Sustainable Management and Marketing: A re-evaluation of customer switching behaviour in service industries

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Abstract

This empirical paper describes the findings from a survey of 120 consumers on the reported causes of switching service product suppliers. Ten principal causes for switching were identified and respondents were asked to identify all of the reasons why they had switched for a recent service product purchase. The results were rank ordered and compared with the seminal study by Keaveney (1995) who used seven causes. The main similarity was the confirmation that ‘Core service failure’ was the principal cause of switching in both studies, accounting for about 30% of events. The main difference was that ‘Competition’ moved from sixth ranked in the Keaveney study to second in this study, indicating perhaps the increasing competitiveness of contemporary markets.

Introduction

To sustain their businesses managers and marketers need to ‘identify sources of superior firm performance in constantly evolving competitive environments’ (Constantinides, 2006, p. 411). Since the beginning of the previous decade, there have been significant changes in the macro environment. Cutting-edge technologies, millennial lifestyles, demographic shifts and global economic trends have transformed the lives of consumers (Woodall, Colby & Parasuraman, 2007). Thus, in the quest for sources of superior performance, received consumer behaviour knowledge should be re-appraised.

One source of superior firm performance is the management of customer/provider encounter relationships to achieve maximum profitable customer lifetime value (East, Hammond and Gendall 2006; Reinartz and Kumar 2003; Reichheld and Schefter 2000). Marketing exchange transactions between consumers and providers occur during dyadic customer/provider encounters (Ward and Newby 2006; Chandon, Leo and Philippe 1997; Solomon et al. 1985). Outcome behaviours of these encounters are customer retention and customer switching. Contemporary empirical switching domain research studies can support the execution of sustainable customer marketing management practices.

Switching Domain Literature

With the arrival of the new millennium, there was an attempt to synthesise and build on ‘the efforts to conceptualize the effects of quality, value, and customer satisfaction on consumer behavioural intentions in service environments’ (Cronin, Brady and Hult 2000, p. 193). Also the differences between switchers and stayers were examined (Ganesh, Arnold and Reynolds 2000). These studies were followed by several others concerned with dyadic service
encounter outcomes. For example, in 2001 there were studies into: the behavioural consequences of customer satisfaction (Athanassopoulos and Stathakopoulos 2001); variety-seeking behaviour (Berné, Múgica and Yagü 2001); the quality of an organization’s service transactions (Brady and Cronin 2001); potential outcomes of service failure (Colgate and Norris 2001); customer tenure, recommendation and switching (East, Lomax, and Narain 2001); critical incidents, human memory mechanisms and judgement processes (Edvardsson and Roos 2001); the effects of information influence, service usage, propensity for risk-taking behaviour and demographic factors on behavioural outcomes (Keaveney and Parthasarathy 2001); the effect of both positive and negative emotions on loyalty, with the finding that ‘the cognitive component of satisfaction correlates with loyalty, with the affective component serving as a better predictor of customer loyalty than the cognitive component’ (Yu and Dean 2001, p. 243). Subsequent studies examined the process of a relationship ending (Halinen and Tähtinen 2002), the effects of word-of-mouth promotion on switching behaviour (Money 2002), the relationships among relational bonds, customer value and customer loyalty (Chiu et al. 2004) and customer switching patterns in competitive and non-competitive service industries (Roos, Edvardsson and Gustafsson 2004). Recently, East et al. (2007) asserted that they could offer additional knowledge about customer switching that had not been revealed in Keaveney’s seminal research into the reasons for customers’ switching service providers (Keaveney 1995). Respondents in this later study, however, were restricted to selecting the most important reason for defection, unlike the earlier study which reported that 55% of critical switching incidents involved more than one category or factor.

Theoretical Background

It has been suggested that the domain for analysing the customer/provider relationship ‘is a switch from one service provider to another’ (Roos 2002, p. 193). The purpose of switching domain research is to help managers and marketers understand service switching from the customer’s perspective so that they can plan how ‘to avoid the revenue-reducing and cost-incurring impact of customer switching’ (Keaveney, 1995, p. 71). Prior to 1995, some research had investigated various antecedents of switching behaviour. However, a classification of switching reasons and their relative frequency in service industries was not established until grounded exploratory research into customer switching behaviour in service industries was undertaken by Keaveney (1995).

The exploratory research used the Critical Incident Technique (CIT) and focused on negative critical incidents in the data collection. It was grounded in the responses of 526 research participants telling stories about things that had happened to them. Forty-five different service industries were mentioned by the survey participants. However, the possibility of CIT retrieval bias in the exploratory research justified a further examination of the causal classification model by East et al. (2007). To avoid retrieval bias, this later study employed a questionnaire to measure the self-reported reasons for defection of 892 study participants. The questionnaire contained ‘specific categories with a closed response item that matched the reasons identified by Keaveney’ (East et al. 2007, p. 2238). Responses were not restricted to the previous six months as few cases would have been found in some industries such as banking. Gaining an understanding from the data in this study of the effect of the differences between located and non-located services resulted in a valuable contribution to the switching domain knowledge; ‘managerial action to retain customers in physically located services has limited scope’ (East et al. 2007, p. 2242).
However, the comparisons made in the East et al (2007) study between its findings and the earlier Keaveney (1995) exploratory study may be methodologically compromised. In the later study the questionnaire limited answers to only one main defection reason but the exploratory research had reported that slightly more than half (55%) of the respondents cited two or more reasons as causes for defection (Keaveney 1995). Consequently, due to the effect of the forced choice limitation, caution must be exercised in accepting the conclusion of this later study that the service interface was ‘responsible for fewer problems than has been supposed’ previously (East et al. 2007, p. 2242).

The pilot study reported in this paper aimed to review prior knowledge about the causes of service provider switching in the light of contemporary data. To avoid CIT retrieval bias in the data, a questionnaire was used to collect data about the reasons for switching. To avoid a forced choice limitation, the study participants were offered the opportunity to rate the switching effect of any or all of ten causal categories.

**Methodology**

**Surveys:** The research was conducted in a regional town in Queensland, Australia, over the period December to February, 2008-9. With the permission of the management of a busy medium-sized shopping centre, participants in the research were recruited using a convenience sampling technique of randomly selected visitors. People who had never switched service providers were necessarily excluded from participation in the survey. Two investigators were involved in the study: one undertook the data collection and reporting stages of the study and the second advised on the statistical analysis process and interpretation of the findings.

In this study the survey collected self-reported information on ten categories of reasons for defection. Seven of these categories were identified by Keaveney (1995) (Table 1). Multi-attribute scales were employed for measuring each variable. Involuntary switching was not included in this survey as it is beyond the control of managers. However, some additional categories were included as a result of previous exploratory research with providers and customer focus groups and other research reported in the literature. Variety seeking, was included in the questionnaire because there is a body of literature supporting the view that consumers seek variety (Kahn 1995) and that variety-seeking negatively affects customer retention (Berné, Múgica and Yagü 2001). Other causal categories, ‘encouragement by the previous provider to select a new provider’ and ‘peer pressure’ were also included.

The study participants were required to select a service which they had switched in the previous two years on which to base their responses to the statements in the questionnaire. A two year cut off was adopted since switching barriers for some services, such as insurance and banking, prevent frequent switching but concerns with human memory mechanisms and judgement processes suggested that it would be desirable to ensure that there should be a time limit on when the event occurred (East et al. 2007; Edvardsson and Roos 2001). Six types of services were listed from which the participants could choose, although provision was made for respondents to select and specify an ‘other’ service. Based on the frequency of the causal behaviour, the data analysis ranked the causal categories in order of importance.

The shopping centre customers were approached and their voluntary and anonymous participation in the survey was requested. The purpose of the research was explained and a
letter of introduction to the student investigator which also contained the ethical details of the treatment of the survey information was provided. When the participants’ involvement in the research had been obtained, they were then given the survey to complete with a request to seal the completed survey in an accompanying envelope before returning it to the person who had handed them the survey. Of the 140 surveys returned to the investigator, 120 were usable. No reward was provided to the survey participants.

**Findings**

In Table 1 the switching survey response information was aggregated for participants ranging in age from 18 to 65+ and both genders across all types of service providers. Of the 120 respondents, only two selected a single category of behaviour as the reason for switching their service provider. The categories common to both Keaveney’s 1995 study and this pilot study were isolated and their rank orders were compared to ascertain if the importance of the causes of switching have changed during the interval between the studies.

<table>
<thead>
<tr>
<th>Category</th>
<th>Number of critical behaviours</th>
<th>% of critical behaviours</th>
<th>Rank order</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core service failure</td>
<td>168</td>
<td>27.23</td>
<td>1</td>
</tr>
<tr>
<td>Competition</td>
<td>99</td>
<td>16.05</td>
<td>2</td>
</tr>
<tr>
<td>Price</td>
<td>72</td>
<td>11.67</td>
<td>3</td>
</tr>
<tr>
<td>Peer pressure</td>
<td>72</td>
<td>11.67</td>
<td>3</td>
</tr>
<tr>
<td>Response to failed service</td>
<td>60</td>
<td>9.72</td>
<td>5</td>
</tr>
<tr>
<td>Inconvenience</td>
<td>45</td>
<td>7.29</td>
<td>6</td>
</tr>
<tr>
<td>Failed service encounter</td>
<td>42</td>
<td>6.81</td>
<td>7</td>
</tr>
<tr>
<td>Ethical problems</td>
<td>34</td>
<td>5.51</td>
<td>8</td>
</tr>
<tr>
<td>Variety seeking</td>
<td>18</td>
<td>2.92</td>
<td>9</td>
</tr>
<tr>
<td>Moved on by provider</td>
<td>7</td>
<td>1.13</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>617</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: *data collected for this research

In Table 2 data for the top seven critical behaviours identified by Keaveney (1995) was separated out from the remainder of the categories in this study so a comparison of the rank ordering of these seven critical behaviours could be made. Core service failure was the main cause of switching in both studies. However, there was some variation in the rank order of the causes of switching between the 1995 data and the 2009 data. Competition and failed service encounter as causes of switching were noteworthy for the difference in their rankings in both sets of data. In Keaveney’s study competition ranked sixth while in this study it ranked second and failed service encounter ranked second in Keaveney’s study but only sixth in this study. There were no significant differences in the ordering of the other four categories.
Table 2. Comparison of rankings

<table>
<thead>
<tr>
<th>Number of critical behaviours</th>
<th>% of critical behaviours</th>
<th>Rank order</th>
<th>Reasons</th>
<th>Number of critical behaviours</th>
<th>% of critical behaviours</th>
<th>Rank order</th>
</tr>
</thead>
<tbody>
<tr>
<td>208</td>
<td>27.05</td>
<td>1</td>
<td>Core service failure</td>
<td>168</td>
<td>32.31</td>
<td>1</td>
</tr>
<tr>
<td>160</td>
<td>20.81</td>
<td>2</td>
<td>Failed service encounter</td>
<td>42</td>
<td>8.07</td>
<td>6</td>
</tr>
<tr>
<td>140</td>
<td>18.21</td>
<td>3</td>
<td>Price</td>
<td>72</td>
<td>13.85</td>
<td>3</td>
</tr>
<tr>
<td>97</td>
<td>12.61</td>
<td>4</td>
<td>Inconvenience</td>
<td>45</td>
<td>8.65</td>
<td>5</td>
</tr>
<tr>
<td>81</td>
<td>10.53</td>
<td>5</td>
<td>Response to failed service</td>
<td>60</td>
<td>11.54</td>
<td>4</td>
</tr>
<tr>
<td>48</td>
<td>6.24</td>
<td>6</td>
<td>Competition</td>
<td>99</td>
<td>19.04</td>
<td>2</td>
</tr>
<tr>
<td>35</td>
<td>4.55</td>
<td>7</td>
<td>Ethics</td>
<td>34</td>
<td>6.54</td>
<td>7</td>
</tr>
<tr>
<td>769</td>
<td>100</td>
<td></td>
<td></td>
<td>520</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

Source: Keaveney 1995, p. 75 and *data collected for this research

Discussion

Since only two of the 120 respondents selected a single category of behaviour as the reason for switching their service provider, the complexity of the service interface is clear. The main points to emerge from Table 1 are that all of the ten causal categories included in the questionnaire had an impact on the cause of people switching service providers. Although competition is a significant cause of defection it is difficult for managers to combat. However, core service failure, the primary cause of switching is under the control of management and ensuring that it does not occur should provide a defensible advantage for service providers. Peer advice and price are ranked equal third so these are areas which management also needs to give thoughtful consideration. While variety seeking and being encouraged to move to another provider are reported to have had less impact on the cause of changing providers, their ranking may have been affected by the self-reporting method used in the data collection.

Table 2 compared the importance attributed to various causal categories by participants in Keaveney’s (1995) study and the pilot study’s participants. In both studies, core service failure was perceived to be the most important factor in the decision to switch service providers. However unlike the earlier study, core service failure was followed by competition and price. The changed importance of the combined effect of competition and price suggests that the macro-environmental changes transforming the lives of consumers during the interval between the two studies have impacted on consumer behaviour. The rank order change of failed service encounter from second to sixth suggests that this is an area which marketers have successfully addressed.

The major limitation of the paper is the sample size. However, the findings suggested that further research using a larger sample may contribute to switching domain knowledge and that research into the causes of switching providers may be worthy of further investigation. With competition and price falling into second and third ranked importance as causes of switching providers, further research into the process of switching providers may provide helpful information to guide management intervention decisions.
Reference list


