The Effects of Prior Relationships on Consumer Retaliation

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EXTENDED ABSTRACT
Consumers who have a strong relationship with a service provider or retailer represent a major source of profit. Strong relationship consumers are more profitable because they shop more regularly, spend more per visit, are willing to pay a premium on the products and services they buy, and cost less to serve. In addition, these consumers are known to actively promote the quality of the services received and to spread positive word-of-mouth to potential customers. As a result of these effects, relationship building has become a top priority for service firms.

Despite a growing interest in Customer Relationship Management (CRM), prior research has not examined the effects of strong consumer relationships on responses to service failures and unfairness. Such an omission is surprising and calls for more attention from consumer researchers. Understanding how consumers with a strong relationship to a service firm respond to unfairness is important for service firms. These firms want to ensure that service failures do not have the potential to change their most valuable customers into their “worst enemies,” a consequence that would have disastrous effects on their profitability and reputation. This research specifically focuses on the effect of prior relationships on consumer retaliation, which is defined as efforts to punish and make a service firm pay for the damages it previously caused (cf., Skarlicki and Folger 1998). Despite the fact that retaliation represents a response that can have extremely damaging consequences on service firms, it has been overlooked in the consumer and service literature.

Two rival explanations exist as to the effects of prior relationships on retaliation. The “love is blind” effect argues that consumers with a strong relationship are more likely to forgive an unfair experience, and as a result are less likely to retaliate. These consumers are more reluctant to hurt a valued exchange partner or to terminate a meaningful relationship. On the other hand, the “love becomes hate” effect suggests that consumers who possess a strong relationship with a firm tend to retaliate more vigorously. Perceiving that they have been betrayed by a trustworthy exchange partner, these consumers feel greater pain and aggressively engage in retaliatory behaviors.

This research suggests a framework that reconciles both perspectives and argues that the effect of a relationship is contingent upon the attributions a consumer makes about the controllability of a firm over an incident. When consumers infer that a firm has little control over an incident, the “love is blind” rationale explains the effect of a prior relationship on a consumer’s desire to retaliate. On the other hand, when consumers attribute a service failure to controllable factors, the “love becomes hate” effect characterizes the influence of relationship on retaliation.

A cross-sectional survey based on the retrospective experiences of the respondents is used to test the key hypotheses of this research. Respondents reported an experience with a retailer or a service provider in which they “felt, at the end of the day, dissatisfied and inadequately treated.” Overall, 105 MBA students completed the questionnaire, from which four respondents were eliminated because of missing data.

A Partial Least Square (PLS) approach is employed to test the model of this research. PLS is a structural equation modeling approach which is based on an iterative combination of principal components analyses and regressions. According to Fornell and Cha (1994), PLS is ideal for the early stages of theory testing, as is the case in this research. In addition, PLS recently has been found to be an effective analytical tool for testing product-term interactions by accounting for measurement error.

Our findings support the rationale underlying the “love is blind” effect. When strong relationship consumers attribute a service failure to uncontrollable factors, they do not consider retaliation to be an adequate response. Given the quality of their prior relationship, they tend to forgive and to give a firm the benefit of the doubt. When low controllability is inferred, strong relationship consumers seem very unlikely to engage in behaviors that could have negative consequences on a firm’s business, such as spreading negative word-of-mouth, exiting the relationship, or in the extreme cases, contacting the media or taking legal actions.

Evidence for the “love becomes hate” effect is more ambiguous. Although strong relationship consumers experience an intense desire to retaliate when they attribute a high level of controllability, they do not appear to be more inclined than weak relationship consumers to get revenge. Regardless of the prior relationship, consumers seem to experience a similar desire for retaliation when they attribute high controllability. When they perceive that a firm had control over a service failure, an event that is considered unacceptable, most consumers experience an intense desire to retaliate.

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