

## **An Empirical Analysis of Attitudinal and Behavioral Reactions Toward the Abandonment of Unprofitable Customer Relationships**

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*The management of unprofitable customer relationships and in particular their abandonment is a topic that has received increasing interest in both managerial decision making and academic research. However, little is known about the attitudinal and behavioral reactions that companies should expect from current and potential customers in response to such strategies. Based on an online study of 773 customers, we show that the majority of current/potential customers react with affective or cognitive responses toward unprofitable customer abandonment, whereas salient behavioral attitude components are less frequent. In addition, we show that different attitude components lead to different consequences for the abandoning firm and that the salience of behavioral attitude components tends to be associated with more negative reactions. Finally, we show that the potential negative consequences of unprofitable customer abandonment for current customers can be compensated for by improvements in core service quality.*

**KEYWORDS** *customer prioritization, customer relationship management, relationship dissolution, relationship termination, unprofitable customer management*

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## INTRODUCTION

Customer relationship management, which deals with the creation of “improved shareholder value through the development of appropriate relationships with key customers and customer segments” (Payne & Frow, 2005, p. 168), is a topic that has received substantial interest among academics and practitioners over the past decade. Nowadays, it is widely accepted that customers need to be considered as assets by the firm (Gupta, Lehmann, & Stuart, 2004) and that they require individual-level and proactive management. However, given that such activities are not without cost, the valuation of customer relationships, most often done using customer lifetime value (e.g., Berger & Nasr, 1998), is usually the first step of any customer relationship management strategy. On the one hand, customer relationship management implies that companies should treat their most profitable customers in the best possible way. On the other hand, it also means that marketing managers need to define appropriate strategies for handling unprofitable customers in order to avoid future losses for the firm.

The latter approach to customer relationship management appears to be especially important, as previous research in the area of customer profitability measurement has provided an indication that such unprofitable accounts can represent a substantial share of a company’s client base. Niraj, Gupta, and Narasimhan (2001) analyzed customer profitability for a grocery distributor in a business-to-business setting and found that when cost was allocated using activity-based costing, about 32% of all customers were unprofitable. Bowman and Narayandas (2004) investigated the customer base of a vendor in the processed metal business industry and showed that 31% of all relationships recorded a negative operating profit. Haenlein, Kaplan, and Beeser (2007) analyzed the customer base of a retail bank in a business-to-consumer environment and identified five customer segments (accounting for 27% of the total customer base) that had a negative contribution margin.

Several factors contributing to negative customer profitability have been discussed in the literature. Rosenblum, Tomlinson, and Scott (2003) as well as Bhargava and Feng (2005) highlighted the fact that some customers may become unprofitable because their needs and requirements are incompatible with the company’s business model. Shapiro, Rangan, Moriarty, and Ross (1987) mentioned that differences in cost-to-serve and customer situations contribute to significant differences in customer profitability. In a similar spirit, Kaplan and Anderson (2004) stressed that clients requiring complex and nonstandard processes stand a high chance of being unprofitable. This was also highlighted by van Hoek and Evans (2005), who stated that customers with a disproportionate share of last-minute requests often have negative profitability. Given the importance of the problem as well as the multitude of different reasons for it, it is unsurprising that the

management of accounts that lack profitability has been discussed in several managerial articles in recent years (Haenlein & Kaplan, 2009; Mittal, Sarkees, & Murshed, 2008).

Among the strategies that have been recommended and implemented by firms in such situations is the proactive termination of business relationships that are unprofitable, a phenomenon referred to as *unprofitable customer abandonment*. Such abandonment can be carried out either directly (i.e., by informing customers explicitly that the relationship has been terminated) or indirectly (e.g., by treating unprofitable customers less well in the hope that they will leave the company on their own). It has been shown that unprofitable customer abandonment can be a value-creating strategy when customers are truly unprofitable (i.e., have a negative contribution margin, defined as revenue less direct cost less cost-to-serve) and when unprofitability in one period is not overcompensated for by profitability in some future period (i.e., negative customer lifetime value; see Haenlein, Kaplan, & Schoder, 2006).

Although the idea of proactively terminating customer relationships may be unexpected for some of the clients negatively affected by it, it is far from uncommon and has received increasing interest in the academic literature in recent years. For example, it has become common business practice to route call center calls based on customer profitability in order to minimize waiting time for the most profitable clients (Mohl, 2003)—an approach that can be considered an indirect abandonment strategy. In a similar spirit, the “customer divestment continuum” proposed by Mittal et al. (2008) includes relationship termination as a (last) resort in case other strategies, such as relationship reassessment and customer education or migration, do not prove to be successful. Pressey and Mathews (2003) identified various cases in which customer de-selection can take place, especially in markets in which suppliers have near monopolist status. Helm (2004) obtained similar findings in the context of the German mechanical engineering industry.

Yet although the benefits of such a strategy have received some attention, the drawbacks, especially the reactions that unprofitable customer abandonment may evoke among the abandoning firm’s current and potential customers, are less well understood. Our research intends to provide a contribution in this area. Based on a study of 773 U.S. consumers, we provide answers to three research questions: First, what is the attitude that current and potential customers of the abandoning firm show toward unprofitable customer abandonment? Second, do different components of the attitude toward unprofitable customer abandonment (i.e., affective, cognitive, behavioral components) differ in their consequences with respect to the abandoning firm? And third, to what extent does the overall positioning strategy of the abandoning firm influence reactions toward unprofitable customer abandonment?

## RELATED RESEARCH

Our work is related to three areas of research that have previously been the subject of empirical studies in marketing and social psychology: (a) the reactions to marketing relationship problems, specifically destructive acts (e.g., Hibbard, Kumar, & Stern, 2001; Ping, 1993, 1997, 1999); (b) the dissolution of personal/business relationships (e.g., Alajoutsijärvi, Möller, & Tähtiinen, 2000; Baxter, 1985); and (c) the management of unprofitable customers or, more generally, customer prioritization (e.g., Haenlein et al., 2006; Homburg, Droll, & Totzek, 2008; Mittal et al., 2008). Table 1 presents an overview of selected work in each of these areas and provides insights into the relationship/marketing decision characteristics, mediating variables, and outcome variables considered in each of these studies.

Several authors have analyzed the reactions to problems in marketing channel relationships, specifically responses to actions that the aggrieved channel member considers to have a significant negative impact on their viability or functioning (i.e., destructive acts; Hibbard et al., 2001). Given that the management of customers on an individual basis is still a relatively new phenomenon in business-to-consumer relationships, these analyses have all been conducted in a business-to-business environment and deal with problems in manufacturer–retailer relationships. Consistent with Hirschman's (1970) exit–voice–loyalty theory, it has been shown that relationship problems can result in relationship dissolution (threatened withdrawal, exit), word of mouth (constructive discussion, venting, voice), or endurance (passive acceptance, loyalty), possibly in a stage-like sequence. Yet although these studies provide important insights, it is unclear to what extent their findings can be generalized to problems in business-to-consumer relationships, specifically the proactive abandonment of unprofitable customer relationships.

Given that unprofitable customer abandonment naturally implies discontinuing business with some groups of clients, another stream of research relevant to our study deals with approaches for relationship termination. Because buyer–seller interactions have frequently been compared to a marriage (Tynan, 1997), a natural starting point lies in research in the area of interpersonal relationship dissolution. Based on a series of studies, Baxter (1985) identified eight disengagement strategies that differ in their degree of directness (direct vs. indirect) and orientation (self-oriented/unilateral vs. other-oriented/bilateral). The choice between these different strategic options depends on personal characteristics (e.g., age, gender) and prior relationship quality (e.g., closeness) and may follow a stage-like sequence. Although naturally related to the disruption of romantic relationships, the qualitative work of Alajoutsijärvi et al. (2000) provides an indication that the same strategies can be found and applied in commercial (business-to-

**TABLE 1** Overview of Related Research

Author (Year)	Research Methodology/Sample	Relationship and/or Marketing Decision Characteristics	Mediating Variables	Outcome Variables	Major Findings
	<b>Reactions to problems in marketing relationships/destructive acts</b>				
Ping (1993)	<ul style="list-style-type: none"> <li>Quantitative</li> </ul>	Satisfaction, cost-to-exit	None	Exit, voice, loyalty, opportunism, neglect	<ul style="list-style-type: none"> <li>Analysis of retailer relations to supplier relationship problems</li> </ul>
Ping (1997)	<ul style="list-style-type: none"> <li>Hardware suppliers and retailers (B2B)</li> </ul>	(alternative attractiveness, relationship investment, switching cost)			<ul style="list-style-type: none"> <li>Satisfaction and cost-to-exit impact voice</li> </ul>
Ping (1999)					<ul style="list-style-type: none"> <li>Stage-like sequence between voice, loyalty, neglect, and exit</li> </ul>
Hibbard et al. (2001)	<ul style="list-style-type: none"> <li>Quantitative</li> <li>Consumer durables manufacturer and independent dealers (B2B)</li> </ul>	Destructive act intensity, causal attributions, pre-act relationship quality, dependence (total, relative)	Exit (disengagement), voice (constructive discussion, venting), loyalty (passive acceptance)	Supplier performance, post-act relationship quality	<ul style="list-style-type: none"> <li>Analysis of dealer reactions to manufacturer destructive acts</li> <li>Overall support for mediating role of exit, voice, and loyalty</li> </ul>
	<b>Relationship dissolution</b>				
Baxter (1985)	<ul style="list-style-type: none"> <li>Qualitative + quantitative</li> <li>Series of 10 studies</li> <li>Interpersonal relationships (C2C)</li> </ul>	Age, sex/sex role orientation, prior relationship closeness, factors associated with break-up	None	Disengagement strategy (direct vs. indirect, self-oriented vs. other-oriented)	<ul style="list-style-type: none"> <li>Identification of eight distinct disengagement strategies</li> <li>Sequencing pattern between disengagement strategy options</li> <li>Choice of disengagement strategy impacts dissolution quality</li> <li>Some strategies result in less negative consequences than others—"beautiful exit" is possible</li> </ul>
Alajoutsijarvi et al. (2000)	<ul style="list-style-type: none"> <li>Qualitative (4 case studies)</li> <li>Organizational buyer-seller relationships (B2B)</li> </ul>	Disengagement strategy (direct vs. indirect, self-oriented vs. other-oriented)	None	Dissolution quality (process, outcome)	

<b>Unprofitable customer management/customer prioritization</b>			
	Future customer behavior (i.e., purchase probability, amount to be spent)	None	Value of real option of abandoning unprofitable customers
Haenlein et al. (2006)	<ul style="list-style-type: none"> <li>Quantitative/conceptual</li> <li>Specialty catalog retailing (B2C)</li> </ul>	None	<ul style="list-style-type: none"> <li>Unprofitable customer abandonment can have substantial option value</li> <li>Failure to include option value into customer lifetime value calculations can lead to biased results</li> </ul>
Mittal et al. (2008)	<ul style="list-style-type: none"> <li>Qualitative + quantitative</li> <li>Various industries (B2B and B2C)</li> </ul>	None	<ul style="list-style-type: none"> <li>Customer divestment strategy (i.e., reassess, educate, renegotiate, migrate, terminate)</li> <li>Relationship termination only as last option if all other attempts fail</li> <li>Unprofitable customer abandonment needs to be managed professionally to avoid negative consequences</li> </ul>
Homburg et al. (2008)	<ul style="list-style-type: none"> <li>Quantitative</li> <li>Various industries (B2B and B2C)</li> </ul>	Satisfaction, loyalty, share of wallet	<ul style="list-style-type: none"> <li>Customer prioritization on sales</li> <li>Customer prioritization results in higher profitability/return on sales</li> </ul>
Present study	<ul style="list-style-type: none"> <li>Quantitative</li> <li>Cellular phone services (B2C)</li> </ul>	Attitude toward unprofitable customer abandonment (affective, cognitive, behavioral component)	<ul style="list-style-type: none"> <li>Current customers: Exit intention, voice intention, loyalty intention</li> <li>Potential customers: Perceived fairness, perceived value, purchase intention</li> </ul>

Notes: B2B = business-to-business; C2C = consumer-to-consumer; B2C = business-to-consumer.

business) settings and that different strategies are associated with different consequences and levels of “dissolution quality.”

Finally, several studies have addressed the specific question of unprofitable customer management. Haenlein et al. (2006) analyzed the (real) option of unprofitable customer abandonment and showed that its value can be substantial, depending on the variance in future customer behavior. The authors highlighted that unprofitable customer abandonment should be considered a valid and profitable strategic option and that the value of this option needs to be included when determining customer lifetime value to avoid biased results. More recently, Mittal et al. (2008) discussed the management of unprofitable customers in more general terms and stressed that terminating such accounts can generate benefits beyond a pure profitability increase, such as improved employee productivity/morale, reduced capacity constraints, and better strategic alignment between the customer base and business objectives. Finally, the work of Homburg et al. (2008) showed empirically that customer prioritization (i.e., treating customers differently with respect to marketing investments according to their importance for the firm) leads to higher average customer profitability and a higher return on sales because it affects relationships with top-tier customers positively but does not affect relationships with bottom-tier customers and reduces marketing and sales costs. These studies therefore provide consistent support for the financial benefits of customer prioritization and unprofitable customer abandonment. Nonetheless, the attitudinal reactions that such strategies may evoke within the existing customer base and the likely (indirect) abandonment cost that may result from such reactions have not yet been analyzed.

In sum, the question of how unprofitable customer abandonment is perceived in a business-to-consumer context and which attitudinal reactions it evokes among the abandoning firm’s current customers has not yet been answered and therefore represents an important research gap. Our study addresses this gap by (a) providing a quantitative analysis of attitudinal reactions to unprofitable customer abandonment in a business-to-consumer setting, (b) analyzing whether different components of the attitude toward unprofitable customer abandonment (i.e., affective, cognitive, behavioral components) are associated with different behavioral intentions in response to unprofitable customer abandonment, and (c) investigating how the overall positioning strategy of the abandoning firm influences behavioral intentions in response to unprofitable customer abandonment.

## CONCEPTUAL FRAMEWORK AND HYPOTHESES

### Overview of Research Framework and Constructs

Within our conceptual framework, we assume that unprofitable customer abandonment will evoke attitudinal reactions among the abandoning firm’s current and potential customers. Such thinking is consistent with research in

psychology and consumer behavior that has frequently shown that stimuli lead to attitudes that in turn precede behavioral intentions (see, e.g., the theory of planned behavior; Ajzen, 1991). *Attitudes* are defined as learned predispositions “to respond in a consistently favorable or unfavorable manner with respect to a given object” (Fishbein & Ajzen, 1975, p. 6). Many authors have highlighted the idea that attitudes are not unidimensional but instead consist of affective, cognitive, and behavioral components (e.g., Bagozzi, Tybout, Craig, & Sternthal, 1979; Ostrom, 1969; Rosenberg & Hovland, 1960). Affective components summarize sympathetic nervous responses or verbal statements of affect; cognitive components perceptual responses or verbal statements of beliefs; and behavioral components overt actions or verbal statements concerning behavior (Rosenberg & Hovland, 1960).

With respect to behavioral intentions in response to unprofitable customer abandonment, we differentiate between the reactions of current and potential customers. For current customers, we assume that unprofitable customer abandonment may lead to behavioral intentions of exit, voice, and loyalty. Such thinking is consistent with the work of Hirschman (1970) on responses to organizational decline, Ping (1993, 1997, 1999) on relationship problems, and Hibbard et al. (2001) on destructive acts. We define a current customer’s *exit intention* as the intention to stop buying the firm’s products or services; *voice intention* as the intention to express dissatisfaction directly to the company’s management or to some other authority to which management is subordinate, or through general protest to anyone who cares to listen; and *loyalty intention* as the intention to maintain a considerable attachment to the organization combined with the expectation that someone will act or something will happen to improve matters (Hirschman, 1970).

For potential customers, we draw from the literature in the area of price discrimination and unfair pricing, in which several theories have been proposed to explain reactions that can be expected when consumers perceive that they are being treated in an unfair way. In line with the propositions developed by Xia, Monroe, and Cox (2004), we assume that the perceived fairness of the abandonment act influences the perceived value of the abandoning company’s offering, which in turn influences purchase intention. We define *perceived fairness* as the customer’s perception of the fairness of earnings and other outcomes that he or she receives from his or her relationship with the supplier (distributive fairness; Kumar, Scheer, & Steenkamp, 1995) and *perceived value* as the utility derived from the feelings or affective states that a product or service generates (emotional value; Sweeney & Soutar, 2001).

Finally, we assume that the abandoning firm does not need to passively accept the reactions of current and potential customers but instead can influence them by adapting its positioning strategy. Here we focus on the dimensions of perceived sacrifice (price) and perceived (service) quality, which have been shown to jointly influence the perceived value of a company’s offering (Zeithaml, 1988).



## Hypotheses

In an environment in which customers are used to being treated as “kings,” the news that a company abandons unprofitable customer relationships is likely to be perceived as surprising and unexpected by current and potential customers of the abandoning firm. Consistent with attribution theory, these customers will therefore engage in “spontaneous causal thinking” (Weiner, 1985) and make causal attributions with respect to the abandonment act that ultimately translate into an attitudinal reaction toward the abandonment decision. Under the assumption that (a) abandonment impacts the unprofitable customer in a negative way (e.g., because he or she is obliged to look for an alternative supplier) and (b) a social relationship exists between the current/potential customer and the unprofitable customer being abandoned, such an attitudinal reaction is consistent with balance theory. Balance theory states that people strive to achieve balance in triadic relationships (e.g., current/potential customer–unprofitable customer–abandoning firm). In the case of an unbalanced relationship, attitudes toward the other two parties are adapted according to the attitude the two parties have toward themselves in order to regain balance.

As highlighted previously, it has frequently been stressed that attitudes are not unidimensional but instead consist of affective, cognitive, and behavioral components (e.g., Fishbein & Ajzen, 1975; Ostrom, 1969; Rosenberg & Hovland, 1960). Yet only a few publications have investigated this from an empirical perspective—see Ostrom for a notable example. As discussed by Oliver (1999) for the special case of (attitudinal) loyalty, these three components are not necessarily salient simultaneously for each individual but instead may follow a stage-like sequence in which, for example, attitudes are first driven primarily by cognitive, then affective, and finally behavioral components. Yet on an overall level, it would be misleading to consider attitudes as unidimensional constructs. This leads to the following two hypotheses:

H<sub>1a</sub>: Unprofitable customer abandonment will evoke attitudinal reactions among the abandoning firm’s current and potential customers.

H<sub>1b</sub>: The attitude toward unprofitable customer abandonment consists of affective, cognitive, and behavioral components.

Consistent with research in the area of consumer behavior, in which the mediating role of attitudes has been supported in a variety of different settings, we assume that affective, cognitive, and behavioral components of the attitude toward unprofitable customer abandonment differ in their consequences for the abandoning firm. For current customers, we assume that negative reactions in response to unprofitable customer abandonment are more likely when behavioral attitude components are salient than when

affective and/or cognitive components are salient. Such thinking is appropriate because, as defined previously, behavioral attitude components deal with overt actions concerning behavior to be taken and verbal statements to be made. We therefore postulate that when behavioral attitude components are salient current customers are (a) more likely to leave the abandoning firm (i.e., higher levels of exit intention), (b) more likely to spread negative word of mouth about the abandoning firm (i.e., higher levels of voice intention), and (c) less likely to remain customers (i.e., lower levels of loyalty intention) than when affective and/or cognitive components are salient.

H<sub>2a</sub>: When behavioral attitude components are salient current customers have higher levels of exit intention, higher levels of voice intention, and lower levels of loyalty intention than when affective and/or cognitive attitude components are salient.

Unlike current customers, potential customers are not faced with any direct decisions with respect to the abandoning firm in the short term, as such a decision only becomes relevant when they are confronted with the choice of trading their current provider for an alternative one. Although in this case the salience of behavioral attitude components is still likely to drive the overall evaluation of the abandonment act (i.e., perceived fairness, perceived value), direct reactions (i.e., purchase intention) are likely to be more severe when affective (emotional) attitude components are salient. This hypothesis finds support in existing research investigating the behavioral consequences of certain emotions, specifically anger and regret (e.g., Bonifield & Cole, 2007; Bougie, Pieters, & Zeelenberg, 2003; Folkes, Koletsky, & Graham, 1987). These studies have shown that emotional reactions have an important influence on consumer behavior in situations in which customers feel that they are being treated in an unfair way. We assume that similar processes are in place when analyzing the reaction to unprofitable customer abandonment. We therefore postulate that when behavioral attitude components are salient potential customers are likely to evaluate the abandonment decision more severely (i.e., lower levels of perceived fairness and perceived value), whereas when affective attitude components are salient potential customers are more likely to show more negative reactions (i.e., lower levels of purchase intent). This leads to the following hypotheses:

H<sub>2b</sub>: When behavioral attitude components are salient potential customers have lower levels of perceived fairness and lower levels of perceived value than when affective and/or cognitive attitude components are salient.

H<sub>2c</sub>: When affective attitude components are salient potential customers have lower levels of purchase intention than when behavioral and/or cognitive attitude components are salient.

A question of great managerial relevance for the abandoning firm is not only how current and potential customers might react toward unprofitable customer abandonment but also to what extent these reactions can be influenced by the choice of a certain positioning strategy. For example, the abandoning company could make the decision to invest the money saved by abandoning unprofitable customer relationships in improvements to its product/service offering by either increasing quality or decreasing prices, and thus position itself accordingly. Although abandonment might then still lead to unfavorable attitudes, any potential negative consequences could be compensated for by the overall increase in the perceived value of the offer.

According to Zeithaml (1988), price and the perceived quality of a product jointly influence perceived value. Price represents the perceived sacrifice to obtain a product or service of a certain quality, and (re)purchase only occurs if a net benefit (i.e., positive perceived value) is created for the consumer. Within this framework, unprofitable customer abandonment could be considered a factor lowering the perceived quality of the product/service, which could be offset either by (a) a lower perceived sacrifice (price) associated with the purchase or (b) an improvement of other product attributes so that perceived quality remains unchanged. In both cases, the perceived value of the whole offering would be the same before versus after abandonment, leading to similar levels of purchase intent. Based on these theoretical arguments, we propose the following hypothesis:

H<sub>3</sub>: The overall positioning strategy of the abandoning firm with respect to price and quality will have an impact on the consequences of unprofitable customer abandonment for current and potential customers.

## RESEARCH METHODOLOGY

### Data Collection

Data collection was carried out using an online experiment in which respondents were exposed to a scenario text describing an unprofitable customer abandonment decision implemented by a mobile phone provider (see Appendix A). We chose the mobile phone industry because it represents a major service sector in the United States and Europe and because unprofitable customer abandonment has previously taken place in this setting (e.g., by Sprint Nextel in June 2007; Mittal et al., 2008). Given that the focus of our research was to investigate how unprofitable customer abandonment influences the attitudes and reactions of customers of the abandoning firm who have not been abandoned themselves, one experiment focused on current customers and one on potential customers.

Within the scenario description we randomized the strength of the relationship (tie strength) with the abandoned customer. Respondents were

first asked to provide the name or initials (NAME) of a friend/acquaintance who fulfilled certain characteristics in terms of tie strength.<sup>1</sup> The scenario text then continued with the description of an example of a mobile phone provider implementing an abandonment strategy with respect to this friend/acquaintance. The mobile phone provider in this example was either the provider with whom the respondent currently had a contract (PROVIDER; analysis of current customers) or Cell Phone Inc., an imaginary mobile phone provider (analysis of potential customers). We randomized the type of abandonment strategy used by the firm equally and exposed half of the respondents to a direct abandonment strategy and half to an indirect abandonment strategy (see Baxter, 1985, for a distinction between these two types of abandonment strategy).<sup>2</sup> In total, this resulted in eight different treatment conditions (2 [customer type]  $\times$  2 [tie strength]  $\times$  2 [abandonment strategy]) to which respondents were allocated randomly.

After having been exposed to the scenario descriptions, respondents were asked to describe their feelings and reactions in such a situation in five or more sentences to increase the salience of the respective motivational orientation. The resulting verbatim comments formed the basis of our analysis of attitudes toward unprofitable customer abandonment. Respondents were then asked to imagine themselves in the respective situation and to reply to a set of multi-item scales covering the key variables included in our study (i.e., exit intention, voice intention, and loyalty intention for current customers; perceived fairness, perceived value, and purchase intention for potential customers). Regarding the operationalization of these variables we relied on existing scales, which we adapted slightly to fit the context of our study (see Appendix B and Appendix C for details). Following the recommendations of Cox (1980), we measured all items on 7-point Likert scales anchored by *strongly agree* (+3) and *strongly disagree* (-3).

Subsequently, we used a full-factorial design to analyze the impact of different positioning strategies on respondents' decisions to leave their current provider (analysis of current customers) or join Cell Phone Inc. (analysis of potential customers). For this we systematically varied three components of the offer (price, network quality, handset attractiveness) on two levels, leading to  $2^3 = 8$  different stimuli to be evaluated.<sup>3</sup> Within this design, we asked current customers how likely they would be to leave their current provider (who implemented a customer abandonment strategy) if the alternative provider had the same (or a higher) price, an equal (or worse) quality network, and as attractive (or less attractive) handsets. Similarly, we asked new customers how likely they would be to join Cell Phone Inc. (a company implementing unprofitable customer abandonment) if it had the same (or a lower) price, an equal (or better) quality network, and as attractive (or more attractive) handsets as their current provider. All options were presented in a randomized way (to avoid potential order effects), and all respondents were asked to rank each option based on their likelihood to subscribe from 1 (*least likely*) to 8 (*most likely*).

**TABLE 2** Sample Size by Treatment Condition

Scenario	Sample Size (Full Sample, $N = 773$ )	Sample Size (Coded Verbatim, $N = 702$ )	Customer Type	Tie Strength	Abandonment Strategy
1	120	106	Current	Strong	Direct
2	107	99	Current	Strong	Indirect
3	69	62	Current	Weak	Direct
4	89	82	Current	Weak	Indirect
5	130	115	Potential	Strong	Direct
6	105	96	Potential	Strong	Indirect
7	79	73	Potential	Weak	Direct
8	74	69	Potential	Weak	Indirect

*Notes:* A statistical power analysis using the *pwr* package (Version 1.1) in the R Computing Environment (Version 2.9.1) indicated that a sample size of at least 60 respondents per treatment cell was sufficient to detect effects of small to medium size ( $f = 0.17$ ) based on a statistical significance level of 5% and a statistical power of 80%.

We contacted a total of 1,367 participants of an online panel managed by a professional marketing research firm. Out of these 1,367 participants, 401 (29.3%) did not qualify for survey participation as they did not subscribe to a contract-based/postpaid mobile phone service. Of the remaining 966 respondents, 150 (11.0%) dropped out during survey completion, leading to 816 usable responses and a response rate of 59.7%. To minimize potential distortions with respect to technical variations that may have occurred during data collection, we deleted 43 respondents (5%) that showed particularly high or low survey response times. This led to a final sample of 773 observations. Table 2 provides an overview of sample size by treatment condition, and Table 3 shows the breakdown of our sample by gender, age, ethnicity, and education.

## Analysis

In order to classify the qualitative verbatim comments along affective, cognitive, and behavioral attitude components, we relied on three trained coders, each of whom received a briefing document similar in design to that used by Ostrom (1969). Two of the three coders were asked to first identify all verbatim comments in which respondents expressed a lack of credibility for the scenario text. Once these comments had been eliminated, coders were asked to classify the remaining comments into one of nine groups depending on their attitudinal component (affective, cognitive, behavioral) and valence (negative, neutral, positive) or to label them as nonclassifiable.

In total, the two coders agreed in 495 of 773 cases, which led to an interrater agreement of 64.0%. Given the large number of categories ( $2 + 9 + 1 = 12$ ), this is equivalent to a reliability of the coding task of at least

**TABLE 3** Sample Composition by Type of Customer and Abandonment Strategy (Direct or Indirect)

Characteristic	Current Customers		Potential Customers	
	Direct	Indirect	Direct	Indirect
Sample Size	189	196	209	179
Gender (%)				
Male	54	49	56	48
Female	46	51	44	52
Age in Years (%)				
15–19	0	0	0	1
20–24	14	15	11	15
25–34	22	23	20	21
35–44	22	29	25	22
45–54	27	20	25	30
55–59	9	9	8	4
60–64	3	4	5	7
65–74	3	1	5	2
Education (%)				
9th to 12th grade, no diploma	1	1	2	2
High school graduate	20	16	14	16
Some college, no degree	32	30	31	29
Associate's degree	12	12	14	15
Bachelor's degree	26	32	27	27
Graduate/professional degree	10	9	12	12

0.74 (Rust & Cooil, 1994),<sup>4</sup> which exceeds the usually recommended level of 0.70. The 278 verbatim cases in which the first two coders disagreed were then given to the third coder, who agreed in 105 cases with the first coder, in 102 with the second coder, and in 71 with neither. The 207 cases that received the same classification from two coders were subsequently included in the analysis, whereas the 71 verbatim cases that resulted in consistent disagreement were deleted, resulting in a final sample size of 702 comments (see Table 2 for a split of usable sample size by treatment condition).

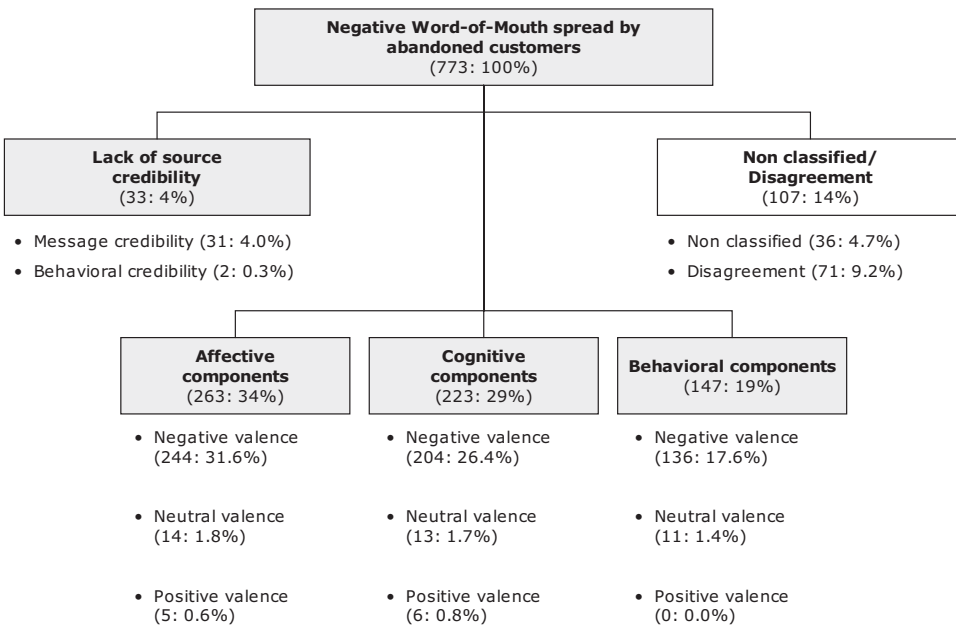
To assess the extent to which different attitude components differ in their consequences, we calculated composite scores for each variable included in our survey instrument by summing up all items belonging to the same construct and dividing the total by the number of items. This approach is consistent with the general philosophy behind Likert scales (Likert, 1932) and acceptable once sufficient construct reliability has been established. Given that such equal-weight composites have been shown to be highly robust (Rozeboom, 1979), we decided against the use of more sophisticated item weighting schemes. We then compared the means of these composite scores across respondents with different salient attitude components. In case an omnibus *F* test indicated a significant difference between at least two groups, we used a least significant difference test (equivalent to multiple *t* tests) to determine the pairs of means with statistically significant differences.

To investigate how the overall positioning strategy of the abandoning firm influences the consequences of customer abandonment, we relied on a within-subject analysis of variance. Although rank orders represent ordinal (vs. interval) measured variables, the use of an analysis of variance seemed justified, as nonparametric tests are generally less powerful than parametric ones and statistics involving means and standard deviations tend to provide plausible results, even in the absence of interval scaled data (Stevens, 1946). All calculations were carried out in SPSS for Windows (Version 14.0) and the R Computing Environment (Version 2.5.1).

### RESULTS

Figure 1 shows the classification of the verbatim comments by attitudinal component and valence. Three points are particularly noteworthy. First, a minority of 33 respondents (4.3%) raised issues with respect to scenario credibility:

“This is such a silly unbelievable situation that I can hardly imagine this happening. However, if that was the case I might just change providers, because perhaps my business also isn’t profitable!” (Female, 45–54 years, some college/no degree)



**FIGURE 1** Classification of Attitudes Toward Unprofitable Customer Abandonment by Attitudinal Component and Valence.

"I would have to say that, since most mobile phone providers require yearly contracts and if these contracts are broken there is a large fee to be paid, this is not very believable." (Male, 25–34 years, some college/no degree)

"Disbelief, would think that she had misunderstood the information given to her. If it turned out to be true, it would be unacceptable." (Female, 25–34 years, associate's degree)

Obviously, for those participants, unprofitable customer abandonment appeared to be so strange and unfamiliar that the message was incompatible with their current belief system. Given that we did not prompt respondents directly to react on the credibility of the scenario text, this can be seen as a strong indication of the degree to which customer abandonment violates implicitly assumed norms.

Second, although the majority of respondents (584 participants, 75.5%) expressed a negative attitude toward customer abandonment, 11 participants (1.4%) reacted to it in a positive way. This is somewhat surprising and may provide an indication that unprofitable customer abandonment also evokes positive attitudinal reactions, at least for some market segments.

Third, as expected, we observed comments that were consistent with all three attitudinal components (affective, cognitive, behavioral). For 263 respondents (34.0%), these comments described feelings and emotions that indicated the salience of affective components:

"I would be very angry and disappointed. Every customer should be treated equally." (negative: male, 35–44 years, bachelor's degree)

"I would not care as she has her own mind and is smarter on bargains than I am. So I would say 'Do what you think is best!'" (neutral: male, 45–54 years, some college/no degree)

"I think that is the best thing for you. This has happened for a reason and right now there are a few providers out there that can be competitive and offer you great service." (positive: female, 25–34 years, some college/no degree)

An almost equally large group (223 respondents, 28.8%) reacted in a more rational way, as expressed in comments about beliefs and (perceived) characteristics, which can be seen as an indication for cognitive attitude components:

"I would tell him the company is not a company for him. If Cell Phone Inc. does not care about customers that have been with them a while



**TABLE 4** Reactions in Response to Unprofitable Customer Abandonment by Attitude Component

Customer	Component	Affective ( <i>M</i> )	Cognitive ( <i>M</i> )	Behavioral ( <i>M</i> )	Total ( <i>M</i> )	<i>F</i>	<i>p</i>
Current Customers	Sample size	150	106	59	315		
	Exit intention	1.11	0.77	1.75	1.11	8.391	0.0003
	Voice intention	1.30	1.02	1.36	1.21	2.150	0.1182
Potential Customers	Loyalty intention	-0.29	-0.26	-0.74	-0.37	3.113	0.0458
	Sample size	113	117	88	318		
	Perceived fairness	-1.68	-1.79	-2.14	-1.85	3.273	0.0392
	Perceived value	-2.12	-2.41	-2.54	-2.34	3.346	0.0365
	Purchase intention	-2.18	-2.54	-2.74	-2.47	6.888	0.0012

and only looks at the bottom dollar, they will sooner or later realize their mistake.” (negative: female, 35–44 years, bachelor’s degree)

“I would tell Jennifer that her business is just as important as any other business that Cellular South had, and if they did not feel that her business was important enough, she should change services.” (neutral: female, 35–44 years, some college/no degree)

“Business is business. If he is unprofitable, then I am paying more so that he can have the service. Bummer for him, but there are a lot of other providers.” (positive: male, 45–54 years, bachelor’s degree)

Finally, the smallest group (147 respondents, 19.0%) showed the salience of behavioral components and spoke about intended reactions and behavior in such a situation:

“I would start looking for another provider myself just to avoid the hassle of it happening to me later when I didn’t have the time to deal with it. I would be irritated that a company would do something like that.” (negative: male, 25–34 years, bachelor’s degree)

“I would still stay with the company. It’s the only one I get service with at my residence.” (neutral: female, 45–54 years, high school graduate)

Tables 4 and 5 show the differences in behavioral intentions in response to unprofitable customer abandonment for respondents with different salient attitude components. Table 4 reports the results of an omnibus *F* test for each variable included in our conceptual framework. It shows that all except one (i.e., voice intention for current customers) differed across different attitude components. Table 5 provides more insight into the nature of those differences. For current customers, the salience of behavioral attitude components is associated with significantly higher levels of exit intention and lower

**TABLE 5** Test of Differences in Reactions in Response to Unprofitable Customer Abandonment by Attitude Component

Post Hoc Multiple Comparisons (Least Significant Difference)	Affective ( <i>M</i> )	Cognitive ( <i>M</i> )	Behavioral ( <i>M</i> )	Mean Difference	<i>SE</i>	<i>p</i>
Current customers						
Exit Intention						
Affective–Cognitive	1.11	0.77		0.33	0.1865	0.0745
Affective–Behavioral	1.11		1.75	0.64	0.2258	0.0046
Cognitive–Behavioral		0.77	1.75	0.98	0.2387	0.0001
Loyalty Intention						
Affective–Cognitive	–0.29	–0.26		0.03	0.1625	0.8458
Affective–Behavioral	–0.29		–0.74	0.45	0.1968	0.0238
Cognitive–Behavioral		–0.26	–0.74	0.48	0.2080	0.0221
Potential customers						
Perceived Fairness						
Affective–Cognitive	–1.68	–1.79		0.11	0.1731	0.5119
Affective–Behavioral	–1.68		–2.14	0.46	0.1866	0.0133
Cognitive–Behavioral		–1.79	–2.14	0.35	0.1852	0.0590
Perceived Value						
Affective–Cognitive	–2.12	–2.41		0.29	0.1558	0.0670
Affective–Behavioral	–2.12		–2.54	0.42	0.1680	0.0140
Cognitive–Behavioral		–2.41	–2.54	0.13	0.1667	0.4403
Purchase Intention						
Affective–Cognitive	–2.18	–2.54		0.36	0.1436	0.0135
Affective–Behavioral	–2.18		–2.74	0.56	0.1548	0.0004
Cognitive–Behavioral		–2.54	–2.74	0.20	0.1537	0.1921

levels of loyalty intention. Combined with the lack of difference for the voice intention variable as shown in Table 4, this provides partial support for H<sub>2a</sub>.

For potential customers, the salience of behavioral attitude components was associated with lower levels of perceived fairness and perceived value. Although this difference was significant in comparison to the salience of affective attitude components, the same was not true for affective attitude components. This provides partial support for H<sub>2b</sub>. Finally, purchase intention was significantly lower for behavioral attitude components than for affective and cognitive ones, which supports H<sub>2c</sub>.

Tables 6 and 7 shows the stated individual-level reactions toward unprofitable customer abandonment in terms of retention and purchase intentions by positioning strategy, expressed as the percentage of all respondents who attributed a certain rank to a given option. For each positioning strategy, the rank that was attributed most frequently is shaded in. According to the tables, price, network quality, and handset attractiveness (in that order) influenced reactions toward unprofitable customer abandonment. One could therefore speculate that companies may be able to overcompensate for the negative consequences of unprofitable customer abandonment by making other characteristics of the offer more attractive. Yet this

**TABLE 6** Stated Purchase and Retention Intentions by Positioning Strategy: Acquisition Analysis of Potential Customers (N = 388)

		Overall, how likely would you be to subscribe to Cell Phone Inc. if Cell Phone Inc. ...							
		Rank							
		1	2	3	4	5	6	7	8
		... than your current mobile phone provider?							
has	[...]								
[...]	quality								
	network								
	and								
	offers								
	[...] handsets								
the same	an equal	30.7%	9.5%	7.5%	11.1%	6.7%	9.3%	9.0%	16.2%
	more attractive	11.6%	25.5%	12.6%	8.2%	9.0%	11.9%	13.9%	7.2%
	as attractive	7.2%	13.4%	23.5%	13.7%	12.1%	15.2%	8.2%	6.7%
	more attractive	8.0%	11.3%	11.6%	25.3%	17.5%	11.9%	10.6%	3.9%
a lower	an equal	6.2%	8.5%	13.4%	17.8%	24.2%	11.9%	8.8%	9.3%
	more attractive	8.0%	9.0%	14.7%	11.3%	12.6%	22.4%	14.4%	7.5%
	as attractive	7.5%	13.1%	11.3%	8.0%	12.6%	11.3%	27.1%	9.0%
	more attractive	20.9%	9.5%	5.4%	4.6%	5.2%	6.2%	8.0%	40.2%

Notes: For each positioning strategy, the rank that was attributed most frequently is shaded in.

**TABLE 7** Stated Purchase and Retention Intentions by Positioning Strategy: Retention Analysis of Current Customers ( $N = 385$ )

Overall, how likely would you be to switch from your current mobile phone provider to Cell Phone Inc., an alternative mobile phone provider that has a different customer policy if Cell Phone Inc. ...

		Rank							
		1	2	3	4	5	6	7	8
has [...] price,	[...] quality network	... than your current mobile phone provider?							
	and offers [...]								
the same	as attractive	20.5%	3.9%	3.1%	3.9%	3.1%	3.4%	3.6%	58.4%
	less attractive	5.7%	17.1%	6.0%	7.3%	7.3%	9.9%	41.3%	5.5%
	as attractive	4.7%	7.8%	15.3%	19.5%	19.0%	20.8%	9.6%	3.4%
	less attractive	7.0%	13.5%	18.2%	14.8%	21.0%	13.8%	8.3%	3.4%
a higher	as attractive	6.0%	4.4%	16.6%	21.3%	14.8%	21.6%	10.1%	5.2%
	less attractive	5.2%	10.9%	22.1%	17.1%	22.1%	13.5%	6.2%	2.9%
	as attractive	10.4%	32.5%	11.2%	8.8%	7.0%	10.6%	14.3%	5.2%
	less attractive	40.5%	9.9%	7.5%	7.3%	5.7%	6.5%	6.5%	16.1%

Notes: For each positioning strategy, the rank that was attributed most frequently is shaded in.

**TABLE 8** Impact of Positioning Strategy on Stated Purchase and Retention Intentions

Variable	<i>df</i>	Sum of Squares	Mean Squares	<i>F</i>	<i>p</i>
Acquisition analysis—Potential customers ( <i>N</i> = 388)					
Price	1	1.10	1.10	0.2238	0.6362
Network Quality (Network)	1	0.30	0.30	0.0566	0.8120
Handset Attractiveness (Handset)	1	1.80	1.80	0.3577	0.5498
Price × Network	1	8.30	8.30	1.6152	0.2039
Price × Handset	1	7.30	7.30	1.4340	0.2312
Network × Handset	1	9.70	9.70	1.9014	0.1680
Price × Network × Handset	1	3.20	3.20	0.6228	0.4301
Residuals	3,088	15,774.7	5.10		
Retention analysis—Current customers ( <i>N</i> = 385)					
Price	1	7.60	7.60	1.5834	0.2084
<b>Network Quality (Network)</b>	<b>1</b>	<b>30.30</b>	<b>30.30</b>	<b>6.3245</b>	<b>0.0120</b>
Handset Attractiveness (Handset)	1	7.60	7.60	1.5910	0.2073
Price × Network	1	7.10	7.10	1.4856	0.2230
Price × Handset	1	0.10	0.10	0.0264	0.8710
Network × Handset	1	10.80	10.80	2.2564	0.1332
Price × Network × Handset	1	2.70	2.70	0.5686	0.4509
Residuals	3,064	14,668.8	4.80		

*Notes:* Boldface represents variables that are significant on 5% level (i.e., where the *p*-value is below 0.05).

interpretation neglects the fact that each respondent ranked all different positioning strategies, leading to correlated errors across different ranks. Taking this effect into account by performing a within-subject analysis of variance (see Table 8) showed that for potential customers, ranks did not differ significantly across different positioning strategies. Current customers, however, took into account the network quality of their provider when making their retention decisions.<sup>5</sup>

## DISCUSSION

In sum, our analysis results in the following three contributions to the literature: First, we show that (a) attitudes toward unprofitable customer abandonment mediate the relationship between unprofitable customer abandonment and subsequent behavioral intentions from the abandoning firm's current and potential customers and that (b) different attitude components are associated with different behavioral intentions. It would therefore be misleading to consider attitudes toward unprofitable customer abandonment as a simple first-order construct. Instead, it is more appropriate to operationalize it as a second-order variable with three distinct subdimensions. Such a distinction is important, as measurement model misspecification has been shown to result in severe consequences for empirical research (Jarvis, MacKenzie, & Podsakoff, 2003).

The distinction between different attitude components goes back to the 1950s/1960s, when Rosenberg and Hovland (1960) were among the first to identify different classes of evaluative responses that respondents showed in reply to a stimulus. It has since been widely accepted and used in psychology and consumer research, although only a few researchers have empirically investigated the existence of different attitude components (see Ostrom, 1969, for a noteworthy exception). From a theoretical perspective, our article can be seen as additional evidence that this distinction is indeed necessary. From a practical viewpoint, our results represent a first step toward developing a scale that can be used to measure attitudes toward unprofitable customer abandonment. Once such a scale is developed, it could be used by firms implementing an abandonment strategy to assess the likely (indirect) abandonment cost associated with such an approach.

Second, our findings indicate that the majority of respondents react with affective (263 respondents, 34.0%) or cognitive (223 respondents, 28.8%) responses toward unprofitable customer abandonment, whereas salient behavioral attitude components are less frequent (147 respondents, 19.0%). Hence, the most common reactions deal with verbal statements of emotions/feelings (e.g., anger, disappointment) and beliefs (e.g., the perception of a lack of appropriate customer service) instead of intended actions. In addition, we show that consequences with direct damaging impact for the abandoning firm's current customers (i.e., exit intention, voice intention) and the evaluation of the abandonment act by potential customers (i.e., perceived fairness, perceived value) are least favorable for the salience of behavioral attitude components. Given that such behavioral components are relatively less frequent, this can be seen as an indication that unprofitable customer abandonment may be less costly for the abandoning firm than might be thought at first glance.

This speculation is also supported by the fact that although for the vast majority of participants (584 respondents, 75.5%) the valence of their attitude is negative, some clients perceive such information as either neutral (38 respondents, 4.9%) or even positive (11 respondents, 1.4%). The literature in the area of price fairness has regularly shown that consumers have a certain understanding of the constraints faced by companies and accept that firms need to make profit in order to survive (Kahneman, Knetsch, & Thaler, 1986). Based on our results, it appears that clients may equally understand that firms that decide to provide above-standard service to their best customers also need to make savings among their unprofitable customers in order to remain profitable overall.

Third, our results indicate that although unprofitable customer abandonment can have a negative impact on current and potential customers the abandoning firm would like to retain, its negative consequences for current customers can potentially be compensated for by improvements in core service quality (network quality in our case). For potential customers, however,

different positioning strategies in terms of price and/or quality do not have a significant impact on stated purchase intentions. This provides an indication that unprofitable customer abandonment may hurt the acquisition process more strongly than the retention process. Although abandoning firms might be able to protect their existing customers through quality improvements, they risk creating a negative image in the marketplace with substantial negative impacts on future customer acquisitions.

## NOTES

1. In total, five different levels of tie strength were included in our experimental design. However, a manipulation check (see Appendix D for details) revealed only two groups with significant differences in tie strength.

2. *Direct abandonment strategies* refer to cases in which the abandoning firm explicitly states its desire to exit the relationship. According to Baxter (1985), these strategies include the following four options: fait accompli (i.e., explicit declaration to the other party that the relationship is over), state-of-the-relationship talk (i.e., explicit statement of dissatisfaction and desire to exit the relationship), negotiated farewell (i.e., explicit communication between both parties to formally end the relationship), and attributional conflict (i.e., conflict about why the exit is necessary, triggered by the mutual desire to exit the relationship). Indirect abandonment strategies describe cases in which the abandoning firm tries to accomplish relationship dissolution without an explicit statement of this goal and are summarized in the following four approaches: cost escalation (i.e., behavior to increase the relational cost of the other party), withdrawal (i.e., avoidance-based behavior to reduce relationship intimacy), pseudo de-escalation (i.e., false declaration of the desire to transform the relationship into one of reduced closeness), and fading away (i.e., implicit understanding that the relationship has ended).

3. We decided on network quality and handset attractiveness as indicators of perceived quality based on the SERVQUAL scale. We focused on the two dimensions reliability (i.e., ability to perform the promised service dependably and accurately) and tangibles (i.e., physical facilities, equipment, and appearance of personnel).

4. Rust and Cooil (1994) provided a set of tables for determining reliability for qualitative data as a function of the number of judges, interrater agreement, and number of categories for two to five categories. In the case of five categories, a proportion of interjudge agreement of 0.64 results in a reliability estimate of 0.74 for two judges. Given that the number of categories in our study was more than twice as large, reliability was likely greater than 0.74.

5. We appreciate that our finding that current customers place such strong emphasis on network quality might also be an artifact of our study context (i.e., mobile phone industry), because some current customers might be unable to switch providers because of lack of sufficient alternative network coverage. We thank one anonymous reviewer for bringing this point to our attention.

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## APPENDIX A

### Scenario Text

You will now read a scenario describing a telephone conversation about mobile phone providers. You will then be asked a set of questions. While answering these questions, imagine yourself in the described scenario and try to indicate your experiences and opinion in such a situation. Before starting, please give me the name or initials of . . .

#### Tie strength:

- **Strong:** a friend whom you have known for many years (a couple of years/about a year) and with whom you usually speak several times a week (about once a week/several times a month)
- **Weak:** an acquaintance whom you have known for about half a year (several months) and with whom you usually speak about once a month (less than once a month)

This information will only be used for the subsequent scenario description and will not be stored or analyzed any further.

Imagine you are sitting at home in your living room. Suddenly the phone starts ringing. You answer and realize that the person calling is NAME. NAME tells you that some days ago s/he received a call from a customer service representative from his/her mobile phone operator . . .

#### Customer type:

- **Current:** PROVIDER, the same mobile phone provider you have a contract with.
- **Potential:** Cell Phone Inc., an imaginary mobile phone provider. Assume that Cell Phone Inc. is a different mobile phone provider than the one that you have a contract with.

This customer service representative told NAME in a very polite and friendly way that PROVIDER (Cell Phone Inc.) recently conducted an extensive profitability analysis of their entire customer base. In this context, they realized

that the business relationship with NAME was not profitable. PROVIDER (Cell Phone Inc.) therefore took the decision . . .

Abandonment strategy:

- Direct: to end the business relationship with NAME. NAME's contract would run out at the next possible date without the possibility of renewal.
- Indirect: to increase the monthly fee charged to NAME. Additionally, s/he would need to expect longer waiting times when contacting the customer services department in the future, as customers with higher profitability would be served with priority.

## APPENDIX B

### Measurement Scales

Construct	Item	Standardized Indicator Loading	Average Variance Extracted
Exit Intention (Rusbult et al., 1988)	I would tell my current MPP that I want to change to an alternative MPP.	0.860	0.771
	I would switch to an alternative MPP.	0.915	
	I would think about transferring from my current MPP to an alternative MPP.	0.849	
	I would trade my current MPP for an alternative MPP.	0.891	
	I would seriously consider changing my current MPP for an alternative MPP.	0.873	
Voice Intention (Hibbard et al., 2001; Rusbult et al., 1988)	I would express my outrage and displeasure to my MPP regarding their behavior.	0.881	0.544
	I would discuss my thoughts regarding their new customer strategy with my MPP.	0.744	
	I would suggest changes in their new customer strategy to my MPP.	0.647	
	I would talk things over with other customers to get their help in changing my MPP's new customer strategy.	0.425	
	I would express my unhappiness to my MPP regarding this situation.	0.889	
Loyalty Intention (Rusbult et al., 1988)	I would say good things about my MPP even when other people criticized it.	0.802	0.586
	I would speak highly of my MPP to friends.	0.805	
	I would think that my MPP is probably as good as most.	0.759	
	I would patiently wait for my MPP to rethink their new customer strategy.	0.653	
	I would quietly stick with my current MPP through good and bad times.	0.797	

*(Continued on next page)*

Construct	Item	Standardized Indicator Loading	Average Variance Extracted
Perceived Fairness (Kumar et al., 1995)	The change in Cell Phone Inc.'s behavior is fair compared to ...		
	• the service other customers get.	0.819	0.705
	• the effort and investment NAME has made to support its business.	0.872	
• what it earns from sales through NAME.	0.827		
Perceived Value (Sweeney & Soutar, 2001)	The product and service provided by Cell Phone Inc. ...	0.957	0.908
	• ... is one that I would enjoy.		
	• ... would make me want to use it.	0.928	
	• ... is one that I would feel relaxed about using.	0.963	
Purchase Intention (Baker & Churchill, 1977)	How likely would you be to ...	0.968	0.813
	• try Cell Phone Inc. as a mobile phone provider?		
	• subscribe to Cell Phone Inc. if you happened to see it in a store?	0.964	
	• actively seek out Cell Phone Inc. in a store in order to subscribe to it?	0.955	
	• patronize Cell Phone Inc.?	0.688	

Notes: All measures used 7-point scales anchored by *strongly agree* and *strongly disagree*. Standardized indicator loadings are based on confirmatory factor analysis using Mplus, Version 5 (Muthén & Muthén, 1998–2007). MPP = mobile phone provider (abbreviation not used in the original survey instrument).

## APPENDIX C

### Estimated Correlation Matrix for the Latent Variables

Variable	1 (AVE = 0.771)	2 (AVE = 0.544)	3 (AVE = 0.586)
1. Exit Propensity	—		
2. Voice Propensity	.625	—	
3. Loyalty Propensity	-.619	-.292	—
	1	2	3
Variable	(AVE = 0.705)	(AVE = 0.908)	(AVE = 0.813)
1. Perceived Fairness	—		
2. Perceived Value	.680	—	
3. Purchase Intention	.620	.874	—

Notes: Estimation correlations are based on confirmatory factor analysis using Mplus Version 5 (Muthén & Muthén, 1998–2007). AVE = average variance extracted.

## APPENDIX D

**Manipulation Check for Tie Strength Factor**

Item	How Would You Rate Your Relationship With NAME? <sup>a</sup>	How Likely Would You Be to Share a Personal Confidence With NAME? <sup>b</sup>	How Likely Would You Be to Rely on NAME for Help in Everyday Matters (as Opposed to an Emergency)? <sup>b</sup>	How Likely Would You Be to Spend a Free Afternoon With NAME? <sup>b</sup>
Weak				
<i>M</i>	5.86	5.80	5.45	5.72
<i>N</i>	311	311	311	311
<i>SD</i>	1.28	1.57	1.68	1.63
Strong				
<i>M</i>	6.35	6.39	6.07	6.34
<i>N</i>	462	462	462	462
<i>SD</i>	0.97	1.02	1.27	1.07
Overall				
<i>M</i>	6.15	6.15	5.82	6.09
<i>N</i>	773	773	773	773
<i>SD</i>	1.14	1.30	1.48	1.36
<i>F</i>	37.7325	39.9497	33.4028	40.7403

Notes: Manipulation check items taken from Frenzen and Davis (1990).

<sup>a</sup>Anchors are not close at all/very close. <sup>b</sup>Anchors are very unlikely/very likely. Scale endpoints: Items use different scale endpoints: "How would you rate your relationship with NAME goes from 1 = "Not close at all" to 7 = "Very colse"; the other items go from 1 = Very unlikely to 7 = Very likely.