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Switching barriers in business-to-business services: a qualitative study

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Abstract

Purpose - To investigate the determinants of behavioural brand loyalty amongst dissatisfied customers in the business-to-business (B2B) services sector. **Design/methodology/approach** - A qualitative study was conducted, with 28 personal interviews undertaken with managers who are involved in the choice of service providers. The respondents belonged to 24 organisations located in Australia. Template analysis and eyeballing were techniques used to analyse the data collected. **Findings** - 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, impact of alternative providers, switching costs (18), others (17), inertia (14), investment in relationships (13), and service recovery (13). The results not only confirmed factors found in the literature, but also uncovered eleven other factors. **Research limitations/implications** - The sample size, whilst appropriate for qualitative research, should be considered adequate only for exploratory analysis and a further quantitative study is needed to validate the study. **Practical implications** - This study is important for those firms who have many prospective switchers because it is important to understand why these customers stay, and to what extent such firms can discourage such customers from leaving in both positive and negative ways. For those service firms that are attempting to attract these 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. **Originality/value** - This research is the first study to investigate in a single model a range of barriers to switching in a B2B services context. The results that confirmed categories found in the literature also discovered eleven other factors not evident in the extant literature.

Keywords

Customer dissatisfaction, business-to-business (B2B), services, behavioural loyalty, switching barriers.

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Switching barriers in business-to-business services: A qualitative study

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Paper type Research paper.

Introduction

Just as satisfied customers are not necessarily loyal (Rowley and Dawes, 2000), dissatisfied customers do not always exit (Hirschman, 1970; Day, 1984). Customer dissatisfaction diminishes an organisation's customer base, forces the firm to rely on a more volatile customer mix, and erodes the firm's reputation (Levesque and McDougall, 1996), and this is particularly true in service industries, where customer dissatisfaction is a significant problem (Singh, 1990; Fornell, 1992). Customer responses to dissatisfaction occur along a continuum of severity (Hirschman, 1970; Levesque and McDougall, 1996; Ruyter *et al.*, 1998; Colgate and Norris, 2001). Although some defections are caused by

dissatisfaction (Keaveney, 1995; Stewart, 1998), consumers may simply remain inactive and take no action at all when dissatisfied (Day, 1984; Gronhaug and Gilly, 1991).

While a significant amount of research has investigated the reasons that dissatisfied customers switch service organisations (Crosby and Stephens, 1987; Keaveney, 1995; Colgate *et. al.*, 1996; Levesque and McDougall, 1996; Stewart, 1998; Colgate and Hedge, 2001) and the importance of switching (Fornell and Wernerfelt, 1987; Reichheld and Sasser, 1990; Mittal and Lassar, 1998), 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 empirically investigate a range of factors 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.

Studies that have investigated why customers do not always switch or defect to competing organisations have been discussed in the context of one or more factors that reduce customers' desire to leave an existing service provider (switching barriers). A body of research examined switching costs and its relationship to repurchase intentions or loyalty (Gronhaug and Gilly, 1991; Fornell, 1992; Anderson and Sullivan, 1993; Ping, 1993; Nielson, 1996; Jones *et. al.*, 2000, 2002; Burnham *et. al.*, 2003). Only Gronhaug and Gilly (1991) have researched the effect of switching costs amongst dissatisfied customers and argue that a dissatisfied customer may remain loyal because of high switching costs. Other research examined relationships built by either party in the buyer-seller dyad as a barrier to switching (Gwinner *et. al.*, 1998; Colgate and Danaher, 2000), effect of availability and attractiveness of alternatives (Bendapudi and Berry, 1997), inertia (Bawa, 1990; Bozzo, 2002; Ranaweera and Neely, 2003; White and Yanamandram, 2004) and service recovery (Spreng *et. al.*, 1995; Bejou and Palmer, 1998; Smith and Bolton, 1998; Durvasula *et. al.*, 2000). Only the studies on service recovery focussed on the effect of the barriers to switching amongst dissatisfied customers.

The study of customers staying with a firm as a result of dissatisfaction is valuable, especially in the light of increasing academic and business attention being given to long-term marketing relationships rather than transactions (Stewart, 1998). Hence, if firms want to promote longer-term customer relationships, and reduce customer exit as a result of dissatisfaction, it follows that an understanding of the phenomenon of "why customers stay" is essential. Further, this study may be important for those firms who have many prospective switchers because it is important to understand why these customers stay, and to what extent such firms can discourage such customers from leaving in both positive and negative ways (Colgate and Lang, 2001). Finally, for those service firms that are attempting to attract these 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 (Colgate and Lang, 2001).

Research in business-to-business (B2B) services

Scholars comment that research in customer satisfaction/dissatisfaction in B2B relationships is still modest and lagging far behind consumer marketing (Homburg and Rudolph, 2001; Rossomme, 2003). Further, most business research investigates goods, with little focus on services (Dawes *et. al.*, 1993; Patterson *et. al.*, 1997). Patterson *et. al.* suggest that given the prominence of business services, "...there has been an almost total

lack of attention to the industrial or B2B sector” (1997, p.4). Further, the highest growth in services marketing today is in business markets (Fitzsimmons, Noh and Thies, 1998; Brown, 2002; Haddix, 2004), making this an important area of study. In the B2B context, whilst there have been some studies addressing individual barriers to switching (see table I), such as relationship investments, 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 addressing the following question:

What are the determinants of behavioural brand loyalty amongst dissatisfied customers in the B2B services sector?

In order to answer this question, the paper is formatted as follows: First, the literature on behavioural loyalty, and switching barriers that prevent B2B customers leaving service organisations with which they are dissatisfied are examined. This is followed by a section on methodology. Next, the paper presents the study findings. Finally, the implications of these findings, and suggested avenues for future research are presented.

Take in Table I

Loyalty

There are several models that centre on constructs closely related to brand loyalty that explain why customers stay with their product or service providers. Some of these include brand commitment, customer switching, relationship quality, relationship commitment, customer organisational commitment, and perceived continuity of the relationship, source loyalty, service loyalty, and brand meaning. The major underlying consideration throughout most of these constructs and research streams is the development of a relationship between an organisation and its customer that leads to subsequent, continued exchanges. Thus it could be argued that brand loyalty research now occurs under disguises such as relationship marketing, source/store loyalty, relationship commitment etc (Gremler, 1995). Further, the meanings associated with “customer’s loyalty to a service provider” and “brand loyalty” are used synonymously in this study because the product is the primary brand for packaged goods, while the company itself serves as the brand for services (Lovelock and Wright, 2002).

The benefits to service providers of having a loyal customer base are well documented in the literature. Loyal customers can lead to increased revenues for the firm (Reichheld, 1996); spend more money than non-loyal customers (O’Brien and Jones, 1995); result in predictable sales and profit streams (Aaker, 1992); are more likely to purchase additional services (Reichheld, 1996); typically lead to low customer turn over (Reichheld and Sasser, 1990); often generate new business for a firm via word-of-mouth recommendations (Reichheld and Sasser, 1990; Reichheld, 1996); and play a powerful role in the decision making of others (Rowley and Dawes, 2000). Further, the service provider incurs lower costs as the expense of acquiring new customers is reduced (Jarvis and Wilcox, 1977; Reichheld, 1996) because sales, marketing, and set up costs can be amortised over a longer customer lifetime (Clark and Payne, 1994).

Customers may demonstrate their loyalty in any one of a number of ways; they may choose to stay with a provider, whether this continuance is defined as a relationship or not. At a general level, loyalty is something that customers may exhibit to brands, services, stores, product categories and activities. Snyder (1986) contends that the

concept of loyalty for services is more complex than the brand loyalty normally associated with goods. He argues, (1) loyalty to a service does not neatly fit into any one loyalty formulation, and (2) the complexity of loyalty in a services context is compounded when the object of the customer's loyalty is considered; that is, loyalty may be directed toward a service, a service provider, or towards the personnel offering the service.

Furthermore, there is no universally agreed definition of loyalty (Dick and Basu, 1994; Jacoby and Chestnut, 1978; Oliver, 1999; Uncles *et. al.*, 2003); instead, there are a number of conceptualisations:

1. Behavioural concepts that strictly look at the repeat purchase behaviour (i.e. expressed in terms of revealed behaviour such as proportion of purchase, sequence of purchase, and probability of purchase).
2. Loyalty as primarily an attitude that may lead to a relationship (i.e. expressed in terms of how much people say they liked the brand, feel committed to it, will recommend to others, and have positive beliefs and feelings about it relative to competing brands (Dick and Basu, 1994).
3. Loyalty as having both attitudinal and behavioural dimensions (Dick and Basu, 1994).

Uncles *et. al.* (2003), in a review of the literature on loyalty, identify a contingency approach to conceptualising loyalty, where the repeat buying is moderated by the individual's characteristics, circumstances, and/or the purchase situation. They argue that an attitude towards a brand may provide only a weak prediction of whether or not the brand will be bought on the next purchase occasion because any number of factors may co-determine which brand(s) are deemed to be desirable (Blackwell *et. al.*, 1999). They differentiate the two approaches by explaining that the contingency variables are elevated from the status of loyalty inhibitors (in the attitudinal approach) to loyalty co-determinants (in the contingency approach) that are seen as playing a primary and inescapable role in explaining the observed patterns of purchase behaviour. This is even more evident when attitudes are weakly held. Our views parallel the views held by Uncles *et. al.* stated above; this research therefore measures loyalty expressed in terms of revealed behaviour, taking into account factors that play a primary role in explaining such purchase behaviour when customers are dissatisfied with their service provider in the B2B services sector.

A number of authors have recognised that segmenting loyal customers can assist in developing an understanding of the nature of loyalty orientation and can inform appropriate marketing actions. An oft-quoted model of loyalty segmentation is that proposed by Dick and Basu (1994). Dick and Basu (1994) argue that loyalty is determined by the strength of the relationship between relative attitude and repeat patronage, and that it has both attitudinal and behavioural elements. They propose four conditions related to loyalty: loyalty, latent loyalty, spurious loyalty and no loyalty. These are summarised in Figure 1.

Take in figure 1

Businesses will want to understand which of their customers fit into specific loyalty categories. Different marketing activities will be appropriate for each of these different groups. The challenge for the marketer is to manage the relationship with customers in

each of these different states, possibly attempting to move customers from one state to another. This research study focuses on the spuriously loyal, that is, those customers with high repeat patronage whilst having low relative attitude, to specifically examine attitudes and motivations underlying loyalty responses to dissatisfaction.

Hirschman (1970) also captures this notion in the definition of loyalty in the exit, voice and loyalty model. That is, dissatisfaction, according to Hirschman (1970), provokes three responses: A customer may discontinue the relationship (exit); communicate dissatisfaction (voice) or react to dissatisfaction passively, preferring to remain with a service provider in the belief that the likelihood of an improvement outweighs the cost of searching for another supplier. That is, behavioural loyalty is one of the reactions a customer may have to a service failure.

The findings from the study conducted by Levesque and McDougall (1993, p.52) in consumer markets suggested that, “even when a problem is not solved, approximately half of the respondents would remain with the firm”. Studies in the banking industry (Colgate and Lang, 2001; White and Yanamandram, 2004) suggest that the number of consumers who seriously consider switching but stay on an annual basis is large (more than 22 percent in both studies). This notion is further substantiated by Colgate *et. al.* (1996) who note that it is not always the case that customer defection is the inverse to loyalty; however, organisations need to understand why a customer still patronises them, as it may not necessarily be a positive conscious choice.

Studying spuriously loyal customers may help to reduce customer attrition as persistent customer defection has a harmful impact on a service company’s performance. Losing a customer either completely or in terms of a reduced re-buying rate entails a decline in sales volume and means that new customers have to be attracted by even more concentrated marketing activities (Zins, 2001). Studies (Reichheld and Sasser, 1990; Reichheld, 1996) demonstrate that a 5 percent decrease in customer attrition could translate into a 25 to 85 percent increase in profits, depending on the service industry. Therefore, developing and maintaining customer loyalty is the key to survival and growth in service firms (Reichheld, 1996). Scholars (Dick and Basu, 1994; Rowley and Dawes, 2000) suggest that in the chaos of insecurity that is present in many people’s lives, loyalty to major brands might lead to a sense of security and predictability that is otherwise absent from their lives and call for organisations to be concerned not only with the orientations of those customers who can be described as truly loyal, but also those who are spuriously loyal.

Definitions of loyalty in a B2B context

B2B loyalty is generally discussed in the literature as a *source loyalty* construct. The literature defines source loyalty as follows:

The intention to buy repeatedly from the same supplier and the intention of continuing the relationship with the supplier (Biong, 1994, p.2).

Occurs when repeat purchase behaviour is accompanied by a psychological bond (Jarvis and Wilcox, 1977, p.2).

Loyalty becomes the means whereby past buying decisions affect the current one, and loyalty behaviour can be recognized as a tendency for a

customer to repeatedly buy from a particular supplier (Bubb and van Rest, 1973).

Morris and Holman (1988) state that the definition of loyalty is not without controversy and that the reasons for being loyal, and possibly the degree of loyalty, would appear to be changing as the environments of customer organisations become more turbulent and complex. They further argue that the nature of *source loyalty* is such that B2B buyers make more of a commitment, and take more of a risk in vendor selection than is found in the average consumer purchase.

Transference of consumer concepts

Fundamental differences exist between an organisation marketing to other organisations; often referred to as industrial or B2B marketing; and an organisation marketing to consumers, that is, business to consumer (B2C) marketing (Webster, 1978; Jackson and Cooper, 1988). Although a number of differences have been cited in the literature, several key characteristics are relevant to this study. First, B2B marketing is generally considered more complex than business-to-consumer marketing because organisation buyer behaviour involves a more intricate network or organisational and environmental buying influences (Jackson and Cooper, 1988). Second, organisational buying is characterised by a multi-person involvement in the decision making process, that is referred to as the buying centre (Robinson *et. al.*, 1967). The final characteristic is that B2B marketing involves developing and maintaining longer-term relationships with customers than in consumer marketing (Jackson and Cooper, 1988).

Further, four key characteristics namely intangibility, inseparability, variability and perishability (Berry, 1980) pose significantly different challenges for marketing of goods and services and customer loyalty. Jackson and Cooper (1988) propose two additional traits that are unique to B2B services: specialisation and technology. These characteristics make B2B services marketing more complex than the marketing of B2B goods and consumer goods and services (Jackson and Cooper, 1988). Specialisation means B2B products often need to be customised to meet an organisation's needs, especially in the case of production-related services, a sub-category of services (Jackson and Cooper, 1988). They note that when buyers purchase specialised products, "there is the added complexity of arriving at and conveying to vendors the specifications required for the product; with services, the issues of tangibility and inseparability add to the already complex process of arriving at acceptable specifications" (p.117).

B2B services also tend to be generally more technological in nature than consumer services, because of the greater complexity of organisational needs (Jackson and Cooper, 1988). While B2B customers rely on vendors to provide information and assistance in purchasing technically complex products, the inherent distinctions and resulting problems are magnified by their technical nature when the technical products are services as opposed to goods (Jackson and Cooper, 1988). Furthermore, it has been suggested that a lack of tangibility results in a service decision process that can be highly complex and difficult because the inputs available to the purchasing agent often becomes vague or ambiguous (Stock and Zinszer, 1987). Jackson *et. al.* (1995, p. 104) in an empirical investigation of the differences between B2B goods and services state that buyers in their study felt that (1) there are fewer brands of services available compared to goods that limited their choice and that (2) they did not bother looking for other suppliers of

services. This may help to explain why dissatisfied customers sometimes do not defect to alternate service providers.

A recent development in B2B research is the transference of consumer concepts such as branding into the business context (Hutton, 1997). Research in business services indicates that consumer concepts may be successfully transferred to the business sector (Cooper and Jackson, 1988; Duravasula *et. al.*, 1999). Accordingly, this research incorporates the barriers identified by Colgate and Lang (2001) and empirically tests their applicability to the B2B services sector. However, given that B2B buying differs from consumer buying (Jackson and Cooper, 1988; Fitzsimmons *et. al.*, 1998), we expect there would be additional barriers to switching and that possibly all of the factors identified in consumer research may not be applicable in the B2B sector. The following section discusses the switching barriers that have been identified in the literature as preventing customers leaving service organisations with which they are dissatisfied.

Literature review

A body of research has also examined two or more factors that seem to have influenced a customer's decision to remain with a service provider. Studies have investigated service quality, switching costs and loyalty (Ruyter *et. al.*, 1998), and availability and attractiveness of alternatives and switching costs (Sharma and Patterson, 2000; Grace and O'Cass, 2003). None of the studies focussed on the effect of the barrier(s) amongst dissatisfied customers.

There also exists a stream of research that focuses on identifying or managing customers who stay with a supplier or service provider in the context of perceived risk (Newall, 1977; Puto *et. al.*, 1985; Mitchell, 1990; Greatorex *et. al.*, 1992). These studies suggest that a buyer attempts to reduce the amount of risk to a tolerable level by showing behavioural loyalty to one or more of existing suppliers or service providers.

A study by Lee and Cunningham (2001) developed potential determinants of service loyalty based on service quality, transaction cost, and switching cost literature and estimated their relative influences in the consumer market. However, their model left out other potential determinants of service loyalty and the research did not study dissatisfaction responses. Panther and Farquhar (2004), however, specifically studied loyalty responses to dissatisfaction with financial service providers in the consumer market and identified the following factors: (1) hassle to change service providers, (2) not having the time to change/evaluate service providers, (3) tied to company, (4) the perception that all companies are the same, and (5) have traditionally been with the service provider. However, none of the studies cited in this section investigated comprehensively all the potential determinants of loyalty amongst dissatisfied customers in a B2B context in the services sector in a single study.

In summary, the importance of undertaking expanded studies on dissatisfaction and loyalty comes from empirical studies by Bloemer *et al.* (2003), Ganesh *et. al.* (2000) and Gensch (1984) who suggest strategies to manage 'customers at risk'. Customers at risk form an important, but hidden segment that deserves special attention in terms of loyalty and retention management (Bloemer *et. al.*, 2003). While there has been relatively little evidence of research in the area of brand loyalty for the B2B services sector (Lichtenthal *et. al.*, 1997; Bennett, 2001), there has been virtually no work conducted in the study of dissatisfaction and loyalty in dysfunctional relationships in this sector.

Interpersonal relationships

Interpersonal relationships refer to the strength of personal bonds that develop between customers and their service employees (Turnbull and Wilson, 1989; Berry and Parasuraman, 1991). The interpersonal relationship built through recurrent interactions between a service provider and a customer can strengthen the bond between them and lead to a long-term relationship (Kim *et al.*, 2004). Interpersonal relationships are especially important in services given the high degree of personal interaction, the intangible nature of the service, the heterogeneity of service outcomes, and the prominent role customers play in service production (Czepiel, 1990). 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. Jones *et al.* (2000) discovered that, in situations of low customer satisfaction, strong interpersonal relationships positively influence the extent to which customers intend to repurchase. Gwinner *et al.* (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. In this regard, researchers (for example, Frenzen and Davis, 1990; Dick and Basu, 1994) contend that social benefits mitigate the influence of satisfaction with the core service by encouraging customers to remain with their service provider even in situations where core-service satisfaction is less than complete in consumer markets. Social benefits have been presumed to include feelings of familiarity, personal recognition, friendship, rapport, and social rapport (Barnes, 1994).

While some scholars have included interpersonal relationships as a dimension of switching costs (Jones *et al.*, 2002; Burnham *et al.*, 2003; Patterson and Smith, 2003), others have treated them as two separate constructs (Ping, 1993; Wathne *et al.*, 2001). While both interpersonal relationship and switching costs derive from previous investments in the supplier/service provider relationship, the specific nature of the investment differs. While interpersonal relationships derive from an individual's investment in social capital (Coleman, 1990), switching costs arise from organisational-level investments in transaction-specific assets (Williamson, 1985). Thus, each dimension exists at a different level, that is, interpersonal and inter-organisational, respectively (Wathne *et al.*, 2001). In Wilson's (1995) terminology, these two factors are examples of social and structural bonds, respectively. Hence, interpersonal relationships and switching costs are treated in this study as two separate determinants.

Switching costs

Switching costs are conceptualised as the customer's perception of the magnitude of the additional costs required to terminate the current relationship, and secure an alternative (Porter, 1980; Jackson, 1985; Ping, 1993). These perceived penalties for disloyalty deter customers from switching to a competing firm. Switching costs include not only those that can be measured in monetary terms but also the psychological effect of becoming a customer of a new firm, and the time and effort involved in buying new product (Dick and Basu, 1994; Kim *et al.*, 2003; Klemperer, 1995; Sengupta *et al.*, 1997). The literature also discusses switching costs in the context of industrial buyer-seller relationship; with B2B marketing theorists offering a two-part (Speakman and Strauss, 1986; Nielson, 1996) or a three-part typology (Jackson, 1985).

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 are

high for services that are intrinsically difficult to evaluate, or for which there is only a limited number of suppliers (Brown and Swartz, 1989; Patterson and Johnson, 1993). Literature in the areas of industrial marketing and distribution channels also suggest that a relationship may continue to exist due to the buyer's perceptions of the high switching cost (Porter, 1980; Ping, 1994) even if the relationship is not a satisfactory one. 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). Perceived risk implies customers experience pre-purchase uncertainty as to the type and degree of expected loss resulting from the purchase and use of a product or service (Cox, 1967). Since services are intangible and heterogeneous, customers will perceive higher risk in services than goods (Javalgi and Moberg, 1997). As perceived risk increases, the likelihood of loyalty to one brand increases (Javalgi and Moberg, 1997).

A number of studies have empirically tested switching costs as a main determinant of customer loyalty in consumer markets (Gremler, 1995; Ruyter *et. al.*, 1998; Burnham *et. al.*, 2003; Beerli *et. al.*, 2004; Caruana, 2004) as well as in a B2B service context (Lam *et. al.*, 2004). Further, the main effect of some switching barriers on customer retention has been empirically validated in consumer settings (Lee *et. al.*, 2001) as well as the effect of barriers (such as interpersonal relationships, switching costs, attractiveness of alternatives) evident regarding the propensity to stay with service providers (Jones *et. al.*, 2000; Patterson and Smith, 2003). Heide and Weiss (1995) found that switching costs acted as the main determinant of behavioural loyalty, and not as a mediator in a B2B setting.

Impact of alternative 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. 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 is recognised as a significant determinant of customer loyalty (Fornell and Wernerfelt, 1987; Smith and Bolton, 1998; Tax and Brown, 1998). Gronroos (1990) defines service recovery processes as "those activities in which a company engages to address a customer complaint regarding a perceived service failure" (p.7). It encompasses "all the actions taken to get a disappointed customer back to a state of satisfaction" (Bell, 1994, p.49). Customers evaluate the fairness of service recovery along three factors: outcome, procedural, and interaction fairness (Goodwin and Ross, 1992; Blodgett *et. al.*, 1997; Tax *et. al.*, 1998; Smith *et. al.*, 1999). Service recovery management is considered to have a significant impact on customer evaluations because customers are usually more emotionally involved in and observant of recovery service than in routine or first-time service and are often more dissatisfied by an organisation's failure to recover than by the service failure itself (Bitner *et. al.*, 1990).

Keaveney (1995) found that service failures and failed recoveries are a leading cause of customer switching behaviour in service organisations. Studies in consumer markets indicate that well-executed service recoveries can reverse this dissatisfaction, prevent customer defections, deflect the spread of damaging word of mouth, and improve bottom-line performance (Fornell and Wernerfelt, 1987; Kelley *et. al.*, 1993). 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, *et. al.*, 1990). This is termed the “service recovery paradox” (McCollough and Bharadwaj, 1992). A study in business market by Trawick and Swan (1981) found that satisfaction with supplier’s response to a complaint increased if the purchaser felt that the action taken by the supplier matched what was desired. However, Colgate and Norris (2001) found in consumer markets that there could be times a customer stays with a service provider after poor service recovery because of spurious loyalty. They also state that there could be customers who stay with a service provider despite dissatisfaction because customers think highly of the service provider and their extent of dissatisfaction is not strong enough to destroy their commitment and make them exit.

Inertia

The literature on inertia offers two meanings. One perspective is that the customer is not able to change providers because the customer thinks that the alternatives are unattractive; there are highly perceived switching costs, or that there are other barriers to switching (Bozzo, 2002). Thus inertia is considered to be the outcome, rather than one of the determinants of behavioural loyalty.

The other use of the term inertia in the literature is that the customer is lazy, inactive or passive. That is, 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). Inertia is perceived as customers not switching because it is ‘too much bother in terms of time and effort’ (Colgate and Lang, 2001, p.339). It is this second meaning of inertia that was adopted in this study. In this situation, the customer repeats the same buying behaviour to limit the information search process and the cost of thinking (Bawa, 1990). The repeat purchase may even be in spite of the customer having negative perceptions (Chintagunta and Honore, 1996) and reflects a non-conscious process (Huang and Yu, 1999). This non-conscious form of retention is distinguished from loyalty by the degree of consciousness involved in the decision to continue purchase from the same service provider (Huang and Yu, 1999). Repeat purchase as a result of inertia is unstable, reflecting little, or no brand commitment (Solomon *et. al.*, 2002) and merely represents acceptance (Assael, 1998).

Methodology

A qualitative methodology was chosen because the determinants of service loyalty amongst dissatisfied customers in a B2B context have not been fully explored and exploratory research is warranted. Moreover, Carson *et. al.* (2001, p.65) advocate that the characteristics of qualitative research provide flexibility and suitability for use in the interpretation of a marketing management situation. 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. As has been seen in other research, semi-structured depth interviews have proven very successful in developing a rich view of a variety of customer experiences (Keaveney, 1995; Price and

Arnould, 1999). Further, the in-depth interview methodology was expected to be helpful in discovering barriers to switching not addressed in previous research.

The study investigated dissatisfied B2B 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 convenience sample of respondents was selected. Such a non-probability sampling method is justifiable in exploratory stages of research and is used in business practice (Kinnear and Taylor, 1991). Further, measures were undertaken to ensure respondents were qualified to participate in the study. The sampling did not have the objective of being representative of any particular industry, though managers from a broad range of industries participated. Similarly, the sampling was not planned to be representative with respect to geographic region or company size. Due to this, we acknowledge the limitations of the study.

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, airline travel, telecommunication, advertising, call centre, market research, legal, superannuation, insurance, commercial cleaning, and internet services. The respondents together cover all the roles of a buying centre. Twenty-eight personal interviews were undertaken with managers who are involved in the choice of service providers and who were dissatisfied with at least one of their current service providers.

Respondents represented the following businesses: Marketing and communication research, health-procurement services, steel products, internet services, educational services, knowledge and technology services, real estate, financial planning and stockbroking, hospitality, professional services, recruitment services, IT solutions, legal services, and transportation.

Twenty-six of the twenty-eight personal interviews were conducted in person, with the remaining two interviews conducted over the phone. The respondents belonged to 24 organisations located in Sydney, Wollongong or Melbourne in Australia. Both small and large sized customer firms were included to ensure that a wide range of views and opinions would be expressed. The company size varied, with sales revenues ranging from A\$0.1 million to over A\$50 billion.

Scholars suggest sampling should continue until saturation or redundancy is reached in respondents' discussion (Lincoln and Guba, 1985; Strauss and Corbin, 1990). Although redundancy occurred after approximately 20 interviews, a further 8 interviews were conducted to provide a safety margin, decreasing the chance of new information being missed. The figure of 28 respondents is within the acceptable range of respondents in a qualitative research project (McCracken, 1988; Ruyter and Scholl, 1998).

A key informant approach was used. In general, key informants are organisational members who, because of their particular knowledge, are in a unique position to report on the phenomena being studied (Heide and Weiss, 1995). The use of a key informant, or one representative contact, to respond on behalf of the entire organisation is a widely used approach both in practice and organisational behavioural research (Rossomme, 2003). It is a reasonable technique that does not significantly affect the results of the

organisational study (Conant *et. al.*, 1990). To ensure that the key informant was a reliable proxy for the organisation, the authors selected those individuals who had participated in a majority of the possible buying decision stages. Further, the key informants admitted that they performed one or more key roles of a buying centre or DMU (Decision Making Unit) (Webster and Wind, 1972). Finally, an important advantage of the key informant approach, as pointed out by Kohli (1989), is that it enables respondents to remain anonymous and does not necessitate their disclosing the names of other buying centre members, thus encouraging candid responses. This was an important consideration, given the potentially sensitive nature of the study.

The interviews were initiated with a brief and broadly stated explanation of the study – to understand the factors that influence dissatisfied customers to become and remain behaviourally loyal to their service providers. Respondents were asked to choose a service provider with whom they were dissatisfied and answer all questions with respect to this one service provider. They were asked to think about a service provider with whom they bought a service on more than one occasion in the past six months in spite of experiencing a level of dissatisfaction. Participants' responses were only asked with respect to the past six months because recency bias theory suggests that people are more likely to recall more recent events than more distant ones (Crano, 1977). This occurs in part because of retroactive interference (Burke and Scrull, 1988) and context-dependent (Greene, 1986) memory processes, as well as because more recent events/memories are easier to discriminate (Crowder, 1976). As part of the interview protocol, respondents were handed a sheet of paper and asked to rate their dissatisfaction with this service provider on a scale of 1 to 10, with 1 representing 'least dissatisfaction' to 10 representing 'most dissatisfaction'.

Key informants were asked varied questions on the dissatisfactory purchase experiences with their service provider; in particular, they were asked about the level of dissatisfaction; reasons for dissatisfaction; whether they considered the service failure to be major or minor in terms of its overall effect on the service received; the perceived barriers that prevented them switching and the actions taken by the service provider, if any, that prevented their decision to switch. Only the findings from those aspects of the interview that inform this study are presented in this paper. Respondent debriefing was conducted at the end of all interviews. Respondent debriefing helps establish credibility when collecting such data (Lincoln and Guba, 1985).

The interviews ranged in length from 25 to 45 minutes. Some interviews were longer simply because the customer was eager to tell the full story. Interviews were recorded on tape in order to allow (a) a smoother flow for the interview, (b) a faster interview (as opposed to having the respondent pause while the interviewer took notes), and (c) the capturing of the actual content of respondents' comments. The tapes were subsequently transcribed.

Data analysis

Template analysis was used as a method to analyse the data collected in this investigation. This approach refers to a particular way of thematically analysing qualitative data using a list of codes (King, 1998). Based on our review of literature on switching barriers and dissatisfaction, we started the investigation with some *a priori* ideas of themes to examine in the data. Analysis began with the reading of the transcribed interviews to develop an intimate knowledge of the data. The development of an initial template helped to focus on areas of greatest relevance to research questions –

that is, switching barriers most commonly voiced across cases. As the researchers became more familiar with the data, the respondents' words were examined more closely and after several iterations through the data, additional categories of switching barriers emerged.

Another method of analysis that was used is a technique commonly referred to as "eyeballing" (Colgate and Norris, 2001). This procedure requires transcriptions of the interviews to be read and examined several times, with key phrases then highlighted and assigned codes (Colgate and Norris, 2001). The goal in selecting these phrases is to identify key thoughts, ideas and perceptions from each respondent.

Results

Results from the interviews reveal that on a scale of 1 to 10, the respondent's dissatisfaction ranged from four to ten, with six being the average. The reasons given for dissatisfaction included: failure of core service, unfair price increases, lack of flexibility in negotiations and contract, inability to deal with the organisational professionally, inadequate customer service, failure to deliver promises, disorganised, insufficient training provided to customers, service provider's inability to help customers overcome problems in the industry, mismatch in organisational cultures of the parties involved, rude service personnel, poor responsiveness, lack of consistency in the quality of core service, not communicating to customers if there is a delay in provision of results, not understanding customer expectations, and not being accountable for perceived problems caused by the service provider. In all but one instance, respondents mentioned that this dissatisfaction occurred with the main or sole service provider, and that their dissatisfaction occurred on continuous basis or in waves over the past six months instead of a one-off problem. Further, respondents mentioned that they perceived the series of problems to be major. All respondents but one had complained orally or in writing to the service provider when faced with dissatisfaction.

Assessment of the reasons why dissatisfied customers stayed with the service providers resulted in five categories that matched categories previously identified in the literature. The categories were found to be, in order of decreasing frequency, impact of alternative providers (19), switching costs (18), inertia (14), investment in relationships (13), and service recovery (13).

Impact of alternative providers

Respondents commented that they tended to search for information about alternatives. Five 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; 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 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 new business. Other 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. Still others perceived that there is a limited choice

of providers to choose from and that they are sceptical of alternate service providers' performance in the marketplace. For example, one respondent commented:

I remain committed to trying to get this one to work, but it would appear that the ongoing problems that we are having, I am going to have to start doing my information search, and look and see if there are some real alternatives.

Switching costs

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, possible disruptions such as changing payment cycles, 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 (technology) and management processes have to be changed which would result in considerable inconvenience to their employees and/or their customers, including the need to learn new arrangements if they switched to a new provider; for example, one respondent commented:

The negative cost will be the fact that we have to start all over again; we have to establish the relationship...we have to establish the procedures, the roles, and responsibilities from scratch. So, that is a time cost, and in some aspects a wages cost...

One respondent even mentioned that their firm would lose its clients if it switched to another service provider.

Relationship issues

The third category referred to relationship issues such as loyalty, and being offered special treatment. One respondent commented:

The salesperson is actually a personable person...so you enjoy it 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.

Other 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 respondent mentioned that their firm trusts the other service provider in dealing with confidential documents, though they are moderately dissatisfied with the core service that they offer. Two respondents mentioned loyalty to the service provider as a reason to stay. One of those two respondents 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...

A few 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.

Inertia

Fourteen respondents mentioned factors that can be classified as inertia. 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...when will I eventually make this decision... ..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 an 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.

The other respondents mentioned reasons such as "it is a hassle; I can't bother" for staying with their current service provider and stating that they are conditioned by habit, and that they can't be bothered to switch to another provider.

The meaning of inertia was not explicitly stated unless the respondents asked for clarification, in which case we gave the definition, "passive service patronage..." and "...not ready to put forth effort required for switching". This was intentional as we wanted to know what respondents thought inertia was, and if it was a reason for customers not to switch from their current service provider.

Service recovery

The fourth category is service recovery. Out of the twenty-eight respondents, 27 respondents mentioned that they complained about the problem they faced. Eleven respondents mentioned they were only partially satisfied with the recovery attempts, while 2 respondents mentioned that they believe that the service providers are working honestly and quickly to resolve the issues and that they see an improvement in the business relationship. The remaining 14 respondents mentioned that they were dissatisfied with the way the service provider handled the complaint. They added that no apology or compensation were offered. One respondent did not complain, as their firm was so dissatisfied that they thought that it would make no difference to the outcome.

A few respondents who experienced poor recovery mentioned that they were surprised to learn that their service provider was more concerned about getting new business from them than solving existing problems.

Respondents who mentioned that partial recovery took place explained that an insincere apology or inadequate compensation and 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.

Another respondent emphasised the importance of acknowledging the problem:

I think it is necessary to acknowledge the problem, not necessarily apologise and then gather the facts because there are two sides to every story. I think if you are in the wrong and you know that you should have done something better, then yes...you should apologise, but you also need to proactively acknowledge the problem and actually recommend a solution of how it won't happen again...this has simply not occurred.

Other determinants

While the above results matched categories previously found in the literature, respondents, in eleven instances, mentioned other factors that constrained them to stay with their existing service provider. The factors are:

(i) *The service provider offers sales leads* – the customer mentioned that because the service provider offers potential valuable sales leads to their company (as they both operate in the same industry), the customer is reluctant to switch to another provider though they are dissatisfied with the current service provider.

(ii) *Lower price* – a respondent mentioned that because they were operating in the not-for-profit sector, they had to put up with their existing service provider as they offered a lower price than competitors.

(iii) *Legal issues* – A respondent mentioned that they would like to protect themselves, as the service provider knows a lot about their history; and switching to another provider would mean that the existing service provider might become a competitor. They mentioned it is a matter of confidentiality that they are staying with their current service provider, and that they are also dissatisfied with other aspects of their relationship.

(iv) *Delivers good quality core product* – A respondent mentioned that the existing service provider's quality of work is good, and that was one of the reasons why they stayed with that provider in spite of being highly dissatisfied with the personal skills of the sales director; her reluctance to fix service failures; and perceived injustice.

(v) *Favouritism* – One respondent mentioned that the existing service provider's chief executive was a friend of the customer organisation's CEO, and this aspect delayed the decision to switch to another provider, though compelling evidence was produced to exit. In discussing that situation, the respondent said,

...I sort of starting putting together a document starting with the scope of work... and then I wrote a report on what I thought of their service and I basically said... I know there are far better providers out there... presented all the information to the senior management group and all them of agreed that they should move [to another provider]. And then it was delayed by the CEO because it was a personal friend of his.

(vi) *Patriotism* - A respondent mentioned that one of the reasons that they would still continue to purchase from the existing service provider is because they would like to

support an Australian firm. The problem was that there was no other Australian firm other than this provider, and all other alternative providers were international players in the market place. In discussing that situation, the respondent said,

...The loyalty should never be underestimated and the loyalty of course is to it being the flag-carrying national [provider] exclusively...you know... some of the first, second and third generation Australians are very proud and loyal to their country...if you have got an opportunity to use the home brand you probably would, simply for that reason; so the loyalty is still there... it is a very important factor; but, would we support it over an American company if the American company was twice as good – probably not.

(vii) *Reciprocal purchase arrangement* – A respondent mentioned that their firm has a reciprocal purchase agreement with their service provider, and this puts them in a difficult situation to leave their provider, in spite of being dissatisfied with the way they deal with service failures.

(viii) *Impact on other business units* – One respondent mentioned that two of the business units purchase two different services from a service provider. One unit was fairly dissatisfied with the purchase, while the other was very dissatisfied. Though there were other reasons to switch, the thought that one unit would be adversely affected if the other unit abandoned the existing service provider made them reluctant to switch.

(ix) *Disruptions to service that impact customer's customers* – A respondent mentioned that their primary concern if they decided to switch to another provider was that customers would be affected adversely until the time the new service provider sets up software and other systems for smooth running of operations. This thought made them reluctant to switch, and made them feel dependent on the service provider, as they perceived the provider held a significant amount of power.

(x) *Recognition by service provider* – A respondent mentioned that, in addition to a number of psychological barriers to switching, their existing service provider offers incentives or recognition programs that work for the employees in the buying firm. The respondent mentioned that this is one of the reasons they are reluctant to switch.

(xi) *The need to keep the existing service provider as a back-up option* – A respondent mentioned that though they were dissatisfied with the existing service provider, they nevertheless retained them as a back-up option, so as to negotiate and obtain a better deal from competitive providers. However, in doing so, they have reduced the share-of-business allocations to their service provider they were dissatisfied with.

Discussion

Main determinants

The impact of alternative service providers, and switching costs were considered to be the major switching barriers given that it was raised in 19 and 18 personal interviews respectively; these are discussed below:

Impact of alternative providers: The results that relate to the impact of alternative providers and switching costs indicate that change seems too difficult, and potentially fruitless, and that these are significant reasons for dissatisfied customers to stay with their existing service provider. This is in alignment with Ping (1993) who states that a lack of viable alternatives in the market place should increase a customer's reliance on a provider even when core service performance is sub-standard. This does not universally imply that business customers simply accept a sub-standard quality of service from their service providers. It should be noted that customers who undertook an objective analysis of alternative service providers in the market place were more likely to plan to change

service providers in the near future, though they currently stayed with their existing provider. Some of the customers who gathered factual information reduced the amount of business they provided to their existing service provider rather than completely switch to a new provider. This is contrary to the outcome in consumer markets, where consumers are mostly either totally loyal to their existing service provider or switch altogether to a new service provider. This is in line with redundancy as a characteristic of professional B2B buying behaviour. Further, in parallel to the views of Klemperer (1987) and Fornell (1992), the lack of objective knowledge about competitors as a switching barrier seem to explain two aspects: firstly, it recognises that the level of knowledge about alternatives plays a role in defection, and secondly it may help to explain why dissatisfied customers sometimes do not defect. Although dissatisfaction may tend to shift relative evaluation in a way that disfavours the incumbent, “if a customer does not know enough about alternatives at the time of choice to defect or discounts alternatives due to missing information, defection may not occur” (Capraro *et. al.*, 2003, p. 171). Some of the customers, who perceived they know about alternatives, however mentioned that they would be cautious in the future and gather factual information about alternatives if the current situation does not improve satisfactorily.

Switching costs: The results of this study suggest customers who faced high investments in capital or technology faced more challenges to switch, as “they cannot easily change vendors” (Jackson, 1985, p.35). The respondents of four firms that made investments in lasting assets or procedures said that the trust and cooperation that exists between the parties in exchange has weakened, however are trying to strengthen them. Schurr and Ozanne (1985) found that buyers’ trust significantly affected behaviour toward their current service provider. Low trust stimulated lower levels of bargaining behaviours. This was the case when a respondent mentioned that there was a threatened service failure, where the service provider refused to process the purchase orders unless a certain hike in price was approved. While Jackson (1985) notes that all types of switching costs can resist customer organisations to switch, “...investments in lasting assets and changes in procedures are especially effective in...creating long time horizons” (p.119).

Other major determinants

Interpersonal relationships: Contrary to the literature on B2B buyer-seller relationships, which states that relationships are of utmost importance, this category was not considered as important by customers as a primary reason not to switch. Switching costs and quality of alternatives were much more important. This is notable given the amount of research that supports the relationship approach (Payne, 1994; Webster, 1994). However, this result should be interpreted with caution, with two possible explanations for this. Firstly, since investment in the relationship involves the investments of emotions, money, or other possibly irretrievable resources (Johnson, 1991), some of the factors discussed by respondents under switching costs could be applicable here, since “inter-firm relationship development processes, trust and cooperation, are assumed to help in causing the formation of switching costs...” (Nielson, 1996, p.44). Secondly, some of the customers who mentioned that they do not have a relationship with their service providers mentioned that their relationship has weakened and hence it is a reason to leave rather than to stay, however have actually stayed owing to other reasons.

Interestingly, while nearly half of the respondents interviewed mentioned that they have a long-term relationship, only relatively few said that the relationship they developed would hold them back to switch to an alternate service provider suggesting that B2B customers discriminate between personal and business relationships. Further research is

required to investigate why relationships are necessarily not barriers to switching and to study whether the strength of the relationship impacts the likelihood of switching.

Service recovery: The results indicate that of the 27 respondents who complained, recovery occurred only in 13 instances. Of these 13, only two respondents were totally satisfied with the service recovery, while the remaining 11 perceived partial service recovery. It is difficult to assess whether complete service recovery affects switching since it only occurred here in two cases. The issue of partial and poor service recovery, resulting in unfavourable outcomes has several implications. These are discussed below:

Customers mentioned that a service provider acknowledging a problem and understanding the seriousness of the situation is the absolute critical step in restoring a relationship. Two customers provided excellent illustration of this thinking:

They never acknowledged that a problem had come up. They felt they were doing the best they could...then I had to pull out a training document and proved what they were supposed to do...and they didn't know what to say because I had been able to basically prove it...

I think it is important to acknowledge the problem, not necessarily apologise and then gather the facts because there are two sides to every story...If you are in the wrong, you should apologise and need to actually recommend a suggestion of how it won't happen again...and learn from the experience.

Understanding the seriousness of a failure is therefore critical in determining an appropriate recovery strategy (Hart *et. al.*, 1990). All the respondents perceived that the service failure they were confronted with was either major or relatively major. Empirical research indicates that it might be harder for service organisations to execute an effective service recovery when the failure is perceived as serious rather than minor by the customer (Smith *et. al.*, 1999; Levesque and McDougall, 2000). Consistent with social exchange theory (for example, Walster *et. al.*, 1973), a service recovery can be considered as an exchange, in which the customer experiences a loss while the service provider tries to make up that loss by a recovery attempt (Smith *et. al.*, 1999). According to equity theory, as the size of the loss gets larger, the customer is likely to be less satisfied with the service recovery (Levesque and McDougall, 2000). Other theories such as prospect theory and mental accounting principles suggest that losses from service failures will be weighed more heavily than gains received during service recovery (Kahneman and Tversky, 1979; Smith *et. al.*, 1999). Therefore, 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 *et. al.*, 2004).

If a service recovery situation is not regarded as important or handled well, customer satisfaction diminishes. Results from the study by Boshoff (1997) support this, and he showed that poor service delivery could not be compensated for by great service recovery, although service recovery can help significantly in limiting the poor service delivery's harmful impact. By failing to recover satisfactorily, the trust which goes into the foundation of a relationship seem to have undermined (Gronroos, 1990), resulting in a failure to transform the recovery process into a positive act that can potentially create strong attitude amongst customers towards a service provider (Hart *et. al.*, 1990).

Inertia: As the results indicate, some customers mentioned laziness, or passiveness, or can't be bothered as reasons. These parallel the views discussed in the literature and confirm the one adopted in this study. However, a few respondents mentioned that the other categories of switching barriers collectively restrained them from switching, and acted to create inertia rather than it being a separate factor. Thus they used the term inertia in the alternative sense, that is, as the outcome of behavioural loyalty under conditions of dissatisfaction, rather than as one of the determinants. Either way, these statements suggest the possibility of customers continuing to repurchase out of inertia despite negative perceptions of the service. However, reliance by service providers on inertia to retain customers could be a risky strategy as inertia is discussed as an unstable condition in the literature (Solomon *et. al.*, 2002).

Other determinants

The results involving *sales leads*, *reciprocal arrangement*, and *legal issues* suggest that a buyer's present repeat purchasing behaviour may be explained by factors that, at least in the short run, are perceived to be beyond their control. That is, these factors limit or perhaps eliminate freedom of choice in a buying situation. One such factor might include corporate policy favouring reciprocal agreements with a particular provider that results in repeat purchase selection. However, reciprocity may be one of the toughest roadblocks to overcome in business buying (Pollock, 1994), especially when customers want to stop that arrangement, and move to another provider. Similarly, Halinen (1994) in a B2B study of bonds that develop in advertising industry identifies a structural bond where confidential information the agency gains about the client's goals is a cost that the client can expect to suffer if switching from its current agency. According to Lewicki and Bunker (1995), the stronger such bonds are, the harder it will be for the client to break that relationship, and clients are forced to remain in the relationship.

The results involving *price* suggest that total cost to the customer is a common denominator by which purchase decisions are measured. As the respondent was operating in the not-for-profit sector, the influence of lower price in each repeat purchase decision was paramount. However, more research is needed to determine under what circumstances lower price constraints retention, in spite of dissatisfaction with other elements of the relationship.

The result involving *keeping an existing provider as a back up* suggests that playing one provider against another is a good way to encourage competition. In today's competitive environment, many buyers choose to purchase from multiple suppliers to meet their changing needs or guard against market risks (Treleven and Schweikhart, 1988). The result involving *recognition by service provider* may mean that behavioural loyalty may result when a provider offers a marketing mix which includes a particularly strong incentive to the buyer to place his/her orders with the same firm over some period of time. The result involving *good quality core product* suggests that selling firms that typically deliver high-quality performance are insulated when customers experience a failure (Anderson and Sullivan, 1993; Boulding *et. al.*, 1993). The determinants discussed above warrant further investigation in a broader range of industries and in a quantitative manner.

Loyalty perceptions

Respondents were also asked if they would term the so-called relationship they have with their current service provider as 'loyal' given that many respondents have dealt with their

service providers for three or more years. They were also asked what loyalty meant to them. The comments below provide an interesting twist to what the literature states on loyalty, given that all the respondents experienced a level of dissatisfaction over a period of time.

Some respondents felt loyal, but believed that more services could have been provided without having to remind them that they are their key clients. The respondents also mentioned that they were committed to the relationship, but didn't get a feeling that their service provider was. The following comment is representative of customer descriptions of this dimension:

The loyalty aspect is there, but in many ways we are bit like the loyal dog that occasionally gets taken for the walk down the beach, but every now and then, they forget to feed you, or every now and then, you don't get the bath, or when it's time for the vet visit, they forget to do that, but they might give you a pat on the head every night, so, it's a bit like that. They do love you; they just don't know how to look after you I suppose. Or they are not sure whether they love you, but they think they do.

Some respondents mentioned that switching costs were influential in the development of their loyalty:

We are loyal. We don't change suppliers or providers easily because of the things that we have to do to [switch] and check them out. We make sure that the people that are supplying to us a service are able to do it, and that they are good and proper people and that our cultures will be compatible if you like.

A few respondents believed that there is a threshold limit to their loyalty as the following comment suggests:

I give people lots and lots of rope. Once that rope runs out, that's it.

Others simply did not consider that their relationship involved loyalty, as the following comment suggests:

I would call this as a relationship of convenience on our part, but I wouldn't classify the relationship we have as loyal!

What is customer loyalty in a B2B context?

Respondents were also asked what they thought defined customer loyalty in a business context. Respondents mentioned several dimensions of loyalty.

Respondents mentioned that one dimension of loyalty consists of being a repeat customer. They tended to suggest that being a loyal customer includes a behavioural act – the customer continues to repurchase over an extended period of time. The following comment is representative of customer descriptions of this dimension:

Loyalty is just standing by, and continuing to use even if it means giving them less work than what they used to get before. We have given some major jobs to

other providers simply because they are more competent than this firm in handling such work. However, we have dealt with this firm for over 50 years and we do not want to lose the connection. There are other legal and ethical dilemmas too if we dissolve the relationship.

In many instances, customers developed relationships with their service providers, and it is those relationships that defined loyalty. Several elements of these relationships, including development of confidence or trust, preferential treatment, value, commitment and relationship-specific investments seem relevant as the following statements indicate.

Long term is the key. It's not about getting something in a preferred sense at anytime. It's about having a relationship with an organization over a reasonably long period of time, where the elements of trust are there; they are reliable, and provide good value, but overriding all of that, you know that you are comfortable having a relationship. It's about having the assurance that they would deliver at the end of the day.

Loyalty to me would also be getting preferential treatments.

Loyalty is all about a demonstrated two-way relationship, where both parties are investing in the other party; it's a commitment.

Loyalty means that you stick together in good times and bad and that wherever you can look at reciprocity with your clients and associates.

Some respondents mentioned that being recognised, and receiving useful current market information, and being made to feel as part of an industry network or family can influence their customer loyalty, as a respondent illustrated below:

Loyalty is about mutual respect; and compliance of terms. That includes, continuance of service or a level of expectation that can be met. Some recognition would be good, but that doesn't need to be in a special way, but being kept up to date with market movements and market trends. Also, being felt part of family and friendship base and treat them with utmost courtesies, and communicating on a regular basis in a number of different formats.

Other respondents suggested loyalty begins to develop if initial encounters with a service provider are satisfactory; if the service provider addresses a complaint satisfactorily; and that they would value service providers who display care, empathy, or concern towards them. For those respondents, such behaviours were influential in the development of their loyalty, as the following statements suggest.

In a business sense, [loyalty is] return on long term good service. So, effectively, if you have got somebody who is willing to move with you willing to try and provide the services you want and does a good job within the confines of what they are doing, then they are being loyal to me...I would relatively be loyal to them. I would say that we would give them the opportunities to resolve issues that arise and move forward, not react to a single incident or set of incidents that they weren't reacting to...

[Loyalty] is satisfaction with your service provider and it's a commitment to that service provider based on previous relationships to continue purchasing.

Managerial limitations

The study has brought to light a number of insights between switching barriers and behavioural loyalty that have been subject to little prior research. In particular, this study adds to the existing understanding of the behavioural loyalty response to dissatisfaction in a B2B services context. This research therefore has significance to marketers for strategic marketing programs, particularly in terms of customer retention and service recovery strategies as recommended by Panther and Farquhar (2004).

With the exception of complaints, all other responses to dissatisfaction constitute 'a hidden agenda for customer reactions' (Bolting, 1989). Since business opportunities for understanding factors underlying the loyalty and exit responses are relatively rare, the greater the knowledge that marketers have about the factors affecting their customers' buying behaviour, the greater their ability to design relevant strategic marketing programs (Panther and Farquhar, 2004). It is conceivable that a continued behaviourally loyal response to dissatisfaction may be temporary, suggesting that it 'should be viewed as a form of probation' (Davidow and Dacin, 1997). However, an understanding of a range of factors that influence dissatisfied business customers to continue to purchase from their existing service providers will allow managers to direct efforts and resources most appropriately towards preventing customer departure and reducing the long-term business losses resultant from such switching.

Managers must take a cautious approach to the suggestion that switching barriers might be strategically employed as a mechanism for customer retention (Patterson, 2004). Fornell (1992) noted potential problems associated with relying on switching barriers. First, customer awareness of a barrier such as switching costs may actually impede customer acquisition; and second, switching costs may be neutralised by external forces (for example, when competing firms educate prospective switchers about how to make easy, direct comparisons between providers, thus reducing one type of switching costs: search costs). Jones *et. al.* (2000) also urges caution in creating switching barriers in lieu of satisfaction, claiming that this would not work in the long term because if dissatisfaction is ongoing, then a 'retained' customer may still spread negative word-of-mouth and even engage in communication sabotage. Long-term effects of such "hostage" behaviour perceptions would likely lead to the erosion of potential enduring relationships once the customer firm no longer feels hostage to the relationship (Colwell and Hogarth-Scott, 2004). On balance however, some forms of switching barriers identified in this study such as interpersonal relationships, service recovery, lower price, delivering good quality core service and recognition by service provider might add value to the relationship and should therefore be encouraged.

This research also has implications for those service firms that are attempting to attract the prospective switchers. Our results identify some factors such as favouritism, patriotism and legal issues that make it particularly difficult to attract those prospective switchers. Other barriers may be overcome; service providers should aim to minimise the work required of the customer during the switching process and should highlight the dependability and trustworthiness of the service provider, in an attempt to overcome concerns expressed or experienced.

Limitations and future research

In presenting the findings of this study, we acknowledge their limitations. We understand the exploratory nature of this study and as a caveat to the findings we appreciate the appropriateness of Cialdini's (1984, p.9) statement that "no matter how careful and thorough I tried to be, [what] I observed [was] seen only through my eyes and registered through the filter of my expectations and previous experience".

The sample size, whilst appropriate for qualitative research, should be considered adequate only for exploratory analysis and a further quantitative study is needed to validate the study. In particular, quantitative work is necessary to address the question of whether the determinants (independent variables) exert a main effect or whether their action is actually as a mediator. Further, the study was conducted in Australia and it is proposed that future research include a cross-cultural component in order to enhance the generalisability of the results. Also, further work is needed on determinants previously unidentified in the literature.

With respect to further research, other issues of interest may include, the effect of the size of the business, the industry classification, the degree of dissatisfaction, and the reasons for dissatisfaction and whether each of these impacts on the reasons dissatisfied customers stay with their service provider.

Conclusion

This research is the first study to investigate in a single model a range of barriers to switching in a B2B services context. The results that confirmed categories found in the literature also discovered eleven other factors not evident in the extant literature. By identifying the reasons that reduce the likelihood of switching, we can gain a better understanding of when customers are more or less likely to switch service providers. Organisations that have low levels of customer satisfaction need to reinforce barriers to switching, and understand the factors that encourage customers to stay and build on them.

Investigators	Focus of study	Goods vs. Service	Empirical vs. Theoretical	Dependent Variable
Bozzo (2002)	Inertia	Goods	Quantitative	Repeat purchase
Colgate and Norris (2001)	Service failure	Services	Qualitative	Service failure outcomes
Gassenheimer, Houston and Davis (1998)	Dependence; Justice; Tolerance; Value in deteriorating relationships	N/a	Theoretical	N/a
Hanson, Swan and Powers (1996)	Service recovery	Goods	Quantitative	Vendor performance; Customer loyalty
Johnston and Hawa (1997)	Service Recovery	Goods	Theoretical	N/a
Ping (1997)	Voice	Goods	Quantitative	Voice; Switching cost; Alternative attractiveness; Investment; Satisfaction
Trawick and Swan (1981)	Service Recovery	Goods	Quantitative	Repurchase intention

Table I. Research in B2B on why customers stay

		Repeat Patronage	
		High	Low
Relative Attitude	High	Loyalty	Latent Loyalty
	Low	Spurious Loyalty	No Loyalty

Source: Dick and Basu (1994)

Figure 1. Loyalty matrix

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