from other disciplines: Hocutt (1998) uses research on interpersonal relationship dissolution (e. g. Duck, 1982), while Stewart (1998a) applies economics (e. g. Hirschman, 1970). In this approach some studies are purely theoretical models of the switching behaviour (Hocutt, 1998; Stewart, 1998b), while most of them have an empirical base explained by previous research on customer loyalty, retention, satisfaction and complaining behaviour. These empirical studies use mainly the Critical Incident Technique (CIT) or a variation (SPAT<sup>1</sup>) (Keaveney, 1995; Michalski, 2004; Roos, 1999; Roos et al., 2004), *surveys* (Ganesh, Arnold, & Reynolds, 2000), panel data and multiple case studies (Stewart, 1998a). Few are the studies that use longitudinal and dyadic data, thus only being examined the customer's switching behaviour (Tähtinen & Halinen, 2002).

On service settings, the empirical contexts in which the studies on both business and consumer relationship ending have been conducted are several, among which are mainly banking and financial services (Athanasopoulos, 2000; Bansal & Taylor, 1999; Chakravarty, Feinberg, & Widdows, 1997; Colgate & Lang, 2001; Michalski, 2004; Roos et al., 2004; Singh & Pandya, 1991; Stewart, 1998b), professional business services (Halinen & Tähtinen, 2002), insurance industry (Beloucif et al., 2006; Roos et al., 2004), airlines (Bejou & Palmer, 1998), telecommunications (Edvardsson & Roos, 2003; Roos & Edvardsson, 2008; Roos et al., 2004), advertising (Beverland, Farrellyb, & Woodhatch, 2004) and retailing (Roos, 1999), among others within multiple services (Coulter & Ligas, 2000; Keaveney, 1995; Roos et al., 2004).

## **2.2. Factors influencing consumer services ending**

Understanding the reasons for customer switching is crucial. For Owusu and Holmund-Rytkönen (2004) the reasons of a relationship ending may differ between two contexts: on the one hand, when dissolution is unplanned and unexpected and comes as a result of failure on relationship management or critical events; and, on the other hand, when the relationship or network is considered temporary from the real beginning and dissolution means success or the achievement of a goal initially specified. This research is interested in the first situation.

RM theory proposes that relational factors are the most important antecedents to positive outcomes (Morgan & Hunt, 1994) and many practitioners and scholars of this area have identified trust, commitment, satisfaction and other dimensions as essential ingredients for the development of quality relationships between buyers and sellers, specially in business-to-business relationships (Bejou & Palmer, 1998; Garbarino & Johnson, 1999) as well as important predictors of relationship ending (Hocutt, 1998; Michalski, 2004; Rusbult, Zembroke, & Gunn, 1983).

Hirschman's "exit, voice and loyalty" (EVL) framework provided a rich source of ideas regarding the analysis of factors influencing the ending process (Hirschman, 1974). Exit or voice are the result of dissatisfied customers, but if voice is the option, the likelihood of relationship ending falls. Six factors contribute for the decision of exit or voice, namely: decline in quality, attractiveness and availability of alternatives, likelihood of success in the case of voice, switching costs, perceived value of the product/services and customer loyalty. Concerning these six factors, recent research has shown that the direct impact of quality in exit is weak (Bansal & Taylor, 1999). To sum up, Michalski (2004) adds three kinds of switching costs to be considered: relationship specific investments, terminations costs and the costs of initializing another relationship.

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<sup>1</sup> Switching-Path-Analysis-Technique, originally developed by Roos (1999).

Susan Keaveney (1995) conducted a large-scale study across a range of services and found several key reasons why customers switch to another provider. Among those are, in order of importance, core service failures, dissatisfactory service encounters, price, inconvenience in terms of time, location or delays, poor response to service failure, competition, ethical problems and involuntary switching. Many respondents described a decision to switch as resulting from interrelated incidents, such as service failure followed by an unsatisfactory service recovery. Keaveney's findings underscore the importance of addressing some generic churn drivers by delivering quality service, minimizing inconvenience and other nonmonetary costs, and fair and transparent pricing. Lovelock and Wirtz (2007) refer that in addition to these generic drivers, there are often industry-specific drivers as well. For example, some specific reasons for switching in banking and financial services are customer relocation, small branch network, automatic salary payment in a new bank (Athanassopoulos, 2000), loan conditions and negotiations, location of branches and money transfer time (Roos et al., 2004). In telecommunications are price, customer support, change in product use and system failure (Roos et al., 2004) and in supermarkets are personnel, price, range of goods, location, habit, queuing, variation, design, atmosphere and policy (Roos, 1999).

Service failure seems to be the most important influencing factor of ending. Bejou and Palmer (1998) suggest that the effects of service failure on trust and commitment are much greater for a major service failure than a minor service failure, especially in the early stages of a relationship (as the quality of service and its effects on the relationship quality are not perceived by customers in a constant manner). These results appear to be generalisable to service sectors where opportunities for failure are high and customer retention is a priority, as in banking and personal health services. Table 1 includes a review and a possible categorization of factors, antecedents or reasons for consumer relationship ending in several consumer services.

**Table 1 – Categorization of the factors influencing ending relationships**

Categories	Description	Reasons or Factors	Literature
Reasons to leave (pushing determinants)	Reasons or factors that influence and increase the customer's switching behaviour (contributing to low service quality, dissatisfaction...)	Service failures (core service and service encounters) Quality declines Failures in service recovery Pricing inconvenience in terms of time, location or delays Events in other relationships Available alternatives	Athanassopoulos (2000); Bansal and Taylor (1999); Bejou and Palmer (1998); Chakravarty, Feinberg, and Widdows (1997); Coulter and Ligas (2000); Hocutt (1998); Keaveney (1995); Mittal and Lassar (1998); Popkowski and Timmermans (1997); Roos, Edvardsson and Gustafsson (2004); Roos (1999); Stewart (1998a; , 1998b)
Reasons to come back (pulling determinants)	Reasons to come back to the original service provider after switching	Variation seeking Location Range of goods	Roos (1999)
Reasons to stay (sawyers)	Reasons that keep customers with their current service provider, either mitigating or prolonging the switching decision	Apathy or habit High level of satisfaction Perceived switching costs Unattractive and uncertain alternatives Satisfactory service recovery Personal/social relationships	Bansal and Taylor (1999); Bendapudi and Berry (1997); Colgate and Lang (2001); Hocutt (1998); Jones, Mothersbaugh and Beatty (2002); Roos (1999); Stewart (1998a; , 1998b)

Other switching reasons were identified namely competition and ethical problems (Coulter & Ligas, 2000; Keaveney, 1995), norms (Bansal & Taylor, 1999; Coulter & Ligas, 2000), life status/role change (Coulter & Ligas, 2000) and personnel and policies frequently change

(Chakravarty et al., 1997). Some authors developed this knowledge focusing on the antecedents of dissolution as commitment, service failure and functional and technical quality (Bejou & Palmer, 1998; Hocutt, 1998; Mittal & Lassar, 1998).

Within consumer relationship research, Jones et al. (2002) and Burnham, Frels and Mahajan (2003) categorize switching costs that are positively associated with consumers' repurchase intentions. On one hand, Jones et al. (2002) examine the multidimensional nature of switching cost and, with empirical research, propose six dimensions, namely lost performance costs, uncertainty costs, pre-switching and evaluation costs, pos-switching behavioural and cognitive costs, setup costs and sunk costs. All of these dimensions were positively and significantly associated with repurchase intentions. On the other hand, Burnham et al. (2003) developed a typology with three types of switching costs: procedural switching costs (involving the loss of time and effort), financial switching costs (involving the loss of financially resources) and relational switching costs (involving psychological or emotional discomfort due to the loss of identity and break of bonds). These authors found that the level and types of costs that consumers associate with switching explain better their intentions than their satisfaction does (Burnham et al., 2003).

Furthermore, some studies compare switchers and non-switchers (Mittal & Lassar, 1998), while others, in another perspective, have focused on why customers do not switch service providers (Colgate & Lang, 2001) revealing that the most important reasons were apathy and a feeling of being locked in, so that the switch would result in a negative outcome. Bendapudi and Berry (1997) also present customers motivations for maintaining relationships with service providers as the constraint-based or the dedication-based, i. e. customers may maintain relationships either because of constraints (they "have to" stay in the relationship) or because of dedication (they "want to" stay in the relationship).

Finally, in a business-to-business context, Halinen and Tähtinen's (2002) work on professional services proposes three different groups of factors that influence relationship ending: predisposing factors (related to the tasks, actors, dyad or network, such as the complexity of tasks to be done or differences between companies and expectations), precipitating factors (related to the actors, dyad or network, such as changes in contact personnel, property or strategies) and attenuating factors and events (related to the actors, dyad or network, such as trust, personal relations and commitment). According to these authors predisposing factors and precipitating events promote and engender ending, whereas attenuating factors and events hinder it and its advancement. All factors that influence ending should be studied simultaneously, whether they are static or dynamic, originated inside or outside the relationship context (Halinen & Tähtinen, 2002; Keaveney, 1995). In business-to-business settings other antecedents or factors are revealed as the failure to respond to clients needs of value change that is vital to relationship renewal (Beverland et al., 2004). Also, in a commercial banking set, and from a sales perspective, it was revealed that competitive pressure is not a dominant factor causing dissolution of a relationship (Perrien, Paradis, & Banting, 1995).

### **3. Summary**

Since there is so little conceptual work on the field of consumer services referring to factors, antecedents, reasons, drivers or triggers of customer relationships' ending, our study holds the potential to produce new and interesting contributions to the knowledge built until now. This paper presented an ongoing research project that will move on to the question: What factors tend to influence most the process of relationship ending?

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