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INFLUENCE OF SWITCHING BARRIERS ON SERVICE RECOVERY EVALUATION

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ABSTRACT

Several studies have been done related to service recovery evaluation and switching barriers, but none of them have examined the relationship between these two constructs. The aim of this paper is to analyse the influence of switching barriers on the customers' evaluation of the way companies handle complains. An exploratory survey was conducted based on a random sample of Chilean customers. It was concluded that positive switching barriers are related to service recovery evaluation, while negative switching barriers showed no relationship.

Key Words: Service Recovery Evaluation, Switching Barriers

INTRODUCTION

It is well known that businesses are trying to offer a high quality service or product in order to generate customer satisfaction leading to customer repurchase and long term customer loyalty (Buttle, 1996:5). In one study, Buttle (1996:5) mentioned that the impetus for the development of relationships with customers has been a growing awareness of the long-term financial benefits it can provide.

Despite this awareness, service failure remains a problematic issue for almost every firm in the world (Ennew and Shoefer, 2003). Ensuing customer evaluations could affect the company's bottom line either positively or not: customers might exit the firm or might become more loyal. Unfortunately, and despite its strategic relevance, companies

are not giving complaint management the importance it deserves (Stauss, 2002). Zairi (2000) mentioned that most organizations face important challenges in customer complaint handling, namely: they do not recognize its importance, have no technology or systematic approach, have cultures adverse to customer complaints and, finally, have not embraced the concept of quality management.

All actions that an organization may take to rectify a service failure are considered as service recovery efforts (Andreassen, 2001). The latter is an issue that has gained increased importance lately. Firms are therefore spending much more time and resources designing mechanisms for handling complaints. The prevalence of service failure in retail service settings and the growth of the service sector in the world's economy point to the need for a better understanding of the role that service recovery should play in today's marketplace. In addition, service recovery continues to receive increased attention in part due to rising customer expectations and competitive marketplace responses designed to meet and exceed those expectations (Brown, et al. 1996). Finally, firms working under changing market conditions must listen and rapidly respond to customers' complaints in order to remain in touch with their expectations (Barlow and Moller, 1996:23).

Service recovery planning ought to be based on research-based knowledge in order to avoid the harmful impact of service failure (Keaveney, 1995). And as mentioned earlier, the increase in competition calls on firms to improve the quality of services they offer in order to increase the probability of retaining their customers. Fornell (1992) established that the connection between customer satisfaction and customer loyalty depends on factors such as market regulation, switching costs, brand equity, existence of loyalty programs, proprietary technology, and product differentiation at the industry level. Several authors have mentioned that these factors and others (e.g. number of attractive alternatives in the market) can be considered as switching barriers (Fornell, 1992; Jones et al., 2000; Julander and Soderberg, 2003). In the same line, Ranaweera and Prabhu (2003) mentioned that firms might retain their customers by creating switching barriers that should add value to their services.

The effect of switching barriers on service recovery evaluation is not known, so a study is needed to address this issue as recommended by Estelami (2000), which will allow firms to make better managerial decisions.

LITERATURE REVIEW

Considering that the two main concepts used in this investigation are service recovery and switching barriers, they will be discussed next.

Service Recovery

A complaint is a gift because they give firms an opportunity to find out what customers' problems are so companies can solve them, which will encourage customers to come back and to use firms' services and to buy their products (Barlow and Moller, 1996:10).

As Zaire (2000) discussed, complaints have to be looked at in a constructive, positive and professional perspective. Johnston (1995) mentioned that complaints should lead to the identification of problems and action to ensure that such failures do not happen again. For Stauss and Schoeler (2004) complaint handling has a great impact on customer retention and the beneficial usage of information for quality improvements.

Although service recovery can increase costs, it also can provide the information needed to redesign systems free of deficiencies if used in a relationship context. Incidents of service failure have the potential for providing firms with valuable information which can be used to fix the root causes of failures and help them improve service processes (Brown et al., 1996).

The service recovery efforts should play a role, both in creating immediate customer satisfaction and in improving future service design and delivery (Lewis and McCann, 2004). For this to happen, a clear service recovery strategy is essential in order to minimize the negative effects of the initial failure and maximize the positive outcomes from the recovery process (Ennew and Shoefler, 2004).

The recovery of services failures can provide a major opportunity for organizations to create very satisfied customers. If mistakes and failures are an inevitable part of service then there are opportunities for organizations to create very satisfied customers (Johnston, 1995). Johnston (2001) mentioned also that good complaint processes should result in employees feeling in greater control over the work situation and thus with less stress. It was also established that there is a high correlation between complaint processes and employee attitude and customer satisfaction.

Complaint handling has also a great impact on customer retention and the beneficial usage of information for quality improvements (Stauss and Schoeler, 2004). For instance, Ahmad (2002) reported that when customers have bad experiences with online shops they do not use them in the future, but customers who felt their problem were resolved to their satisfaction tended to continue to use them.

Effective service recovery will enhance the probability that aggrieved customers are returned to a state of satisfaction and are likely to maintain the business relationship with the service firm that is obviously beneficial (Boshoff and Allen, 2000). Complaining customers who have received service recovery have a more positive perception of the supplier and a higher repurchase intention than dissatisfied non-complaining customers (Andreassen, 2001). Andreassen (2001) also established that customer delight with service recovery will create positive word of mouth. In the same direction, Barlow & Moller (1996:30) also mentioned that an effective complaint handling mechanism can be a powerful source of positive word of mouth, and that the more dissatisfied customers become, the more likely they are to use word of mouth to express their displeasure.

Looking at company's internal outcomes, service recovery enhances frontline staff's job satisfaction, and there is a relationship between service recovery performance and staff turnover (Boshoff and Allen, 2000).

As it can be seen, there are different reasons why a business should see complaints as something positive. Complaints should be seen as a gift (Barlow and Moller, 1996), because they are one of the primary means to communicate with customers (Barlow and Moller, 1996:2). Besides, complaints tell organizations how to improve service and products (Barlow and Moller, 1996:20), provide a relationship adjustment opportunity, the possibility for a company to expand its scope of knowledge about the customer, or a means to get data about an enterprise's products and services (Peppers and Rogers, 2004:186).

Complaint satisfaction is the satisfaction of a complainant with a company's response to the complaint (Stauss, 2002). In this regard, several studies have shown different aspects or dimensions that have to be considered when evaluating service

recovery efforts, and there is still no consensus in which are all the dimensions that have to be considered for this matter.

Researchers suggest that complaint satisfaction will be higher when customers are convinced that outcomes and policies are fair and are treated fairly during the process (Ennew and Shofer, 2004). Boshoff and Allen (2000) mentioned that customers who have experienced unsatisfactory service do not want to be referred to numerous other people or be told to come back later when the supervisor is back from lunch. They just want the problem fixed. Chung-Herrera et al. (2004) mentioned under bad performance in service recovery, customer will rate global impression variables more negatively than employees whereas in the good recovery condition, no significant differences would occur.

Figure 1 shows an example of service recovery efforts, where customers may end up being satisfied or dissatisfied. In this Figure, service recovery effort is related to a certain number of dimensions (i.e. four). Besides, customers' expectations and customers' perception of the performance of firms when handling complaints, will lead to customers' confirmation of expectancies or not, leading to customer satisfaction or dissatisfaction, accordingly.

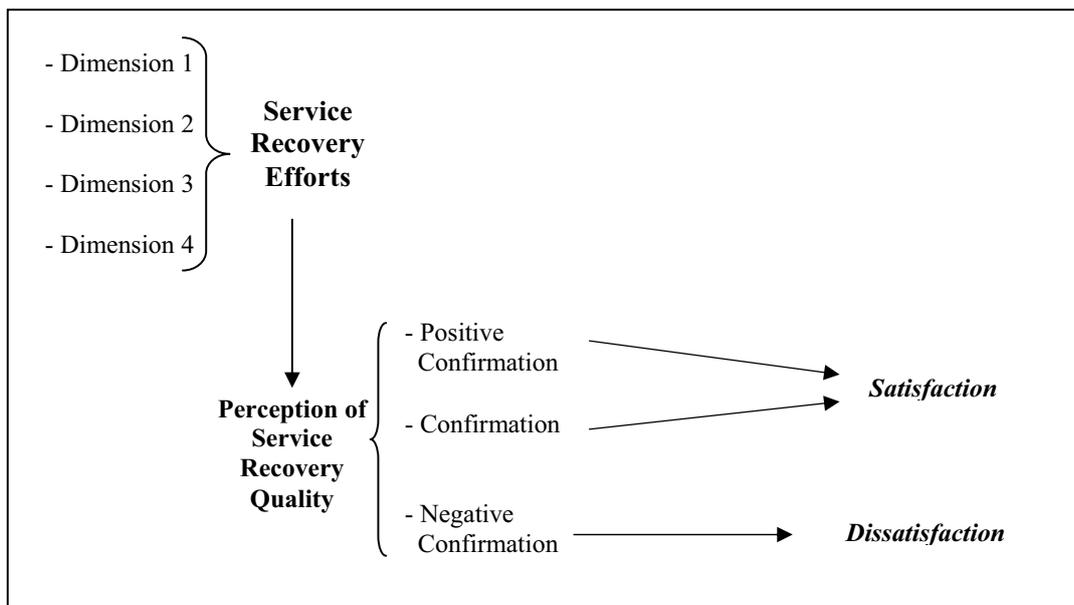


Figure 1 Service Recovery Processes (Modified version of Andreassen, 2001 model)

As it was mentioned before, the relationship between service recovery evaluation and switching barriers is not known. The latter implies that marketers do not know if switching barriers have a positive or negative effect on the customers' evaluation of the way that firms are handling complaints.

Switching Barriers

As defined by Jones et al (2000), a switching barrier is any factor that makes it difficult or costly for customers to change providers.

Switching barriers come in several shapes and forms, from switching costs to a high degree of relationship between the customer and the firm, among others. Ping (1993) classified switching barriers in a) switching cost, b) alternative attractiveness, c) investment, d) uniqueness of investment in this wholesaler. Jones et al (2000) divides them in a) interpersonal relationship, b) switching cost, and c) attractiveness of alternatives. In the same direction other researchers have talked about customer inertia, which is a sort of spurious loyalty. It means that customers might remain doing business with the firm even though they might have plenty of reasons to be dissatisfied (White and Yanamandram, 2004). Regarding the latter, Colgate (1999) mentioned that a very low percentage of customers of financial institutions switch among firms, which might be an indication of customer inertia or barriers to exit.

Julander and Soderberg (2003) proposed that switching barriers can be seen as positive or negative. Hirschman (1970) explains these two concepts saying that positive switching barriers are related to 'wanting to be in a relationship' while negative switching barriers are related to 'having to be in a relationship'.

Relative to positive switching barriers, these refer to the strength of the interpersonal relationship between the customer and the supplier (Berry and Parasuraman, 1991; Tumball and Willson, 1989). These relationship offers a lot of benefits to the customers, such as social benefits (e.g. fellowship, personal recognition), psychological benefits (e.g. reducing anxiety), economic benefits (e.g. discount, time saving), and customization (e.g. customer management) (Berry, 1995; Moon-Koo et al., 2004; Peterson, 1995). Gwinner et al (1998) mentioned that customer commit themselves to establishing, developing relationships with a supplier that provide superior value benefits.

Concerning to negative switching barriers, these include: a) switching cost and b) attractiveness of existing alternatives. First, switching costs are customers perceptions of the time, money, and effort associated with changing service providers (Jones et al., 2000). Colgate and Lang (2001) argue that switching costs are one of the most important reasons why dissatisfied customers do not exit the company even though they may be dissatisfied. Second, attractiveness of alternatives refers to customer perceptions regarding the extent to which viable competing alternatives are available in the market place (Jones et al., 2000). Several research have shown that when viable alternatives are lacking, the probability of terminating an existing relationship decreases (Jones et al., 2000). Alternatively, when customers perceive the existence of several attractive alternatives is more likely that they will switch (Jones et al., 2000).

Regarding the effect of switching barriers Chatura and Jaideep (2003) concluded that switching barriers have both a significant positive effect on customer retention as well as a moderating effect on the relationship between satisfaction and retention. Julander and Soderber (2003) mentioned that negative switching barriers have negative effects on customer satisfaction and attitudinal loyalty, but a positive effect on repurchase intentions. Meanwhile, positive switching barriers have a positive effect on all variables.

The effect of switching barriers on repurchase' intentions and attitudinal loyalty, has been subject to much less attention from researchers, as established by Julander and Soderberg (2003). They also recommended putting much more care into trying to define and operationalize positive and negative switching barriers. In their study, they also suggested considering customers from different environments with varying degrees of

negative switching barriers. Finally, they also recommended asking customers if they remained in a business relationship because they had to or because they wanted to. Altogether, this would clarify the relative effect of switching barriers and customer satisfaction on customer retention.

Relationship between Switching Barriers and Service Recovery Evaluation

The influence of negative and positive switching barriers on service recovery evaluation is another issue that has not been addressed. This is important due to the different markets conditions in which companies operate. Some of them operate in a very competitive environment, while others don't. These conditions might affect positive or negatively, the evaluation that customers make of the firm's answer to the complaint, and they might also affect the customers' post-complaint behaviour. Because of all this, it is necessary to know if there is any influence of switching barriers on service recovery evaluation, so firms belonging to different industries can make decisions accordingly.

OBJECTIVES

Considering what was already said, the aim of this investigation is to determine if there is a relationship between service recovery evaluation and switching barriers.

METHODOLOGY

The main method used in this study was a survey. To do so, a questionnaire was designed, which was in Spanish and had open-ended and close-ended questions. The open-ended questions were used to allow respondents to give their opinion regarding a specific topic. Some examples of these questions are: *Have you ever complained to one of your suppliers? What could have been done by the supplier to increase your level of satisfaction regarding the way your complaint was handled?*. Close-ended questions were used to gather data related to a) service recovery evaluation, and b) perception of the existence of positive and negative switching barriers. To measure all this, scale items used in other research were used, but with some small modifications to adapt them to the Chilean context. These investigations were done by Estelami (2000), Julander and Soderberg (2003), Ranaweera and Prabhu (2003) and Colgate and Hedge (2001), respectively. These scale items were translated to Spanish by the researcher, and the translation was checked by two Chilean Marketing Research Professors, so to ensure that the translation was appropriated. Table 1 show examples of scale items used in this investigation.

Table 1 Examples of Item Scales used in the questionnaire

Construct	Scale Item
Service Recovery Evaluation	
Compensation	I got what I deserved from my complaint
Employee Behaviour	The employee who managed my complaint was very polite
Promptness	The company answered quick to my complaint
Switching Barrier	
Positive Switching Barrier	I feel loyal to my supplier
Negative Switching Barrier	It is very difficult to switch supplier

The questionnaire was applied to 270 randomly selected people from the city of Talca. Now and because it is intended to get data related to complaint issues, it was key to interview people who have had a bad purchase experience, this means, they have been dissatisfied with what they bought. Due to this, the question ‘*Have you ever been dissatisfied with the product/service you purchased?*’ was included in the questionnaire, and all people who answered ‘no’ were dropped from the study.

In this study two major constructs were considered, which are Service Recovery Evaluation, and Switching Barriers. For both constructs several data analysis were performed in order to check for their validity and reliability. First factor analysis was done using Varimax Rotation. To check reliability Alfa Cronbach were calculated. In the case of Service Recovery Evaluation and Switching Barriers, and considering that they are the most important constructs of this investigation, confirmatory factory analysis was performed in each case. In addition, linear regression and structural equation modelling were performed in order to determine convergent validity of the service recovery constructs. A summary of main results is presented next.

In order to determine the relationship among constructs used in this investigation two different kind of analysis were done. The first one consisted mainly in the analysis of the correlations among these variables and the second one consisted in linear regressions and structural equation modelling.

MAIN FINDINGS

As it was already mentioned the research consisted in a survey that was applied to 270 Chileans. It is also important to mention that from those 270 customers, 70 or 26% indicated that they have never been dissatisfied with the product or service they got from a supplier. From the rest (n=200), 118 or 59% stated they had complained in the past (See Figure 2).

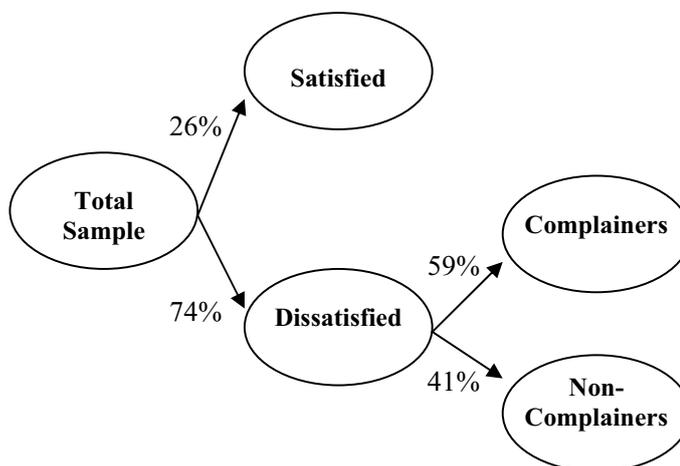


Figure 2 Sample Data Distribution

Complaint per Industry

As can be seen in Table 2, the industry that got most complaints was the specialist store categories with a 19% of all complaints follow by ‘department stores’ with 15.5% of all complaints, bank industry with 12.9%, supermarket industry with 12.1%, and

telephone industry with 11.2%. The rest of the complaints are divided among industries such as, transport, private health insurance, and private pension system, among others.

Table 2 Complaints per Industry Type

Industry	Percentage
Specialist Store	19%
Department Store	16%
Banks	13%
Supermarkets	12%
Telephone	11%

Service Recovery Evaluation (SRE)

As can be appreciated from Table 3, three factors emerged from the factor analysis, each of them with three scale items, which have loading values higher than 0.7. Alfa Cronbachs ranged from 0.79 and 0.91 and the total explained variance was 78%. These factors represent very well three totally different concepts, which are compensation, promptness and employee behaviour.

To confirm these factors, structural equation modelling was used. The goodness of fit index statistics resulted high (e.g. CFI: 0.99; GFI: 0.95; AGFI: 0.90; RMSEA: 0.037, which reaffirms the idea of divided the data in three common factors.

In addition to the factor analysis already explained, and with the aim of facilitating checking for convergent validity, an overall service recovery evaluation was also considered in the study, which consisted in three scales items. The Alfa Cronbach of this factor was 0.94, which is an indication of the high reliability of this factor.

Table 3 Service Recovery Evaluation's Factor Analysis

	Compensation	Promptness	Employee Behaviour
Compensation1	0.84		
Compensation2	0.84		
Compensation3	0.85		
Promptness1		0.83	
Promptness2		0.84	
Promptness3		0.70	
Employee1			0.78
Employee2			0.82
Employee3			0.81
Reliability	0.91	0.86	0.79
Explained Variance	29%	26%	24%
Accumulate Variance	29%	55%	79%

In order to determine convergent validity of service recovery related constructs, the relationship between service recovery evaluation and compensation, promptness and employee behaviour were determined. To do so, several linear regressions were done and all of them considered overall service recovery evaluation as dependent variable. The first three regressions were calculated using only one construct at a time as independent

variable (e.g. compensation or promptness or employee behaviour), and all other regressions considered two or more independent variables and also some interrelationship among the independent variables. The idea was to determine how much of the variance is explained just by one construct, but also to determine the regression that has the maximum R^2 .

Table 4 shows the most statistically significant regressions ($p = 0.000$). From that table can be seen that compensation is the construct that is most related to service recovery evaluation explaining 72% of the variance on its own. Another important conclusion was the fact that the regression that has the highest R^2 (82%) considered the interrelationship between two constructs: promptness and employee behaviour.

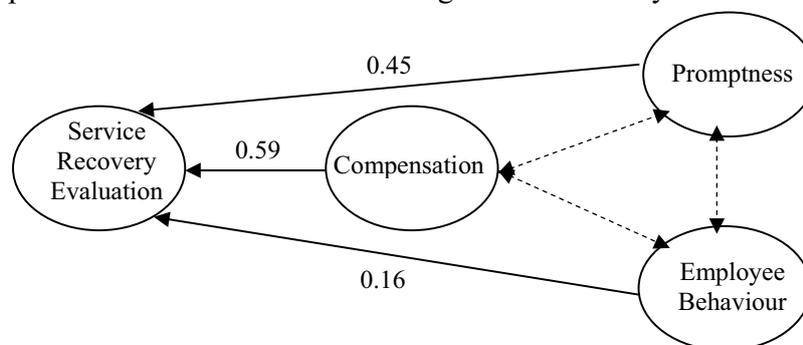
Table 4 Service Recovery Evaluation's Linear Regressions

Independent Variable	R^2
Compensation	0.72
Promptness	0.60
Employee Behaviour	0.29
Compensation + (Promptness*Employee Behaviour)	0.82

After doing regression analysis, and with the aim of further checking for convergent validity, structural equation modelling was performed to determine the relationship among the four constructs under study.

In a first attempt, it was assumed no interrelationship between the constructs that explain service recovery (e.g. compensation, promptness and employee behaviour). The results of this analysis were very low. Values of GFI, AGFI and CFI were very low, 0.81, 0.71 and 0.89, respectively, while RMSEA value resulted too high (0.15). Regarding Chi-square to degree of freedom ratio, this goodness of fit index got a value of 3.5.

Considering the results, a new path analysis was done, but this time allowing the interrelationship among all constructs. By doing this, results increased considerably: GFI went up to 0.90, AGFI to 0.84, CFI increased up to 0.98, and Chi-square to degree of freedom ratio decreased considerably to 3.5. In the case of RMSEA value, this decreased but it remained high (0.069; [0.036-0.10]). Figure 3 shows the main results of this analysis where the estimates of the three main relationships were included. In this regard, it is important to notice that compensation's estimate value of 0.59 was the highest, while employee behaviour had the lowest with a value of only 0.16. The latter further reaffirms what was concluded in the regression analysis in regard that compensation is the most important aspect for customers when evaluating service recovery efforts.



◀--▶ Indicating an interrelationship among these variables

Figure 3 Service Recovery Evaluation

Switching Barriers (SB)

Table 5 shows the main results of factor analysis done with switching barriers scale items. From this analysis two factors emerged, the first one with five variables and the second one with four variables. The first factor underlines the concept of Negative Switching Barriers and the second one the concept of Positive Switching Barriers. Regarding reliability, Alfa Cronbachs were relatively high with values of 0.83 and 0.69 for the first and second factor, respectively. The total explained variance was only 63%, which is a clear indication of the need for redefining the scale times that are used in the analysis.

To further ensure the validity of these two factors, confirmatory factor analysis was performed using structural equation modelling, and the results were relatively good for GFI, AGFI and CFI, with values of 0.94, 0.89 and 0.89, respectively. But RMSEA goodness of fit index has a value of 0.09, which is considered too high and that reaffirms the idea that the construct ‘switching barriers’ requires further investigation.

Table 5 Switching Barriers Factor Analysis

	Negative Switching Barriers	Positive Switching Barriers
NegativeSB1	0.69	
NegativeSB2	0.91	
NegativeSB3	0.88	
NegativeSB4	0.69	
NegativeSB5	0.69	
PositiveSB1		0.77
PositiveSB2		0.86
PositiveSB3		0.68
Reliability	0.83	0.69
Explained Variance	40%	23%
Accumulate Variance	40%	63%

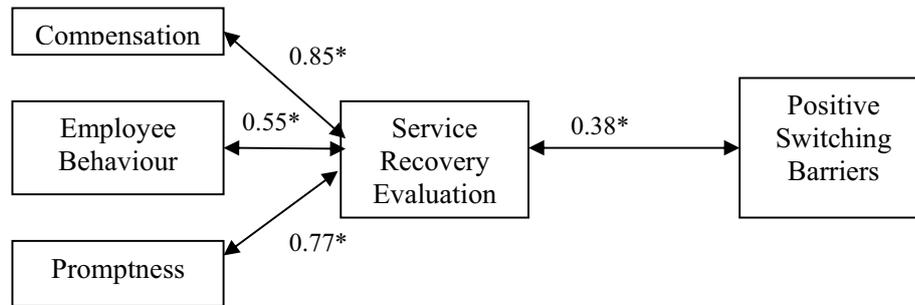
Relationship between Switching Barriers and Service Recovery Evaluation

Before calculating the correlations, the average of all variables belonging to one particular construct were calculated. After doing that the correlations among all constructs were calculated. The most significant correlations can be seen in Figure 4, where several important conclusions can be obtained.

Regarding service recovery evaluation, the correlations between overall service recovery evaluation and compensation, employee behaviour and promptness resulted all statistically significant at the 0.01 level. In addition it can be noticed that ‘compensation’ is the factor that has the highest correlation with overall service recovery evaluation.

Concerning the influence of switching barriers a very important finding was

discovered: only positive switching barriers appear to be related with service recovery evaluation and customers' post complain behaviour.



* Correlations significant at the 0.01 level

Figure 4 Correlations between Service Recovery Evaluation and Switching Barriers

To further determine the relationship between switching barriers and service recovery evaluation, structural equation modelling was performed. Figure 5 shows the main findings of this analysis. In that Figure it can be seen that service recovery evaluation is related to positive switching barriers but not to negative switching barriers, meaning that customers from an industry with positive switching barriers (e.g. customer loyalty) would evaluate better the firms' effort for solving the complaint, but at the same time mean that the existence of negative switching barriers (e.g. switching costs) would not affect the customers evaluation of the firm service recovery effort. These results are not conclusive because not all goodness of-fit-indexes are around expected values. Values for GFI (0.92) and CFI (0.98) are relatively good, but AGFI value (0.88) and Chi-square to degree of freedom ratio (1.4) are too low, while the upper value of the interval of confidence of RMSEA value (0.091) is too high. It is important to mention that estimates values for the relationships between service recovery evaluation and negative switching barriers is pretty low (-0.12), which is consistent with what was obtained in the correlation analysis.

Taking into account the latter conclusion, an additional structural equation modelling was performed, but this time negative switching barriers were not considered in the analysis. By doing this almost all goodness of fit indexes values improved. GFI, AGFI and CFI went up to 0.98, 0.93 and 0.998, respectively. However RMSEA value decreases to 0.03 but the upper level of the interval of confidence goes up to 0.12. Regarding Chi-square to degree of freedom ratio, this goodness of fit index went down to 1.12, which is too low.

In sum, two important conclusions can be made from this analysis. The first one is related to the apparent relationship between service recovery evaluation and positive switching barriers. The second one reaffirms the need for redefining the switching barriers construct so to obtain more suitable goodness of fit indexes.



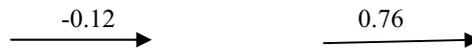


Figure 5 Relationship between Service Recovery Evaluation and Switching Barriers

CONCLUSIONS

Several important findings were obtained from this exploratory study. First, it was demonstrated that the most important variable that measures service recovery effort is compensation, and that there is an interrelationship among other variables. At the same time, the need for future studies focussing in determining new variables that might also be important for customers when evaluating service recovery effort was demonstrated. In this regard, some information was also gathered from the exploratory survey and in particular from the open-ended question that was included in the questionnaire and that asked respondents about what else the firm could have done to improve the way they handled their complaints. It seems that one of the things that customers are expecting is to get in touch immediately with the person in charge of handling complaints, and not to be sent from one person to another or from one place to another. If the latter is confirmed in future research, it would be an additional indication that firms must be ready for handling complaints so all employees should know the process that must be followed by customers when complaining so customers could be sent immediately to the person in charge of providing a solution to their complaints. The latter also implies that firms should give clear and immediate information to customer regarding the matter, which is supported by other research done in the past (e.g. Davidow, 2000; Estelami, 2000).

Regarding Switching Barriers, there is some indication of the relationship between service recovery evaluation and positive switching barriers, but not with negative switching barriers. These conclusions would indicate that customers' previous loyalty could have a positive impact on the evaluation of service recovery efforts, but at the same time, it would be an indication that independent of the level of negative switching barriers existing in one particular industry (e.g. few attractive alternatives), customers would not perceive any difference in the evaluation of service recovery effort. So, poor service recovery efforts would be evaluated in the same way in two industries, with two different levels of negative switching barriers.

LIMITATIONS

The main limitation of this investigation is the generaliability of its conclusions. Validation of its conclusions in other countries, such as more developed ones is required.

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