Enough Is Enough! Or Is It? Factors That Impact Switching Intentions in Extended Service Transactions

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In this paper we propose interrelationships between length of core service failure, time of core service failure, and satisfaction with service recovery efforts. These inter-relationships are hypothesized to impact customers’ decisions to dissolve a service relationship. We find that as the length of the core service delay increases and as that delay occurs later in the extended service transaction, satisfactory recovery efforts are less likely to negate subsequent switching intentions. We also examine the components of recovery satisfaction, and how the impact of those components may vary in the case of extended service transactions. Compensation and service provider apology are found to have a greater impact on customer satisfaction than organizational initiation or response speed.

[to cite]:

[url]:
http://www.acrwebsite.org/volumes/14745/volumes/v36/NA-36

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EXTENDED ABSTRACT

Research has documented that customers leave corporations and service providers for a variety of reasons (Bolton 1998). Keveaney (1995) found that core service failures and service-encounter failures were the two most common “determinant incidents” that cause customers to terminate service relationships. In the case of extended service transactions (which typically occur over a period of hours, days, or even weeks), a critical determinant incident may continue over a prolonged period of time, or the service transaction may continue after the critical incident has occurred. Thus, even though a determinant incident has led the customer to decide to terminate the service relationship, the decision to terminate the relationship may later be revoked, depending upon the service provider’s reaction(s) to the core service failure.

We posit that that a negative incident such as an extended service delay may be perceived as a core service failure that can culminate in service dissolution (Edvardsson and Roos 2001; Roos, Edvardsson, and Gustafsson 2004). Employee response to that service failure (i.e., service recovery efforts) may or may not serve to overturn the decision to terminate the service relationship (Hess, Ganesan, and Klein 2003). Because the extended service encounter is ongoing, the customer/provider relationship may reach a point where even satisfactory recovery efforts may not be sufficient to prevent the customer from seeking dissolution. Thus we propose that (H1): As the length of the core service delay increases, satisfactory recovery efforts will be less likely to negate subsequent switching intentions.

In addition, because a core service failure (delay) that occurs early in an extended service transaction gives the firm and its employees more opportunity to respond, we expect that:

(H2): As the core service delay occurs later within an extended service transaction, satisfactory recovery efforts will be less likely to negate subsequent switching intentions.

Various factors may impact whether a specific service failure recovery attempt is likely to be judged as “satisfactory.” These factors may be classified in terms of four recovery attributes—compensation, response speed, apology, and initiation (Smith, Bolton and Wagner 1999; Smith and Bolton 2002). Because in the case of extended service encounters the consumer is frequently unable to exit the transaction before its scheduled conclusion, and because customer-initiated complaints are likely to be less necessary due to the fact that front-line personnel have a greater period of time over which to recognize the service failure, we expect that (H3): response time and initiation will be less important than compensation or an apology in driving customer satisfaction.

Customers assume lower service provider inputs for controllable compared with uncontrollable failures, and they therefore expect greater recovery efforts by the service provider in order to restore equity to the exchange (Hess, Ganesan, and Klein 2003). In the case of extended service transactions, however, there may come a point where controllability of the situation becomes a moot point, and no amount of recovery effort is likely to lead to customer satisfaction. Thus we expect that: (H4) as the length of the core service delay increases, controllability will be less likely to have a positive impact on satisfactory recovery efforts.

Airline passengers (n= 451) who had experienced “significant” travel delays during the period from September 2006 to June 2007 filled out an on-line survey that provided retrospective accounts of their experience at different points in time. Customer satisfaction with the recovery effort as well as the four satisfaction antecedents were assessed with measures consistent with prior research (Bitner and Hubber 1994; Taylor 1994; Smith, Bolton, and Wagner 1999). Length of service delay was estimated for five different time periods: a) prior to arriving at the airport, b) prior to boarding the flight, c) after boarding the flight but prior to takeoff, d) in-flight prior to landing, and e) after landing but prior to gate arrival. The length of delay measure was formed by summing across categories; the time of delay variable was formed by selecting the category with the greatest number of minutes. Changes in switching intention were assessed by comparing intentions at the time period of greatest delay to those at the time of questionnaire item completion.

Of our total sample of 451 passengers, 91% (n= 410) expressed a greater intention to stay with their present service provider at time period two (M=5.12) than at time period one (M=2.63). Because the tendency to negate switching behavior was defined as a positive change in intentions, only those subjects who indicated this positive change (n=410) were included in further analyses. We first examined the impact of satisfactory recovery efforts on (negated) switching intentions utilizing OLS regression. The overall regression equation as well as the satisfaction independent variable was significant. We next examined the impact of the five independent variables on satisfaction. Again the overall regression equation (as well as all independent variables) was significant. The magnitude of the beta coefficients suggested that compensation and apology have a greater impact on satisfaction than response speed or initiation; thus H3 was supported.

We then employed hierarchical regression to examine our remaining hypotheses. The procedure involved constructing regression models that included main effect terms for all independent variables, as well as product terms representing each moderator effect. After calculating models containing only the main effects of the independent variables, each product term (i.e., moderator effect) was entered individually. The key test was whether the product term accounted for a significant amount of incremental variance, and whether the sign of the interaction terms was in the predicted (negative) direction. Results supported H1 and H2, but H4 was not supported. Overall, the two significant interaction terms accounted for nearly 9% incremental variance. We also replicated our H1-H2 results utilizing only that subset of subjects whose intentions changed by +5 or greater.

Overall, our results provide insights into those factors that impact the relationships between length of core service failure, time of core service failure, and satisfaction with service recovery efforts. These interrelationships are shown to impact customers’ decisions to dissolve a service relationship.

REFERENCES


