HEC Montréal

École affiliée à l'Université de Montréal

Paradoxical Behaviors of Service Customers Facing Service Failures and Failed Recoveries

par

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RÉSUMÉ

Cette thèse s'articule autour deux articles empiriques ayant pour trame commune les échecs et la récupération de service.

Le premier article s'intéresse aux effets des coûts de transfert sur la rétention et sur le désir de vengeance des clients suite à un échec et une mauvaise récupération de service. Fondé sur l'"*Appraisal Theory of Emotions*" (Lazarus, 1991; Scherer 1999), le modèle développé introduit les émotions négatives comme variables médiatrices pour expliquer l'impact des coûts de transfert sur la loyauté et le désir de vengeance des clients. Dans ce modèle, nous avons distingué deux types de coûts de transfert (négatifs vs. positifs), et deux types d'émotions négatives (dirigées vers l'extérieur *vs.* vers l'intérieur (*inward vs. outward negative emotions*)). Notre étude réalisée en contexte réel démontre que, suite à un échec de service et une mauvaise récupération, les clients réagissent aux coûts de transfert émotionnellement et irrationnellement. Contrairement à la croyance communément admise dans le milieu académique, nos résultats démontrent que les coûts de transfert négatifs génèrent à la fois la défection et un désir de vengeance. En ce sens, ils agissent comme un « poison » dans la relation client-fournisseur de service. Paradoxalement, les coûts de transfert positifs constituent une « lame à double- tranchant » : s'ils génèrent de la rétention, ils peuvent exacerber le désir de vengeance. Cet article invite les gestionnaires à réviser leur usage des coûts de transferts en tant qu'outils de rétention des clients.

Dans le deuxième article, pour la première fois dans la littérature, nous étudions la réaction des clients B2B face à un échec et une récupération de service et nous comparons cette réaction à celle des clients B2C. En nous basant sur la littérature en contexte B2C, nous avons développé un modèle intégrateur qui introduit la satisfaction du traitement de la plainte comme médiateur entre la justice perçue et le comportement de loyauté. Ce modèle introduit aussi l'attrait des alternatives et les coûts de transfert comme antécédents à la loyauté. Notre étude réalisée sur le terrain auprès des clients B2B et des clients B2C d'une même compagnie de télécommunications démontre qu'à la suite d'un échec de service et d'une récupération, les clients B2B et les clients B2C forment leurs décisions de quitter ou non le fournisseur de service en se basant sur des critères différents. Bien que la justice perçue influence de manière similaire le niveau de satisfaction du traitement de la plainte des clients B2B et des clients B2C, cette dernière n'influence la loyauté que dans le cas des clients B2C. La loyauté des clients B2B est rationnelle, liée à l'absence d'autres alternatives et à la justice distributive et interactionnelle. Par ailleurs, les coûts de transferts impactent uniquement la loyauté des clients B2C. Cet article recommande aux gestionnaires de concevoir des stratégies de récupération adaptées à chaque catégorie de clients (B2B *vs.* B2C).

Mots-clés : Échec et récupération de service; Coûts de transfert; Émotions négatives dirigées vers l'extérieur/intérieur; Théories de l'évaluation cognitive; Loyauté, Vengeance; Justice; Satisfaction; Attrait des alternatives; relation B2B; relation B2C.

ABSTRACT

This dissertation is structured around two empirical essays in the field of service failure and service recovery.

The first essay demonstrates the effects of switching costs on loyalty and desire for revenge after a service failure and a poor recovery. Drawing on the Appraisal Theory of Emotions, the proposed model introduces customers' negative emotions as mediators between switching costs and behavioral outcomes (i.e., loyalty, exit and desire for revenge). Our model distinguishes positive switching costs from negative ones, as it also distinguishes inward negative emotions from outward ones. In a survey with real customers who actually experienced a service failure and poor recovery with a major Canadian telecommunications operator, I find that customers react to switching costs strongly, emotionally, and sub-optimally. In contrast to the most of previous research in the service literature, my results indicate that negative switching costs act as relationship poison: they lead customers to both exit and have desire for revenge. Paradoxically, positive switching costs act as a double edged sword: they force customers to remain with the service provider but at the same time reinforce their desire for revenge.

The second essay explores, for the first time in the literature, the effects of perceived justice (i.e., distributive, interactional, and procedural justice) and switching barriers (i.e., positive and negative switching costs and perceived alternatives) on both B2B and B2C customers' loyalty. In a survey with real business and individual customers who experienced an actual service failure and

recovery episode with a major Canadian telecommunications operator, I find that all three justice dimensions have positive effects on satisfaction with complaint handling with similar magnitude for both B2B and B2C customers. Apart from these similar results, I find the following contrasts between the two types of customers. First, satisfaction with complaint handling mediates the relationship between justice dimensions and loyalty only in the B2C context. B2B customers base their loyalty on rational heuristics (i.e., distributive and interactional justice and perceived alternatives). Second, switching costs affect loyalty only in the B2C context.

Keywords : Service failure and recovery; Switching costs; Inward and outward negative emotions; Appraisal Theory of Emotions; Customer loyalty; Customer revenge; Perceived justice; Satisfaction; Perceived alternatives; B2B relationships; B2C relationships.

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À mes très chers parents, mon mari et mes deux trésors, Yasmin et Elias.

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« To err is human; to recover, divine. »
Hart, Heskett &Sasser (1990)

INTRODUCTION

Objectifs, originalité et fondements théoriques de la thèse

> "What is surprising is that (1) researchers and businessmen have concentrated far more on how to attract consumers to products and services than on how to retain those customers, (2) there is almost no published research on the retention of service consumers, and (3) consumer evaluation of products or services has rarely been used as a criterion or index of organizational effectiveness."
> (Schneider 1980), p.54.

Cette citation résume bien les pratiques et l'état des recherches marketing qui prévalaient jusqu'au début des années quatre-vingt, le principal objectif du marketing se limitant à la conquête de nouveaux clients. Cet objectif a subi toutefois une transformation majeure au début des années quatre-vingt-dix, provoquée entre autres par la maturation des marchés, une concurrence accrue et des clients plus exigeants. La gestion de la relation client est devenue une priorité tant pour les gestionnaires que pour les chercheurs (Berry 1995; Grönroos 1994; Morgan and Hunt 1994; Sheth and Parvatlyar 1995). Sous ce paradigme, l'accent est mis sur la rétention des clients et l'amélioration de la relation client. Retenir et fidéliser ses clients offre aux organisations des avantages considérables. Plusieurs recherches ont démontré que non seulement il coûte plus cher d'acquérir un nouveau client que de retenir un client actuel, mais aussi qu'un client loyal coûte moins cher à « entretenir » (Reichheld 1993), achète davantage et consent à payer un prix plus élevé (Reichheld 1996; Reichheld and Sasser 1990). Il devient même, par le bouche-à-oreille positif, un ambassadeur de la firme (Reichheld and Sasser 1990; Zeithaml et al. 1996). La défection des clients est directement liée à la baisse

de la part de marché, à la réduction des profits et à la perte de revenus futurs (Fornell and Wernerfelt 1987; Reichheld and Sasser 1990; Rust et al. 1992).

Les chercheurs se sont ainsi concentrés sur l'identification des facteurs qui favorisent/défavorisent la rétention des clients. L'échec de service (s*ervice failure*) et une mauvaise récupération (*poor service recovery*) ont été identifiés comme étant les principales causes de défection des clients (Colgate et al. 2007; Keaveney 1995). Dès lors, comment retenir les clients suite à un échec de service ? Cette question a initié une riche littérature portant sur la gestion des échecs de service et la récupération de service (Chebat and Slusarczyk 2005; Smith et al. 1999; Tax et al. 1998). Ce travail de thèse s'inscrit dans cette lignée de recherche. Plus précisément, les deux papiers formant cette thèse ont pour trame commune les échecs et la récupération de service.

Un échec de service est défini comme étant « un épisode de service qui n'aboutit pas aux résultats pour lesquels le client a payé » (Chebat et al. 1999). Autrement dit, on parle d'échec de service lorsque la perception du service livré ne satisfait pas les attentes du client. La récupération de service correspond à toute action entreprise par le fournisseur de service en réponse à un échec de service (Gronroos, 1988). La récupération de service représente un moment de vérité qui offre à la firme l'opportunité de satisfaire le client et de le retenir (Tax and Brown 1998), mais aussi elle peut être aussi une source d'aggravation de l'insatisfaction et de défection si elle est jugée inadéquate par le client.

Dans la littérature marketing, il est largement admis que l'augmentation des coûts de transfert (*switching costs*) permet de retenir les clients insatisfaits, du fait d'un échec de service et/ou d'une mauvaise récupération (Burnham et al. 2003; Sharma and Patterson 2000; Woisetschläger et al. 2011). Or, cette croyance, à forte implication managériale, n'a jamais fait l'objet d'une validation empirique. À vrai dire, à l'exception de l'étude de (Chebat et al. 2011) qui traite de l'effet des coûts de transfert à la suite d'un échec de service, la quasi-totalité des études a été menée dans un contexte de relation routinière entre le client et la firme. Aucune étude à notre connaissance n'a traité de l'effet des coûts de transfert suite à un échec de service et une mauvaise récupération, source principale de la défection des clients. Pourtant plus que la moitié des essais de récupération sont perçue comme étant défaillante par les clients et rehausse l'insatisfaction de ces derniers (Estelami 2000; Grainer 2003; Hart et al. 1990). Cette thèse se donne comme premier objectif de combler cette lacune en examinant, dans le premier article, l'effet des coûts de transfert sur le comportement des clients suite à un échec de service et à une mauvaise récupération.

Plus spécifiquement dans le premier article, en nous basant sur l'*Appraisal Theory of Emotions* (Lazarus 1991), nous proposons et testons un modèle qui introduit les émotions négatives comme médiateur pour expliquer l'impact des coûts de transfert sur la rétention et le désir de vengeance des clients. Dans ce modèle, nous distinguons deux types de coûts de transfert à savoir, les coûts de transfert négatifs versus positifs, et deux types d'émotions négatives à savoir, les émotions négatives dirigées vers l'extérieur versus vers l'intérieur (*inward vs.*

outward negative emotions). Soulignions que notre étude introduit pour la première fois dans la littérature les émotions comme facteur explicatif de l'effet des coûts de transfert. Notre étude examine aussi pour la première fois le lien entre coûts de transfert et désir de vengeance. En effet, les clients qui restent avec leurs fournisseurs de service en raison d'un niveau élevé des coûts de transfert, peuvent se sentir piégés et devenir hostiles et, par conséquent, avoir tendance à s'engager dans des comportements néfastes pour les fournisseurs de service, tels que le bouche-à-oreille négatif, le sabotage et la vengeance (Bansal et al. 2004; Jones et al. 2000). Comprendre l'effet réel des coûts de transfert dans un contexte d'échec de service et de mauvaise récupération sera, sans doute, bénéfique aux gestionnaires, parce qu'il leur permettra de mieux gérer cet outil stratégique.

Cette thèse se donne pour second objectif d'examiner la réaction des clients B2B par rapport à un échec de service et une récupération. Malgré son abondance, la littérature sur l'échec et la récupération de service traite uniquement des clients B2C. Il ne semble exister aucune recherche relative à la réaction des clients B2B à la suite d'un échec et d'une récupération de service et aux facteurs susceptibles d'influencer leurs décisions à rester ou quitter leur fournisseur de service. Au-delà des différences fondamentales entre clients B2B et clients B2C, trois arguments justifient de s'attarder sur la réaction des clients B2B dans le contexte d'un échec de service suivi par une récupération : (1) la valeur des transactions B2B est équivalente à la valeur des transactions B2C (Grewal and Lilien 2012); (2) les défaillances de service sont fréquentes dans le contexte B2B

(Van Doorn and Verhoef 2008) ; (3) la perte d'un client B2B majeur peut être synonyme d'une perte économique considérable (Homburg and Rudolph 2001).

Ainsi, le deuxième article de cette thèse se propose d'apporter des éléments de réponse aux questions suivantes : comment les clients B2B évaluent-ils la réponse du fournisseur de service à leurs plaintes? Quels sont les facteurs qui expliquent la décision des clients B2B de continuer ou de mettre fin à la relation avec leur fournisseur de service après un échec de service et une récupération? Les clients B2B réagissent-ils différemment des clients B2C suite à une expérience de récupération de service? Répondre à ces questions offrira aux gestionnaires le savoir nécessaire pour concevoir et mettre en œuvre des stratégies de récupération efficaces et appropriées à chaque type de client (B2B vs B2C).

Plus spécifiquement, dans le deuxième article, nous partons de la séquence de liens largement validée dans le contexte B2C à savoir : justice perçue → satisfaction du traitement de la plainte → loyauté. Nous élargissons ce cadre conceptuel en introduisant les coûts de transfert et l'attrait des alternatives comme antécédent au comportement de loyauté. Ce cadre conceptuel nous sert de point de départ pour comprendre comment les clients B2B réagissent aux processus de récupération, comment ils forment leurs décisions de quitter ou de rester avec le fournisseur de service, et pour mettre en évidence les différences et similitudes comportementales entre clients B2B et B2C suite à échec et une récupération de service.

Contributions de la thèse

Sur le plan théorique, cette thèse permet d'enrichir la littérature sur la gestion de la relation client de manière générale et la littérature sur les échecs et récupérations de service de façon plus spécifique, qui, jusqu'ici, abordait trop peu les effets des coûts de transfert et le comportement des clients B2B.

En particulier, ce travail de thèse est le premier à étudier les réactions émotionnelles des clients face aux coûts de transfert. Il est le premier à examiner les conséquences néfastes des coûts de transfert, représentées par le désir de vengeance. Il est aussi le premier à traiter de l'effet des coûts de transfert à la suite d'un échec de service et d'une mauvaise récupération, source principale de la défection des clients. Il apparait qu'à la suite d'un échec de service et d'une mauvaise récupération, les clients réagissent aux coûts de transfert émotionnellement et irrationnellement. Ces coûts s'avèrent être contreproductifs dans ce contexte. Contrairement à la croyance forte répandue dans le milieu académique, nos résultats démontrent que les coûts de transfert négatifs génèrent à la fois la défection et un désir de vengeance. Paradoxalement, les coûts de transfert positifs génèrent la rétention, mais aussi un niveau plus exacerbé de désir de vengeance.

Cette thèse est également le premier travail de recherche à se pencher sur la réaction des clients B2B face à un échec et une récupération de service et à identifier les différences et similitudes comportementales entre clients B2B et B2C dans ce contexte. Dans le deuxième chapitre, nous démontrons qu'à la suite d'un

échec de service et d'une récupération, les clients B2B et les clients B2C forment leurs décisions de quitter ou non le fournisseur de service en se basant sur des critères différents. Bien que la justice perçue influence de manière similaire le niveau de satisfaction du traitement de la plainte des clients B2B et des clients B2C, cette dernière n'influence la loyauté que dans le cas des clients B2C. La loyauté des clients B2B est davantage liée à l'absence d'autres alternatives. Par ailleurs, les coûts de transferts impactent uniquement la loyauté des clients B2C.

Au-delà des contributions théoriques, les résultats de cette thèse fournissent un nombre important d'implications managériales susceptibles d'aider les gestionnaires à mieux gérer la relation avec les clients et à mieux les retenir. Nos résultats invitent les gestionnaires à revoir leur usage des coûts de transferts. En cas de mauvaise récupération, les coûts de transfert positifs agissent comme une lame à double tranchant: ils poussent les clients à rester avec leurs fournisseurs de service mais renforcent leur désir de vengeance. Les coûts de transfert négatifs agissent comme un « poison » : ils poussent les clients à quitter leurs fournisseurs de service et à se venger. Les gestionnaires désirant utiliser les coûts de transfert pour retenir les clients doivent être conscients des conséquences advenant d'une mauvaise récupération. Ils ne doivent pas considérer les coûts de transfert comme le remède d'une mauvaise récupération. Il convient plutôt d'axer les efforts sur l'amélioration du système de gestion des plaintes. Nous recommandons aux gestionnaires de bannir l'usage des coûts de transfert négatifs, ces derniers n'offrant aucun avantage, que ce soit aux clients ou à la firme. Le recours aux coûts de transfert positifs peut être mobilisé, à condition de surveiller de près les

clients qui en bénéficient, évitant ainsi de transformer un client, en apparence loyal, en ennemi.

En ce qui a trait au comportement des clients B2B suite à un échec et une récupération de service, nos résultats soulignent l'importance de développer des stratégies de rétention appropriées à chaque type de client (B2B vs B2C). La décision des clients B2B de quitter ou non le fournisseur de service, suite à un échec et récupération de service, est fondée sur des heuristiques rationnelles (l'existence d'alternatives et la justice distributive et interactionnelle). Par conséquent, les gestionnaires responsables du traitement des plaintes devraient avoir le pouvoir d'offrir une compensation équitable. Ces gestionnaires devraient aussi prêter attention à leurs interactions et méthodes de communication au cours du processus de récupération. Parallèlement, les gestionnaires doivent être conscients du fait que les clients B2B sont sensibles aux offres concurrentes et devraient souligner leurs avantages compétitifs à leurs clients, en particulier s'ils opèrent sur des marchés hautement concurrentiels.

Nous pouvons résumer l'apport de cette thèse autour de quatre contributions majeures :

1. L'introduction des émotions pour expliquer l'effet des coûts de transfert suite à un échec de service et une mauvaise récupération;
2. La démonstration des comportements paradoxaux et néfastes qui peuvent être engendrés par les coûts de transfert suite à un échec de service et une mauvaise récupération ;

3. Le développement d'un cadre intégrateur permettant de comprendre le comportement de loyauté des clients B2B suite à un échec et une récupération de service;
4. L'identification des différences et similitudes entre clients B2B et clients B2C, relatives à leurs réactions face à un échec et une récupération de service.

Plan de la thèse

Comme mentionnée précédemment, cette thèse est constituée de deux articles empiriques. Ces articles sont rédigés en anglais à fin de publications; l'introduction et la conclusion de cette thèse sont en français.

Suite à cette introduction, nous présenterons le premier article qui traite de l'effet des coûts de transfert sur la loyauté et le désir de vengeance des clients, suite à un échec de service et une mauvaise récupération. Pour cette étude, nous avons collecté des données en contexte réel auprès de clients ayant expérimenté un échec de service et une mauvaise récupération dans les six mois ou moins qui ont précédé l'enquête. En second lieu, nous présenterons le deuxième article qui compare les réactions des clients B2B vs. B2C d'une même compagnie, face à un échec et une récupération de service. Pour cette deuxième étude, nous avons collecté des données sur le terrain auprès des clients B2B et des clients B2C ayant expérimenté un échec et une récupération de service dans les douze mois ou moins qui ont précédé l'enquête. Au final, nous terminerons cette thèse par une conclusion générale soulignant les faits marquants de ce travail.

Notons que chacun des deux articles inclut une revue de la littérature et la formalisation d'un cadre théorique, le développement d'hypothèses, la description de la méthodologie utilisée, la présentation des résultats, une discussion sur les implications théoriques et managériales de l'étude et l'énoncé des limites ainsi que des propositions de pistes de recherches futures.

CHAPITRE 1:

THE DOUBLE-EDGED SWORD: THE POSITIVE AND NEGATIVE EFFECTS OF SWITCHING COSTS ON CUSTOMER EXIT AND REVENGE

Abstract

What happens when customers have to deal with switching costs after a service failure and a poor recovery? Drawing on the Appraisal Theory of Emotions, we develop and test a model that incorporates customers' negative emotions as mediators between switching costs and behavioral outcomes (i.e., loyalty and revenge). We distinguish positive from negative switching costs, and inward from outward negative emotions. In a survey with real customers who actually experienced a service failure and poor recovery with a major telecommunications firm, we found that customers react to switching costs strongly, emotionally, and sub-optimally. In contrast to most findings in the service literature, our results indicate that negative switching costs generate both exit and desire for revenge. Paradoxically, positive switching costs generate both loyalty and an even higher level of desire for revenge. These findings have important implications for the service industry.

***Keywords*:** Switching costs; Appraisal Theory of Emotions; inward and outward negative emotions; customer loyalty; customer revenge; service failure and recovery.

1. Introduction

Service firms spend a considerable amount of money and energy on establishing switching costs in order to enhance customer retention. In the U.S. retail sector, firms spend more than 2 billion dollars a year on designing ingenious loyalty programs (e.g., frequent flyer and credit card rewards) (Donnelly, 2010). They also spend a considerable amount of their budget on interpersonal relationship marketing programs to retain customers (Chiu et al., 2005). In the telecom sector, major U.S. operators impose early-termination fees of up to $350 on their customers for smart devices (Oswald, 2011).

The conventional wisdom among academics and practitioners is that the higher the switching costs, the better the customers retention (Burnham, Frels and Mahajan, 2003; J.D. Power, 2010; Woisetschläger, Lentz and Evanschitzky, 2011). This mindset might be appropriate in the case of an ongoing relationship in the absence of service failure. How customers dissatisfied with a service failure followed by a poor recovery will react to the switching costs remains an intriguing and unanswered question. Only one empirical study has examined the effects of switching costs in a service-failure situation (Chebat, Davidow and Borges, 2011). To the best of our knowledge, no study has examined the effects of switching costs on customers' exit decision following a "double deviation", that is, a sequence of service failure and poor recovery (Bitner, Booms and Tetreault, 1990). This gap is rather remarkable because half of recovery efforts are perceived as unsuccessful (Estelami, 2000; Hart, Heskett and Sasser, 1990; Grainer, 2003) and because failed

recovery is the primary cause of customers' switching behavior in the service sector (Keaveney, 1995; Colgate et al. 2007).

Furthermore, the emotional responses to switching costs is neglected despite the critical role of emotions in human decisions (Frijda, 1986; Lazarus, 1991), especially in relation to marketing service failure (Inman and Zeelenberg, 2002; Chebat and Slusarczyk, 2005; Smith and Bolton, 2002).

Moreover, previous studies have focused primarily on the beneficial effects of switching costs for the firm (e.g., loyalty intention) and neglect their potential harmful effects on customers' actual behavior. Customers locked into the relationships may become resigned, belligerent, or even hostile. They may also tend to engage in potentially harmful behavior toward the service provider, including negative word of mouth, sabotage, or even revenge (Jones, Mothersbaugh, and Beatty, 2000; Huefner and Hunt 2000; Bansal, Irving and Taylor, 2004).

Finally, with the exception of Chebat et al. (2011), previous empirical studies have focused on behavioral intent or the likelihood of repeat patronage, a focus which is likely to bias the findings (Chandon, Morwitz and Reinartz, 2005). Switching costs "are seldom explicitly assessed, but they become salient and evident when consumers are faced with a reason to consider switching" (Burnham et al., 2003: p.110). Additionally, "the cost of switching seems smaller, the farther away it is in time, potentially leading consumers to choose options that are attractive in the short-run because they do not fully anticipate how painful it will

feel to switch later" (Zauberman, 2003: p. 407). In the current research we consider real customers as they face an actual switching dilemma.

In order to address these gaps in the literature, we developed an integrative model of the two routes through which different types of switching costs operate in affecting loyalty/exit behavior and revenge. We built our model on the theoretical basis of the Appraisal Theory of Emotions. We propose that negative emotions mediate the relation between switching costs and behavioral outcomes. We distinguish inward from outward negative emotions, which is a key contribution of this article. Additionally, we distinguish positive from negative switching costs, reflecting two different types of constraints imposed on customers. We explore the extent to which switching costs enhance the desire for revenge because customers take actions to get even when locked in a relationship with service providers who impose high switching costs (Jones et al., 2000). We tested our model on a sample of real customers who actually experienced a double deviation in the service industry.

In the following sections, we provide the conceptual foundations for our research hypotheses and present a field study designed to test these hypotheses.

2. Conceptual framework and hypotheses

Our model draws significantly from the well established psychosocial Appraisal Theory of Emotions (e.g., Lazarus, 1991; Scherer 1999) in order to explain how customers' evaluations of switching costs affect emotional and behavioral outcomes. The behavioral outcome is twofold: the loyalty/exit behavior

and the customer's desire for revenge. Inward and outward negative emotions are hypothesized to mediate the relation between switching costs and the behavioral outcomes. Figure 1 depicts this conceptual model.

-- Figure 1 about here –

2.1. Positive versus Negative Switching Costs

Switching costs are defined as "the one-time costs that customers associate with the process of switching from one provider to another" (Burnham et al., 2003). Following Jones et al. (2007), we distinguish two types of switching costs based on the nature of the constraints involved. Positive switching costs are related to the value-added and benefits offered to customers that they would lose if they quit the provider. This includes the loss of two kinds of benefits: material benefits (e.g., volume-based discounts, loyalty reward program) and/or (positive and helpful) social relations with the service provider. Conversely, negative switching costs are constraints that penalize customers. They can be either procedural or monetary costs. Procedural costs refer to the time and effort the customer anticipates when switching. Monetary losses are the one-time financial costs incurred in switching (other than those used to purchase the new product itself), such as early termination fees (Burnham et al., 2003). These costs are not related to intrinsic benefits and represent what the customer has to endure in order to switch. The distinction between positive and negative switching costs is essential to understand the mechanisms through which each type of costs influences

behavioral outcome. Because positive switching costs are benefits beyond the core service, we argue that they generate substantially different emotional responses and behavioral responses than do negative switching costs. Negative switching costs may make customers feel entrapped and magnify their anger and frustration when experiencing poor recovery (Jones et al. 2000).

2.2. Inward vs. Outward Negative Emotions

A basic tenet of the Appraisal Theory of Emotions is that once individuals have appraised a negative event, this event generates emotional responses which, in turn, produce some coping mechanism designed to reduce the emotional dissonance (Lazarus 1991). This mechanism supposes that the individual has a personal stake in the event that either facilitates or thwarts this stake (Lazarus 1991). More precisely, "[w]ithout a personal stake in a transaction, knowledge is cold or nonemotional; it becomes hot or emotional only when the person senses that what is happening has implications for personal values" (Lazarus, 1991). In our study, the stakes are high as customers face a double deviation implying loss of (material and social) benefits and (monetary and procedural) costs that may affect customers' self-image, as we'll see below.

Negative emotions, such as anger, frustration, or sadness, typically stem from blocking one's goals, desires, or rights (Frijda 1986). The emotional reaction then gives way to coping, which refers to efforts that individuals employ to master, tolerate, or minimize a stressful situation (Lazarus and Folkman 1984). Coping has two widely recognized different functions: first, managing one's own stressful

emotions and their consequences, called emotion-focused coping; second, altering the troubled and distressing person-environment relation, called problem-focused coping. Typical coping behaviors range from inertia, positive reinterpretation, and escape-exit to overtly negative acts like confrontation (Yi and Baumgartner 2004). Of the various coping responses, loyalty/exit behavior and desire for revenge are the typical coping behavior in the double deviation context (Chebat et al. 2011; Grégoire and Fisher 2008; Grégoire, Laufer and Tripp 2010; Mattila 2001).

The decision to quit or not to quit a service provider is often shaped by switching costs (Burnham et al. 2003; Ping 1999). Following Lazarus's theory, we position emotions as mediators between switching costs and consumers' behavior. Switching costs are likely to be associated with negative emotions because they interfere with the customer's willingness to quit the service provider (Frijda 1986; Nyer 1997).

These negative emotions are likely to be multidimensional. Lazarus (1991) points out that "rarely if ever are there adaptational encounters in which there is only one emotion." Similarly, Tangney et al. (1996: p. 1263) argue that "people rarely experience "pure" emotions. That is, beyond infancy, we typically experience a mixture of emotions in response to daily events, even though a particular emotion may be dominant."

In our study, we expect customers to experience two types of negative emotions, namely inward negative emotions vs. outward negative emotions. This distinction stems from Lazarus and his colleagues (Lazarus 1991; Smith and

Lazarus 1993; Smith et al. 1993). They show that the "attribution of agency" (i.e., the attribution to self vs. other) is an important differentiator when experiencing different types of emotions. Particularly, self responsibility/other responsibility is the most important dimension in discriminating among negative emotions (Smith and Ellsworth 1985). This distinction is also used in consumer psychology related to satisfaction (Chebat, Davidow and Codjovi 2005; Oliver 1993) and employee psychology (Barclay, Skarlicki and Pugh 2005).

Inward negative emotions, such as sadness, guilt, and embarrassment, are activated when individuals hold themselves responsible for their negative behaviors or outcomes (Lazarus 1991; Tangney and Dearing 2002). They reflect the internal attribution of responsibility, that is, what "I" did (Barclay et al. 2005; Oliver 1993). Customers who feel responsible for the losses of the benefits of the positive (material and social) switching costs are likely to feel inward negative emotions, such as sadness. Customers who experience a harmful action originating from an external source (i.e., the service provider in our context) are more likely to feel outward negative emotions, such as anger, frustration and disgust (Lazarus 1991). Outward negative emotions are associated with blaming the other party for the situation (Smith et al. 1993).

Next, we present a review of the relevant literature that may explain the relations between (negative vs. positive) switching costs and (inward vs. outward) negative emotions.

2.3. Switching Costs as Antecedent of Inward and Outward Negative Emotions

We posit that positive and negative switching costs are likely to trigger different types of emotions. Positive switching costs offer value-added benefits that customers may lose when switching to an alternative service provider. These costs are not considered as a negative source of constraint (Jones et al., 2007), but as an augmentation of the core service, creating positive incentives to remain in the relationship (Gronroos, 1990; Chiu et al., 2005). The Appraisal Theory of Emotions leads us to hypothesize the following. Customers who face the potential loss of social relationship and material benefits (e.g., preferential rates, special treatment or attention) will feel inward negative emotions, such as sadness and guilt. When deciding whether they will quit or not, customers are weighing the costs of the double deviation and the past benefits received from the firm (i.e., the positive social relations and the material benefits). Past benefits received may make customers feel somewhat indebted to the firm and, consequently, uneasy, guilty, and embarrassed about their decision to quit.

H1a. Loss of material benefits is positively related to inward negative emotions.

H1b. Loss of social relationship is positively related to inward negative emotions.

In contrast, outward negative emotions are activated when the blame is directed at another party's unfairly having done something that had negative

consequences for the achievement of a personally relevant goal (Smith et al., 1993). Negative switching costs, which offer no intrinsic benefits to the customers, are what customers must endure to terminate the dissatisfactory relationship. In essence, these costs are attributed to the service provider as a deliberate strategic tool to force customers to stay, which creates feelings of entrapment (Jones et al. 2000). Such switching costs are viewed as binding elements making customers feel like "hostages" of their service provider (Sharma and Patterson 2000). Following the Appraisal Theory of Emotions, the negative (procedural and monetary) switching costs (e.g., hassle of getting out of a contract, ending penalty) likely trigger outward negative emotions, such as anger and disgust. Thus, we hypothesize:

> **H2a.** Monetary switching costs are positively related to outward negative emotions.
>
> **H2b.** Procedural switching costs are positively related to outward negative emotions.

2.4. Loyalty/Exit as the First Coping Behavior

Following the Appraisal Theory of Emotions, both inward and outward negative emotions will affect customers' loyalty/exit decision (Smith and Ellsworth, 1985; Lazarus, 1991).

Effect of outward emotions on loyalty. We argue that customers experiencing outward negative emotions may be more inclined to exit the relationship than staying in a constrained relationship. Customers are likely to be

all the angrier and more frustrated as they have to incur negative switching costs (i.e., monetary and procedural costs). High switching costs do not necessarily retain angry customers because angry customers may adopt suboptimal behaviors as a result of this intense emotion (Lowenstein 2000). This proposition is consistent with the psychology and consumer behavior literatures that link outward negative emotions, especially anger, to rejecting the other party or exiting from the relationship (Bougie, Pieters and Zeelenberg 2003; Frijda 1987; Nyer 1997; Shaver et al. 1987). In our study, customers are likely to accept the monetary and time losses in order to protect their self-image (Chebat and Slusarczyk 2005) even if these costs outweigh the potential gains from switching. Therefore, we hypothesize:

> **H3.** Outward negative emotions are negatively associated with loyalty behavior.

Effect of inward emotions on loyalty. Customers confronted with a double deviation, and who are experiencing inward negative emotions, are likely to remain with their current service provider as they may engage in a process called "counterfactual thinking" (Roese and Olson, 1995), also referred as positive reinterpretation by Yi and Baumgartner (2004). In the first phase of the process, customers may engage in thinking about switching and the inherent loss of the material and social benefits. Then, their counterfactual thoughts may lead them to reconsider the situation. They may see their relationship with the service provider as something positive since positive switching costs represent a value-added for

the customers. They may also try to perceive the negative switching costs as not especially high. This coping strategy drives customers to act in such a way that they avoid inward negative emotions, such as sadness or regret, and choose an option that maximizes reward (Han, Lerner and Keltner 2007). Such a strategy reduces customers' emotional dissonance. This is consistent with previous research indicating that inward negative emotions, such as sadness, guilt, or regret, are associated with a tendency to keep status quo (Frijda 1986; Inman and Zeelenberg 2002; Gelbrich 2011). Therefore, we hypothesize:

> **H4.** Inward negative emotions are positively associated with loyalty behavior.

2.5. Revenge as the Second Coping Behavior

Our study extends beyond loyalty. We are interested in the desire for revenge. Revenge is defined as "customers' need to punish and cause harm to firms for the damages they have caused" (Grégoire, Tripp and Legoux 2009). Both psychological and consumer behavior studies have consistently found that people frequently engage in multiple coping strategies simultaneously in order to overcome a stressful emotional experience (Frijda 1986; Lazarus and Folkman 1984; Yi and Baumgartner 2004). Hence, we propose that the emotional response elicited by switching costs may lead customers to seek revenge as a second coping mechanism, in tandem with their loyalty/exit decision. There are reasons to believe that this sense-making relation exists, although the marketing literature does not include many studies on revenge. Customers locked in a dissatisfactory

relationship as a result of high negative switching costs, may want to harm the service provider (Jones et al., 2000; Bansal et al., 2004). Similarly, procedural switching costs increase calculative commitment, which, in turn, can lead to negative emotions and word of mouth (Jones et al., 2007).

Customers' revenge stems from a judgment of unfairness and an external blame attribution (Zourrig, Chebat and Toffoli, 2009). Double deviation drives customers to engage in revenge (Bechwati and Morrin, 2003; Grégoire et al., 2010). Through revenge, the customers' primary goal is to change an uncomfortable emotional situation by righting the perceived injustice, restoring self-worth, and deterring future injustice (Zourrig et al., 2009; Lindenmeier, Schleer and Pricl, 2012).

The next two sections examine the specific effects of both outward and inward negative emotions on the desire for revenge.

Effects of outward negative emotions on revenge. If the stakes are perceived as high, exit behavior is unlikely to bring about sufficient relief to customers from their outward negative emotions (e.g., anger and disgust) (Reisenzein, 1994). Customers who quit incur a sequence of three costs: 1) money and time spent for a poor service, 2) time and efforts wasted in complaining and getting a poor recovery, and 3) negative switching costs to exit the relationship. This is what we call the "triple deviation". Consequently, these customers may engage in confrontive coping behavior (Yi and Baumgartner, 2004) and seek for revenge to inflict similar costs on the service provider.

Service providers are likely to be seen as greedy "when a customer believes that a firm has opportunistically tried to take advantage of a situation to the detriment of the customer's interest" (Grégoire et al., 2010). In addition to having committed a double deviation, service providers demand that the customers incur further negative switching costs to be freed from their already unsatisfactory relationship. This perceived greediness increases customers' anger and desire for revenge (Grégoire et al., 2010). Research has consistently shown that outward negative emotions, particularly anger and frustration, in many instances are strong predictors of customer revenge (Funches, Markley and Davis, 2008; McColl-Kennedy et al., 2009) since these emotions are a mobilization of energy to fight back (Lazarus, 1991).

> **H5.** Outward negative emotions are positively related to the desire for revenge.

Effects of inward negative emotions on revenge. Can inward negative emotions also lead to desire for revenge in the case of customers facing a double deviation? Two rival theoretical propositions can be made.

The first theoretical proposition is derived from the well established Appraisal Theory of Emotions. It suggests that inward negative emotions can hardly be key drivers for revenge, precisely because the emotions are directed toward the customer, not the service provider. For instance, Chebat et al. (2005) found that anger (i.e., an outward emotion) is the main driver of complaining,

while resignation (i.e., an inward emotion) is the main driver of non-complaining behavior.

The second theoretical proposition is derived from the work of Tangney and her colleagues, as well as from the "Love Becomes Hate" marketing paradigm (Grégoire et al. 2009), which suggests exactly the opposite, that is, inward negative emotions can be key drivers for revenge.

Tangney and Dearing (2002) empirically found a strong (and admittedly puzzling) positive correlation between inward negative emotions and externalization of blame (i.e., shifting the blame away from the self toward others). They explain this finding by the fact that "[B]laming others (instead of the self) can serve ego-protective function" (p.92), which is all the more likely "when negative aspects of the self have been primed" (Tangney and Dearing, 2002: p.93). The positive switching costs customers take advantage of after a double deviation may prime customers' own "negative aspects of the self," for example, their own greediness. After a double deviation, consumers may feel ashamed not to quit and to still benefit from the positive switching costs offered by the service provider. They could then shift the blame to the service provider in order to reduce their own emotional dissonance. Even if such customers know at heart that this externalization of blame is irrational, the shift of the blame can leads to hostility and to aggressive behaviors like retaliation (Tangney and Dearing 2002; Stuewig et al., 2010). "Shamed individuals may become angry, blame others, and aggressively lash out in an attempt to regain a sense of agency and control" (Stuewig et al. 2010: p. 92). The link between externalization of blame and

aggressive behaviors is well established in psychology (Anderson and Bushman 2002; Quigley and Tedeschi 1996; Tangney et al. 1992). In our study, the shifting of blame may motivate customers to get even with the service provider.

The "Love Becomes Hate" effect can be viewed as the reflections of the works by Tangney and her colleagues on marketing. It was developed and empirically documented in the same context of double deviation as the present study. The key concept is that of betrayal, defined as "a customer's belief that a firm has intentionally violated what is normative in the context of their relationship" (Grégoire and Fisher 2008). Revenge leads customers to actions meant to restore fairness. Revenge leads customers to actions meant to restore fairness. Following this paradigm, customers who perceived their relationship with their service provider as being of high quality are more likely to take offense of a double deviation (Grégoire and Fisher 2008; Grégoire et al. 2009). Customers who received the (social and material) benefits of positive switching costs as the price of remaining loyal feel all the more betrayed by the service provider when confronted with a double deviation. Positive switching costs are then perceived in two opposite ways.

Positive switching costs signal that the service provider is committed to its customers and highly value this relationship. These customers tend to believe that service providers "owe" them more than they owe other customers in a low-quality relationship (Grégoire and Fisher, 2008; Grégoire et al., 2009). Conversely, the double deviation makes them think that this is not the case. Positive switching

costs and double deviation are contradictory messages that make the service provider look inauthentic.

In summary, inward negative emotions may paradoxically lead to both loyalty and desire for revenge. Loyalty is the first coping behavior (as predicted by the Appraisal Theory of Emotions, which is the essence of H4). Desire for revenge is the second coping behavior. This coping behavior is motivated by two essential ingredients: externalization of blame (Tangney and Dearing, 2002) and judgments of unfairness (Grégoire and Fisher 2008).

We propose two rival hypotheses related to the effects of inward negative emotions on the desire for revenge. Hypothesis H6a, derived from the Appraisal Theory of Emotions, predicts a negative relationship, while, H6b, resulting from Tangney's theoretical elaboration and the "Love Becomes Hate" paradigm predicts a positive relationship.

H6a. Inward emotions are negatively related to the desire for revenge.

H6b. Inward emotions are positively related to the desire for revenge.

3. Methodology

3.1. Context, Sample and Procedure

Context. This study involves customers who actually experienced both service failures and poor service recovery with a major telecom firm within the last six months. The six-month timeframe is considered to be short enough for reliable recall (Mc-Coll-Kennedy et al. 2009; Tax et al. 1998). The survey

approach offers a unique opportunity to examine naturally occurring responses to switching costs within a population of interest, and provides better ecological validity than a fictitious situation proposed to respondents in a laboratory experiment. Specifically, it is unlikely that experimental manipulations of switching costs (say in the form of scenarios) are sufficiently strong enough to elicit the full range and intensity of real emotions and the subsequent behaviors that customers experience in everyday life (Wallbott, and Scherer 1989). Moreover, past studies demonstrate that switching costs play their effective role only when customers are actually facing a concrete dilemma regarding switching (Burnham et al., 2003; Zauberman, 2003). That is why it was of paramount importance to collect switching cost data in a real-life setting, and why it was necessary to measure actual behavior rather than behavioral intention.

Procedure. Data were collected through a phone survey. Professional interviewers from a research company conducted the interviews. After describing a recent service failure and recovery episode through an open-ended question, respondents were asked to recall their thoughts and emotions experienced at that time. Then, they were questioned about their overall satisfaction with the complaint handling. This question served to select customers who received poor recovery. The sample was designed in such a way that half the respondents had stayed and half had exited the telecom firm.

Sample. A total of 280 usable responses were obtained for an overall response rate of 9.3 percent. This percentage underestimates the actual response rate (15.5 percent) as only customers dissatisfied with both service and service recovery were selected. 33.6 percent of the respondents were males, 63 percent of were between 25 and 44 years old, and 36.4 percent had a college education. Half of the sample had 17 years or less in the relationship. All income ranges were represented adequately.

3.2. Measures

We initially conducted qualitative interviews to gain an understanding of the most appropriate dimensions of switching costs and emotions to consider. This phase generally confirmed the relevance of the distinction between positive and negative switching costs and served to identify the appropriate emotions. A working questionnaire was first pilot-tested with the help of two marketing scholars knowledgeable in the marketing relationship literature; then it was tested with 30 respondents to help improve comprehension and avoid response bias.

The loyalty/exit measure was based on the observed actual behavior provided by the telecom company records. This approach enhances one's ability to draw causal inferences and rule out common method biases (Podsakoff et al., 2003). We coded customers who remained with the firm as 1 and those who left as 0.

We borrowed established measures for the seven other constructs. Switching costs were adapted from Burnham et al. (2003) and Jones et al. (2002).

Inward and outward negative emotions were measured with three items each, on the basis of Shaver et al.'s (1987) and Richins' (1997) CES scale, which is considered as the scale most adapted to service situations (Bagozzi, Gopinath and Nyer, 1999). Respondents were asked to recall the emotions they experienced while considering the switching costs and to indicate the extent to which they felt specific emotions. The desire for revenge was measured using a three-item scale developed and validated by Grégoire et al. (2009). The scale items, after purification, appear in the Appendix.

Control variables. To rule out the potential influence of customers' demographics, we controlled for age, gender, and income as well as the length of relationship. Overall, none of these variables had a significant correlation with endogenous variables. This may be due to the high homogeneity of our sample. Therefore, these control variables were excluded from the analysis for the sake of parsimony.

4. Results

Preliminary analysis of the data included examination of the measures of central tendencies, dispersion, and visual inspection of the data via histograms, skew, and kurtosis. Overall, of the 21 metric variables, only five demonstrate a significant departure from normality. This was not a major problem because our sampling size was over 200 thresholds, thus meeting requirement for structural equation modeling (Hair et al. 2010).

4.1. Measurement Models Validation

The psychometric properties of the scales were assessed using confirmatory factor analysis (CFA) (Anderson and Gerbing 1988). During measurement model development, a total of eleven items were deleted across the seven constructs due to low loadings, cross loadings, or unexplainable correlations among error terms. The fit statistics of the resulting model provide solid psychometric properties (CFI = .99, RMSEA = .045, NNFI = .99, $\chi 2/df = 2.8$). Specifically, the factor loadings of all items in the seven constructs are reasonably high (range from .67 to .87) with significant t-values indicating evidence of convergent validity (Anderson and Gerbing 1988). All composite reliabilities exceeded .70, and all the average variance extracted values exceed the suggested threshold of .50 (Bagozzi and Yi 1988). In addition, all variance extracted estimates were greater than the corresponding inter-construct squared correlation estimate, providing evidence of discriminant validity (Fornell and Larcker 1981). Descriptive statistics and correlations for the constructs are presented in Table 1.

-- Table 1 about here --

Test for common method bias. In order to prevent the common method bias effect, we employed several procedural techniques suggested by Podsakoff et al. (2003). Specifically, we used well established scales, assured respondents' anonymity, stressed that there are no right or wrong answers, used a counterbalancing question order, and tried to improve the scale items based on

our-pre-tests to avoid item ambiguity. Most importantly, we obtained measures of the independent and one of the dependent variables from different sources. As mentioned previously, our measure of loyalty/exit behavior (i.e., one our dependant variable) is provided by the telecommunications company records. The other constructs are respondents' measures. This procedure is highly recommended by Podaskoff et al. (2003), and is the best to control for common method bias according these authors.

As our second dependent variable (i.e., desire for revenge) was obtained through self-reports, we also applied statistical remedies in order to assess the potential effect of the common method bias. We incorporate a common method first-order factor that was reflected in all the indicators of our theoretical model (Podaskoff et al. 2003; Rindskopf and Rose 1988). This technique is recommended as one of the preferred approaches to control for common method bias when the specific source of the method effects is unknown (Podaskoff et al. 2003). Overall, this model fits the data acceptably with a $\chi 2/df = 1.8$, a RMSEA of .062, a CFI of .93 and a NNFI of .91. Importantly, all the paths remained significant and of similar amplitude. These models provide confidence that the significant paths are not caused by systematic error inherent to our method.

4.2. Hypotheses Testing

We used structural equation modeling (SEM) to test our model (see Figure 1). SEM technique can support simultaneously latent variables with multiple indicators, mediating effects, and causality hypotheses. It also proved to be a

superior statistical procedure (when comparing to the regressions) for detecting mediation structures when they exist in data, particularly in the case of multiple measures (Iacobucci, Saldanha and Deng 2007). In addition, structural equations can be used with categorical variables (Bagozzi and Yi 1988; Bollen and Maydeu-Olivares 2007; Muthén 1984). Because our loyalty/exit variable is a dummy one, we proceed as suggested by Jöreskog and Sörbom (1996) and du Toit, du Toit and Hawkins (2001). First, we estimated polyserial correlations. Second, the asymptotic covariance matrix of the polyserial correlations was estimated. The inverse of this matrix served as weight matrix. Finally, the parameters of the structural model were estimated using weighted least squares.

The full model of hypothesized relationships (see Figure 1) was estimated using LISREL 8.80. The results of the SEM analysis revealed an acceptable fit: $\chi 2(173) = 261$, RMSEA = .061, CFI = .92, NNFI =.90, IFI =.92. In addition, the absence of large modification indices suggests that fit would not be greatly improved by adding additional paths.1 Table 2 and Figure 2 summarize the results.

All the hypotheses were supported except H6a. Specifically, both loss of material benefits and social switching costs have a significant, positive effect on inward negative emotions (H1a and H1b). Likewise, both monetary loss costs and procedural switching costs have a significant, positive effect on outward negative emotions (H2a and H2b). Further, the results indicate that outward negative

[1] We tested an alternative model in which we added additional links between positive switching costs (i.e., loss benefits costs and social switching costs) and outward negative emotions and links between negative switching costs (i.e., monetary loss costs and procedural switching costs) and inward negative emotions. None of these additional links achieve significance (*t-value* <.85).

emotions are negatively related to loyalty (H3), whereas inward negative emotions are positively related to loyalty (H4). In addition, as expected, outward negative emotions have a significant, positive effect on the desire for revenge (H5). Finally, the analysis provides support for a positive effect of inward negative emotions on the desire for revenge (H6b).

-- Table 2 and Figure 2 about here –

Testing for mediation. One of the major purposes of this study was to test inward negative emotions and outward negative emotions as mediators between switching costs and the behavioral outcomes. We followed the procedure developed by Zhao, Lynch and Chen (2010) for whom "to establish mediation, all that a matter is that the indirect effect is significant" (p. 204). As they recommend, we used Preacher and Hayes' (2008) macro and 5,000 bootstrapped samples to determine whether the indirect effect is significant. This macro includes the ability to estimate models with a dichotomous dependent variable. Since, in most cases, the sampling distribution of the indirect effect (ab) tends to be asymmetric, with nonzero skewness and kurtosis (Stone and Sobel 1990), we used the bootstrapping procedure, which does not rely on the normality assumption of the sampling distribution of ab, rather than the Sobel test that requires this assumption (Hayes, 2009).

The analysis (see Table 3) shows that the indirect effects (through both inward and outward negative emotions) of all switching cost types were significant

on the two outcome variables, with a 95 confidence interval excluding zero. However, neither independent variable has a significant direct effect on the outcomes (all p greater than 10%), which provides evidence of indirect only mediation (i.e., full mediation). These results further suggest that omission of an alternative mediation is unlikely (Zhao et al., 2010).

In summary, we reach clear-cut results. First, inward negative emotions mediate the effect of positive switching costs on loyalty/exit behavior and on the desire for revenge. Additionally, outward negative emotions mediate the effect of negative switching costs on loyalty/exit behavior and on the desire for revenge. In other words, the higher the negative outward emotions, which are primarily triggered by negative switching costs, the more likely the exit and the desire for revenge. Moreover, the higher the negative inward emotions, which are largely triggered by positive switching costs, the less likely the exit, but the desire for revenge may be more prominent.

-- Table 3 about here –

5. Discussion

5.1. Theoretical Implications

This research contributes to a better understanding of the effects of switching costs in the following ways. First, we show that negative emotions mediate the relations between switching costs and their behavioral effects, whereas

the majority of the studies presented thus far focus on the cognitive effects. Second, the distinction we make between inward vs. outward negative emotions allows refining the process through which dissatisfied customers cope with switching costs. Third, we empirically confirm the relevance of the distinction between positive and negative switching costs. Fourth, we show that switching costs cause a desire for revenge that harm service firms, although most studies have focused so far on their beneficial effects, mostly enhanced loyalty.

Switching costs as antecedents of loyalty/exit behavior: the role of emotions.

Our research reveals that the behavioral effects of switching costs do not stem from mere economic calculus. This important conclusion departs from the cognitive-only approach that has been used thus far in the study of switching costs (Burnham et al., 2003; Chebat et al., 2011; Patterson and Smith 2003). Customers do not react directly to switching costs, but rather through their emotions. Our results are consistent with our expectations formed on the basis of the Appraisal Theory of Emotions. They also confirm the critical role of emotion in decision making, especially after a service failure (Inman et al. 2002; Nyer 1997).

Our findings indicate the existence of two emotional routes through which positive and negative switching costs affect loyalty/exit behavior. First, positive switching costs trigger inward negative emotions, which motivate customers to stay with the actual service provider. This coping strategy avoids the loss of such privileges. Positive switching costs represent a value-added to the core service and

are meant to be a disincentive to switching. This indicates the premium value customers place on personal or quasi-social relationships with their service provider and on receiving preferential treatments that are only bestowed on loyal, regular customers. Second, negative switching costs trigger outward negative emotions that motivate customers to exit their service provider. Customers confronted with termination penalties and the hassle of getting out of a contract become angry and frustrated regarding the treatment they receive from their service provider, which leads them to quit even if the costs are high. This finding challenges the conventional managerial wisdom and the view of some scholars who argue in favor of high switching costs as an efficient strategy to lock in customers with their service firms, regardless of their level of dissatisfaction. This strategy fails because it does not take into consideration the emotions and the nature of switching costs (Burnham et al., 2003; Woisetschläger et al., 2011). Negative switching costs are far from being a managerial panacea: they offer no intrinsic value to customers or to the service provider and they do not lead to customer retention after a double deviation.

Our findings confirm the relevance of the distinction between inward vs. outward negative emotions, which is based upon the "attribution of agency". This distinction, very common in the psychology literature (Smith and Lazarus, 1993), sheds new light on how different types of negative emotions can lead to opposite behaviors. Future research should consider this distinction for a better understanding of the link between different types of negative emotions and consumers' behaviors.

Switching costs as antecedents of revenge: the role of emotions.

Both outward and inward negative emotions triggered by switching costs enhance customers' desire for revenge, as a second coping mechanism, in tandem with the loyalty/exit decision. This result confirms empirically, for the first time, the notion present in the literature that customers locked into a dissatisfying relationship may engage in harmful behavior toward their service providers (Jones et al., 2000; Bansal et al., 2004). This finding is all the more important since customer revenge is increasingly common (McColl-Kennedy et al., 2009) and its consequences can surpass the loss of a customer's lifetime patronage (Grégoire and Fisher, 2008). It takes a few disgruntled customers to initiate a potentially devastating chain of events that affect a firm's brand (Bechwati and Morrin, 2003).

Outward negative emotions driven by negative switching costs push customers to quit the dissatisfactory relationship and motivate them to get even with the provider. Service failure, poor recovery, and high negative switching costs constitute a "triple deviation", leading customers to perceive the firm as greedy (Grégoire et al., 2010). From the customer's perspective, revenge both rights the perceived injustice and restores their own self-image. From this perspective, the service provider is forced to undergo a similar loss. This finding provides additional support to the previous research by demonstrating that anger are strong predictors of customers revenge (McColl-Kennedy et al., 2009).

Inward negative emotions paradoxically trigger both loyalty behavior and desire for revenge. This finding contradicts the Appraisal Theory of Emotions but

supports both the "Love Becomes Hate" paradigm and the theoretical propositions of Tangney and her colleagues. The Appraisal Theory of Emotions fails to predict the shift of blame that protects the consumers' ego and enhances their desire for revenge. After experiencing a double deviation, customers react in a hostile way in order to maintain their sentiments. This is an important managerial finding: service firms should not necessarily consider those customers who stay as satisfied customers. So called "loyal customers" may seek revenge.

Inward negative emotions affect the desire for revenge more strongly than outward negative emotions ($\beta_{inward} = .50$ vs. $\beta_{outward} = .13$). This counterintuitive finding is highly consistent with the findings of Grégoire et al. (2008). High-quality relationships customers who experience unfair recovery feel more betrayed than low-quality relationships consumers (Grégoire and Fisher, 2008), maintain their desire for revenge over a longer period, and experience a greater desire for revenge and avoidance over time (Grégoire et al., 2009). Strong relationships do not necessarily provide firms with a "safety cushion" in case of service failure; they may even backfire.

5.2. Managerial Implications

In cases of double deviation, positive switching costs act as a double-edged sword: they retain customers but also increase their desire for revenge. Negative switching costs poison the relationship: they lead to both exit and revenge. Therefore, managers should use switching costs cautiously. Switching costs are no cure for double deviations and may worsen the relationship. Managers should

rather consider preemptive approaches to prevent loss of customers. They should control the recovery process instead of setting high switching costs, for instance, by implementing a culture that empowers frontline staff to offer highly loyal customers special recovery treatments.

Managers may use positive switching costs as long as they take into consideration both positive outcomes (i.e., loyalty) and negative outcomes (e.g., revenge). Positive switching costs can make customers apparently loyal when, in reality, they are enemies within the corporation. To anticipate the negative consequences of positive switching costs, managers might carefully monitor customers who enjoy such benefits. These customers are easily identifiable (e.g., with loyalty cards) and are more likely to ruminate over negative feelings toward their service provider. Monitoring their feelings is a necessary way of preventing negative attitudes and behavior toward the firm before the relationship worsens.

The toxic effects of negative switching costs should discourage managers from using them since they bring about few or no benefits to service firms following a double deviation, nor do they offer intrinsic value to customers. Efforts and creativity would be better invested in a sound marketing strategy meant to enhance positive attitudes toward the firm.

6. Limitations and Future Research Avenues

Certain of this study lead us to suggest additional research. First, this research used retrospective-based filed studies; thus, recall bias may have influenced the results. This bias cannot be completely eliminated. We surveyed

only customers who experienced a double deviation within the past six-month period. This delay is similar to (or shorter than) timeframes previously used in the literature (Chebat et al. 2011; Tax et al. 1998). This limitation is minor compared with the opportunity to examine the effect of switching costs on a sample of actual customers who faced a real double deviation.

Second, this study was based on a single telecommunication firm. The single-sector approach reduces the amount of heterogeneity and unexplained variance attributable to sector differences. However, generalizability to other service context cannot be tested. Replication and extension through other sectors and with different samples is desirable. The need for replication in business-to-business relationships is also apparent. One may question the link between switching costs and desire for revenge, where business customers are supposed to act in strictly rational ways.

Third, the study does not take into account the long-term effects of switching costs. A longitudinal approach is needed to understand the evolution of the link between switching costs, emotions, and revenge, and also to observe how the desire for revenge may evolve into forgiveness. Similarly, longitudinal research could investigate how customers' react to a second double deviation. Grégoire et al. (2009) found that firms' former best customers maintained their desire for revenge over a longer period of time than did other customers, and that best customers' desire for avoidance also increased at a faster pace over time.

Finally, additional research on the moderators of the relationships studied will enhance the managerial application of switching costs. For example, the desire for revenge may depend on customer seeking redress propensity (cf. Chebat et al. 2005). Chebat et al. (2005) found that emotions are more likely to be transformed into complaining if customers are high on seeking redress propensity. Similarly, inward and outward negative emotions effects may depend on customer's helplessness (retrospective emotions). Gelbrich (2010) found that the level of helplessness moderates the relationship between anger and confrontative coping behaviors (vindictive negative WOM and vindictive complaining).

7. Conclusion

This paper is the first attempt to model the link between switching costs and customers' desire for revenge through negative emotions. It is also the first attempt to test empirically the effects of switching costs in a double deviation scenario with real customers. After a double deviation, customers react to switching costs strongly, emotionally, and sub-optimally. Switching costs may keep customers away from attractive alternative service providers. However, they are counterproductive for service providers after a double deviation. Negative switching costs generate both exit and desire for revenge, while positive switching costs paradoxically generate both loyalty and an even higher level of desire for revenge. The role of switching costs has to be revisited from both theoretical and managerial viewpoints.

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Figures

Figure 1: The Effects of Switching Costs following a Double Deviation.

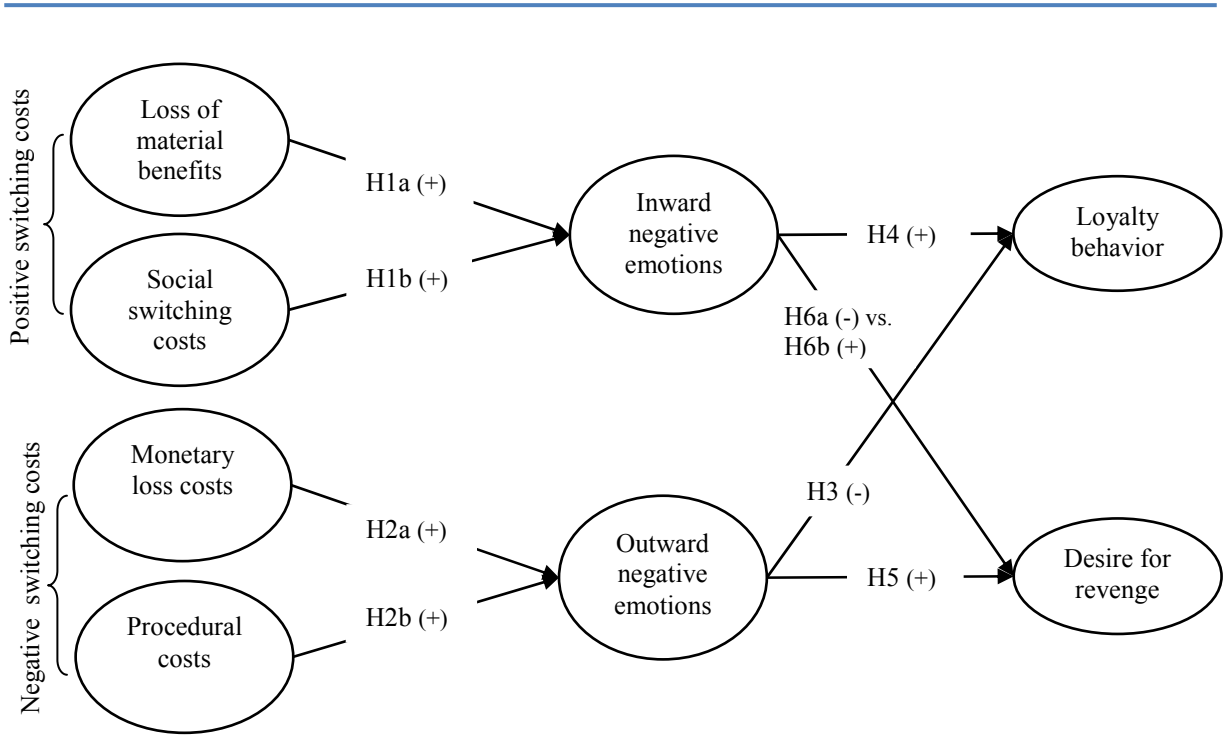
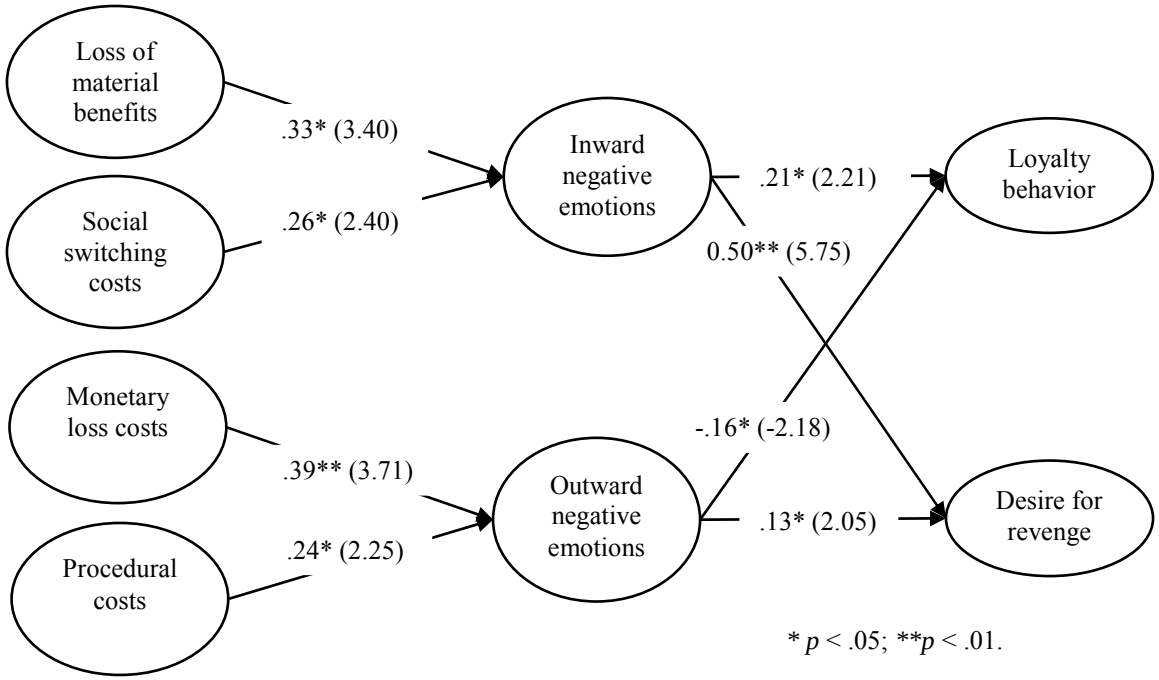


Figure 2 : Structural Model Results.



Tables

Table 1: Descriptive Statistics: Construct Means, Standard Deviations, and Correlations.

Construct	Mean	*SD*	1	2	3	4	5	6	7
1. Loss benefits costs	3.82	2.04	1						
2. Social switching costs	4.23	1.70	.31	1					
3. Procedural costs	4.32	1.69	.23	.26	1				
4. Monetary loss costs	4.55	1.74	-.35	.20	.76	1			
5. Outward emotions	5.34	1.91	-.06	.08	.48	.33	1		
6. Inward emotions	2.15	1.52	.31	.27	.01	.09	.37	1	
7. Desire for revenge	2.88	1.99	.39	.34	.25	.22	.31	.56	1

Table 2: Results of Hypothesis Testing.

Hypothesized path	Std. coefficients	*t*-Value	Hypothesis	Conclusion
Loss of benefits → inward negative emotions	.33**	3.40	H1a,	Supported
Social switching costs → inward negative emotions	.26*	2.40	H1b	Supported
Monetary loss costs → outward negative emotions	.39**	3.71	H2a	Supported
Procedural costs → outward negative emotions	.24*	2.25	H2b	Supported
Outward negative emotions → Loyalty	-.16*	-2.18	H3	Supported
Inward negative emotions → Loyalty	.21*	2.21	H4	Supported
Outward negative emotions → desire for revenge	.13*	2.05	H5	Supported
Inward negative emotions → desire for revenge	.50**	5.75	H6a vs. H6b	H6b Supported

Structural model fit: $\chi^2(173) = 261$, RMSEA = .061, CFI = .92, NNFI =.90, IFI =.92 ;* $p < .05$; **$p < .01$.

Table 3: Mediation Testing: Bootstrap Results for Indirect Effects.

Indirect effect of IV on DV through the mediators	**Mean indirect effect (*ab paths*)**	**Bias corrected 95% confidence intervals**
Loss of benefits → inward emotions → exit/loyalty	.0630	[.0010; .0440]
Social switching costs → inward emotions → exit/loyalty	.05020	[.0010; .0510]
Loss of benefits → inward emotions → desire for revenge	.1596	[.1243; .3549]
Social switching costs → inward emotions → desire for revenge	.1269	[.1030; .3237]
Monetary loss costs → outward emotions → exit/loyalty	-.0540	[-.0324; -.0125]
Procedural costs → outward emotions → exit/loyalty	-.0430	[-.0304; -.0037]
Monetary loss costs → outward emotions → desire for revenge	.0406	[.0063; .0835]
Procedural costs → outward emotions → desire for revenge	.0224	[.0133; .0632]

Appendix: Constructs and Items

Construct	Std. loading (λ)
Loss benefits costs CR = .83; AVE = .64	
My telecommunication provider provides me with particular privileges I would not receive elsewhere.	0.77
By continuing to use the same telecommunication provider, I receive certain benefits that I would not receive if I switched to a new one.	0.83
There are certain benefits I would not retain if I were to switch telecommunication provider.	0.79
Social switching costs CR = .80; AVE = .57	
A lot of energy, time, and effort have gone into building and maintaining the relationship with this telecommunication provider.	0.72
All things considered, I have put a lot into previous dealings with this telecommunication provider.	0.84
Overall, I have invested a lot in the relationship with this telecommunication provider.	0.69
Procedural switching costs CR = .88; AVE =.59	
I am not sure what the level of service would be if I switched to a new telecommunication provider.	0.78
It is tough to compare the other telecommunication providers.	0.67
If I were to switch telecommunication provider, I would have to learn how things work at a new one	0.79
It takes lot of time and effort to go through the steps of switching to a new telecommunication provide	0.79
Monetary loss costs CR = .70; AVE = .0.54	
Switching to a new service provider would involve a lot of money.	0.79
Switching to a new service provider would involve some up-front costs (connection fees, deposits, etc.).	0.66
Outward negative emotions CR = .83; AVE = .0.62	
Angry	0.82
Disgust	0.78
Frustrated	0.77

Appendix: Continued

Construct	Std. loading (λ)
Inward negative emotions CR = .77; AVE = 0.53	
Sadness	0.76
Embarrassed	0.69
Guilty	0.74
Desire for revenge CR = .85;AVE = .63	
I want to cause inconvenience to the service provider	0.70
I want to punish the service provider in some way	0.81
I want to make the organization get what it deserved	0.87

Note. CR = composite reliability; AVE = average variance extracted; All loadings are significant. All measures were based on seven-point Likert scales (1= "strongly disagree" and 7= "strongly agree").

CHAPITRE 2:

DO B2B CUSTOMERS REACT TO SERVICE FAILURE AND RECOVERY DIFFERENTLY FROM B2C CUSTOMERS? THE ROLE OF JUSTICE AND SWITCHING BARRIERS

Abstract

For the first time in the literature, this research contrasts the effects of perceived justice (i.e., distributive, interactional, and procedural justice) and switching barriers (i.e., positive and negative switching costs and perceived alternatives) on customers' loyalty in B2B vs. B2C markets. The data was collected from business and individual customers who experienced an actual "service failure and recovery" episode with a major Canadian telecommunication firm. For both B2B and B2C customers, all three justice dimensions have positive effects on satisfaction with complaint handling with similar magnitude. Apart from these similar results, we found the following contrasts between the two types of customers. First, in the B2C context, satisfaction with complaint handling mediates the relationship between justice dimensions and loyalty, whereas this mediation effect is absent for B2B customers. For B2B customers, satisfaction has surprisingly no effect on loyalty, while both the interactional and distributive

justices have a direct effect on loyalty. Second, in the B2C context, both positive and negative switching costs have direct significant effect on loyalty decisions. However, in the B2B context, neither of the two switching costs (positive or negative) affects loyalty. For B2B customers, the presence of an alternative affects loyalty, but this is not the case for B2C customers. These findings can help marketing managers develop appropriate recovery strategies suitable for each market (B2B vs. B2C) in order to enhance retention.

Keywords: Service failure and recovery, business-to-business relationships, business-to-customer relationships, perceived justice, switching barriers, loyalty, complaint handling.

1. Introduction

Scholars and practitioners have widely recognized that effective service recovery is paramount to ensure customer satisfaction, to develop long-term customer relationships, and to maintain high market shares and profits (Fornell and Wernerfelt 1987; Kalwani and Narayandas 1995; Maxham and Netemeyer 2003; Rust et al. 1992).

Although service failure and service recovery have been well researched in the B2C context (Chebat and Slusarczyk 2005; Maxham and Netemeyer 2003; Smith et al. 1999; Tax et al. 1998), little attention has been paid to the effects of service failure and recovery experience in the B2B context. The few B2B studies we found are mainly exploratory in nature and related to the industrial sector (Hansen et al. 1997a; Trawick and Swan 1981; Williams and Gray 1978). As a result, our current understanding of how business customers react to a recovery episode in a service context is limited.

This dearth of research is surprising for the following reasons. First, B2B transactions account for the same dollar value as B2C transactions (Grewal and Lilien 2012). Second, service failures are as prevalent for B2B customers as for B2C customers (Backhaus and Bauer 2001; Trawick and Swan 1981; Van Doorn and Verhoef 2008). Third, business customers are increasingly demanding in terms of service quality (Davie et al. 2010; Narayandas 2005), which makes them more likely to be dissatisfied with the service they receive. Fourth, in B2B markets a single business customer can account for an enormous level of purchasing activity,

which should make the service provider all the more sensitive to the customer's dissatisfaction (Gummesson 2004; Hansen et al. 1997a; Homburg and Rudolph 2001). For instance, Microsoft, IBM, GE, and Verizon, which serve both B2B and B2C markets, generate a large majority of their revenues through B2B markets (Zoltners et al. 2012).

This gap between the economic weight of the B2B sector and the attention it has received in the literature leaves several important questions unanswered. How do business customers evaluate a service provider's response to their complaints? What factors explain business customers' decision to continue or end the relationship with their service provider after a service failure and a recovery episode (Ferguson and Johnston 2011; Henneberg et al. 2009; Orsingher et al. 2010)? Do B2B and B2C customers react differently or similarly to a service recovery experience (Coviello and Brodie 2001; Coviello et al. 2002; Homburg and Fürst 2005)? Answering these questions will provide new insights into how to design and implement appropriate recovery strategies, depending on the type of customer (B2B vs. B2C).

We address these questions by proposing and testing a conceptual framework that builds in the existing service failure recovery literature (see the meta-analysis by Orsingher, Valentini and Angelis (2010) and Gelbrich and Roschk (2011)). In particular, our framework considers justice perceptions (i.e., distributive, interactional, and procedural justice) and satisfaction with complaint handling as antecedents of a customer loyalty decision following a service failure and recovery experience. We extend this literature by incorporating switching

barriers (i.e., positive and negative switching costs, perceived alternatives) as antecedents to loyalty for the first time in the service failure/recovery literature. Switching barriers are major determinants of customers' loyalty, aside from the failure and recovery experience, that may serve to encourage customers to stay with a service provider who has failed (Chebat et al. 2011; Colgate et al. 2007; Lam et al. 2004; Yanamandram and White 2006). We use this framework as a starting point for understanding how business customers react to recovery process and to highlight differences and similarities between B2B and B2C customers in terms of their post-complaint behavior.

We collected data from business and individual customers who experienced a recent "service failure and recovery" episode with a major telecommunication firm. The telecom sector was selected for the following reasons. First, it shows a high failure level (Burnham et al. 2003). For instance, in 2011, the Canadian Commissioner for Complaints for Telecommunications Services reported around 12,000 complaints, an increase of 35% compared to 2010 (CCTS 2012). Second, the level of competition is very high (Van Doorn 2008). Third, most telecom firms serve both business and individual customers, which allows us to control for the effects of industry type.

The remainder of this article is organized as follows. First, we review the relevant literature. Second, we develop our conceptual framework and hypotheses. Third, we present a field study and the findings. Then, we discuss our results, key managerial implications, limitations of the research, and avenues for future research.

2. Theoretical Background

2.1. Perceived Justice and Satisfaction with Complaint Handling

Equity Theory is the most frequently investigated framework for studying customers' reactions to service failure-recovery encounters (Blodgett et al. 1994; Maxham and Netemeyer 2002; Smith et al. 1999; Tax et al. 1998). It focuses on the fairness of an exchange as perceived by the parties involved (Lind and Tyler 1988). It posits that individuals compare the ratio of their perceived outcomes to their inputs with the corresponding ratio of the other party in the exchange. If an individual's ratio is lower, that individual will consider herself as having been treated unfairly (Adams 1965).

Customers complaining customers about service failures assess the fairness of the situation by comparing the outcome (e.g., benefits received from the recovery process) to their inputs (e.g., financial and non financial efforts put into voicing the complaint to the firm) (Goodwin and Ross 1992; Smith et al. 1999). Fairness is a three-dimension concept, namely, distributive, procedural, and interactional justice (Tax et al. 1998). Distributive justice refers to the degree of appropriateness of the outcomes received by customers from providers (Colquitt 2001; Tax et al. 1998). It embraces the perceived equity (i.e., whether the firm and the customer obtain the same outcome-to-input ratio (Homburg and Fürst 2005)), and the need for consistency (i.e., whether the outcome meets the customer's requirement (Smith et al. 1999)). Procedural justice refers to how the customer perceives the justice of the procedures, policies, and criteria used by the firm to

allocate the outcome (Colquitt 2001; Lind and Tyler 1988; Thibaut and Walker 1975). It includes timeliness (i.e., perceived amount of time taken to complete a procedure (Tax et al. 1998)), process control (i.e., customer's opportunity to express feelings about the problem and to present information relevant to the firm's decision about the outcome (Homburg and Früst 2005; Goodwin and Ross 1992)), and flexibility (i.e., the extent to which the procedures of an organization can be adapted to suit a customer's specific needs (Tax et al. 1998)). Interactional justice refers to the perceived justice of the interpersonal treatment received during the enactment of procedures and the delivery of the outcome. It includes customer perceptions of employees' empathy, politeness, and honesty (Bies and Shapiro 1987; Homburg and Fürst 2005).

The three justice dimensions are drivers of customer satisfaction with complaint handling (Maxham and Netemeyer 2003; McCollough et al. 2000; Orsingher et al. 2010; Tax et al. 1998), that is, "the overall degree to which a customer feels fairly treated by a firm with respect to compensation, complaint process, and interpersonal treatment" (Homburg and Fürst 2005). Satisfaction with complaint handling influences loyalty behavior positively (Homburg and Fürst 2005; Maxham and Netemeyer 2002; McCollough et al. 2000; Smith et al. 1999).

2.2. How Different are B2B and B2C Customers in terms of Complaining Behavior?

Business markets differ from consumer markets along several dimensions (Coviello and Brodie 2001; Coviello et al. 2002; Lilien 1987; Van Doorn 2008).

Compared to B2C service markets, B2B markets are characterized by a smaller number of customers, larger value transactions, longer relationships, and a higher degree of interaction between members of the service provider and the customer company (Jackson and Cooper 1988; Lilien 1987; Webster 1978). Business customers make purchases on behalf of their organization; and in most cases, they will not consume the service for themselves. Business customers are typically thought of acting in a more rational way than individual customers (Briggs and Grisaffe 2010; Grewal and Lilien 2012; Naumann et al. 2010). The primary goal of business customers is thought to be maximization of financial returns for their organization (Sheth and Parvatiyar 2000), which is not the case for B2C customers, who have been shown to act in a sub-optimal way when dissatisfied with service firms (Bougie et al. 2003).

The extant literature regarding B2B customers' reactions to service recovery is scant. Several B2B studies focus on factors leading to complaints (Williams and Gray 1978) and business customer complaint response styles (Dart and Freeman 1994; Hansen et al. 1997a; Hansen et al. 1997b); fewer deal with recovery. These studies deal with the determinants of industrial buyers' satisfaction with the response of a supplier to their complaint (Trawick and Swan 1981), the effects of complaint management design on justice, satisfaction and loyalty (Homburg and Fürst 2005), B2B customers' expectations regarding optimal complaint resolution (Henneberg et al. 2009), and the relation between business customers' satisfaction level and the frequency of complaints (Haverila and Naumann 2010).

As a whole, B2B customers react to service failure and recovery process differently than do B2C customers. For instance, Homburg and Fürst (2005) show that the beneficial effects of the mechanistic approach (based on establishing guidelines) are stronger in B2C settings than in B2B settings. Hansen et al. (1997) point out that differences exist between B2B customers and B2C customers in terms of their complaint response styles. However, no research has yet examined the specific effects of justice perceptions on satisfaction with complaint handling and loyalty in the B2B context and how these effects may differ compared to the B2C context.

In the next section, we examine the effects of switching barriers on loyalty, as reported in the marketing literature.

2.3. Switching Barriers

At the end of a recovery process customers face the dilemma of whether or not to leave their current service provider (Keaveney 1995). Satisfaction with complaint handling impacts loyalty behavior after a recovery process. Paradoxically, despite a low level of satisfaction with complaint handling, most complainants stay with their current service provider. Only 14% of dissatisfied complainants exit the relationship (Blodgett and Anderson 2000). Switching barriers are a key factor to explain this behavior of dissatisfied customers (Capraro et al. 2003; Chebat et al. 2011; Colgate et al. 2007; Jones et al. 2000; Lam et al. 2004). As (Bell et al. 2005) put it, “organizations can temporarily "get away with" poor service in situations where their clients perceive high costs of changing

to an alternative supplier" (p.172). In this research, we examine for the first time the effect of perceived justice, satisfaction and switching barriers, simultaneously, on loyalty behavior.

Switching barriers includes any factor that makes it difficult or costly for customers to change their service providers (Jones et al. 2000). Consistent with previous research, we focus on two types of switching barriers: switching costs and perceived alternatives.

Switching costs refers to "the one-time costs that customers associate with the process of switching from one provider to another" (Burnham et al. 2003). Building on previous research, we consider two dimensions of switching costs, reflecting two different types of constraints imposed on customers, namely, positive and negative switching costs (Haj-Salem and Chebat 2013; Jones et al. 2007). Positive switching costs are related to the value added and benefits offered to customers that they would lose if they quit the provider, such as volume-based discounts, loyalty reward programs and free shipping, and social relations with the provider (Haj-Salem and Chebat 2013; Jones et al. 2007). Negative switching costs are constraints that penalize customers. They represent issues that a customer would have to incur to switch, such as time, effort and/or the hassle the customer anticipates when switching, and cancellation fees (Haj-Salem and Chebat 2013; Jones et al. 2007).

Perceived alternatives refers to customer perceptions regarding the extent to which viable competing alternatives are available in the marketplace (Jones et

al. 2000; Patterson and Smith 2003). In other words, perceived alternatives reflect customers' perceptions regarding the extent to which the value provided by their current provider exceeds that of the alternatives offered by their current provider's competitors (Ping 1993).

Both types of switching barriers were shown to impact loyalty behavior in both the B2B and B2C markets (Haj-Salem and Chebat 2013; Lam et al. 2004; Patterson and Smith 2003; Wathne et al. 2001). However, no study has yet shown if switching barriers affect the two types of markets to the same extent or which types of barriers contribute more to customer retention following a service failure and recovery in these markets.

In the next section, we present our conceptual framework and propose our hypotheses based on the extant literature.

3. Conceptual Framework and Hypotheses

Figure 1 presents our model. First, we posit that all three justice dimensions affect satisfaction with complaint handling, which in turn affects customer loyalty behavior. This sequence of relationships is largely supported by the B2C service recovery literature (see the extensive meta-analyses by Orsingher et al. (2010) and by Gelbrich and Roschk (2011)). No such study exists for the B2B market. Second, switching barriers (i.e., positive and negative switching costs and perceived alternatives) are hypothesized to affect loyalty behavior. This framework represents our starting point for understanding how business customers

react to recovery process and for highlighting differences and similarities between B2B and B2C customers in terms of their post-complaint behavior.

-- Figure 1 about here –

3.1. The Effects of Perceived Justice on Satisfaction with Complaint Handling

In the B2C context, the three justice dimensions impact positively satisfaction with complaint handling; and distributive justice is the dimension most strongly related to satisfaction with complaint handling (Maxham and Netemeyer 2002; Smith and Bolton 2002; Smith et al. 1999; Tax et al. 1998). Two recent meta-analyses confirm that distributive justice has the largest effect on satisfaction with complaint handling; it is followed by interactional justice and procedural justice, respectively (Gelbrich and Roschk 2011; Orsingher et al. 2010).

In the B2B context, only Homburg and Fürst (2005) focus on the effect of perceived justice on satisfaction with complaint handling. They employed a combined sample of B2B and B2C customers.The results of their research showed that distributive justice has the highest effect on satisfaction with complaint handling, followed by an equal effect for procedural and interactional justice. However, the authors did not test for the specific effect of the context, which was beyond the scope of their research. The qualitative research by Trawick and Swan (1981) had previously shown that industrial buyers' first expectation when complaining was to obtain fair reparation of the problem that prompted the

complaint. Similarly, the qualitative study by Henneberg et al. (2009) has shown that addressing fairly the problem is the most important aspect of the complaint resolution management. This is explained by the fact that B2B customers are primarily motivated by maximizing their profit (Briggs and Grisaffe 2010; Grewal and Lilien 2012). Business firms incur potentially important financial losses when their operations are disrupted, and they are eager to receive a fair outcome that compensates for the service failure. Therefore, compared to the interactional and procedural justices, distributive justice is expected to have the largest effect on satisfaction with complaint handling.

In the B2B context, interactional justice and procedural justice are also expected to affect satisfaction with complaint handling positively and significantly, though less than distributive justice does. However, we cannot find a compelling argument that explains which of them will have the second highest effect size on satisfaction with complaint handling, or whether their effects will be different comparison to the B2C context. Hence, we have to assume that the effects of both procedural and interactional justice on satisfaction with complaint handling will be of similar magnitude for both B2B and B2C customers. This leads us to the first hypothesis:

> **H1**: The three justice dimensions (i.e., distributive, interactional, and procedural justice) affect satisfaction with complaint handling similarly in B2B and B2C contexts.

3.2. The Relationships between Satisfaction with Complaint Handling and Loyalty Behavior

In the B2C context, the positive relationships between satisfaction with complaint handling and return intent are found consistently across studies. Empirical evidence indicates that satisfaction mediates (or partially mediates) the relationships between the three justice dimensions and customer loyalty intent (Ambrose et al. 2007; Davidow 2000; Gilly and Gelb 1982; Kau and Loh 2006; Maxham and Netemeyer 2002). However, Orsingher et al. (2010) meta-analysis failed to confirm the mediation effect. They explain this finding by the fact that their framework includes two types of satisfaction: satisfaction with complaint handling and overall satisfaction. They reason that overall satisfaction better captures the behavioral repurchase intention because it is a more stable attitude than satisfaction with complaint handing. Gelbrich and Roschk (2011), in their meta-analysis, found that satisfaction with complaint handling mediates only the relationship between distributive justice and loyalty intent. The absence of mediation between both procedural justice and loyalty intention and between interactional justice and loyalty intention stems from the fact that both procedural and interactional justices have a quasi-significant effect on satisfaction with complaint handling, and this consideration leads the authors to reject the mediation effect. Note that Gelbrich and Roschk's (2011) framework also includes both types of satisfaction, that is, satisfaction with complaint handling and overall satisfaction.

We hypothesize consistently with most single studies that satisfaction with complaint handling mediates the relationships between the three justice dimensions and loyalty behavior in the B2C context. We argue that the meta-analyses of Orsingher et al. (2010), and Gelbrich and Roschk (2011) failed to confirm the mediating role of satisfaction in the B2C context mainly because of a methodological reason rather than the actual absence of the mediating effect.

In the B2B context, we expect the link between satisfaction with complaint handling and loyalty behavior to be significantly weaker than in the B2C context for three reasons. First, business customers value continuity in their relationships with their suppliers, and switching suppliers is often a complex decision made for the long term (Lilien 1987; Van Doorn 2008). Second, business customers are supposed to make their decisions on rational and economic considerations (Briggs and Grisaffe 2010; Coviello et al. 2002; Grewal and Lilien 2012), and consequently they do not exit a relationship merely because they are dissatisfied with the handling of a complaint. Rather, they think of future contingencies. Satisfaction with complaint handling is affect driven (Homburg and Fürst 2005), and thus it is not supposed to influence business decision makers. Third, in the B2B sector, satisfaction with complaint handling does not impact repurchase intent (Trawick and Swan 1981) or business customer share (Van Doorn and Verhoef 2008). Similarly, previous research has failed to establish a significant link between overall satisfaction and loyalty intent (Narayandas 2005; Rauyruen and Miller 2007; Taylor and Hunter 2003). Thus, we hypothesize the following:

H2: Satisfaction with complaint handling has a significantly weaker impact on loyalty behavior for B2B customers than for B2C customers.

3.3. The Effects of Switching Barriers on Loyalty Behavior

When satisfaction with complaint handling is below a reasonable level, customers may stay with their service provider if they judge that the switching barriers are high (Jones et al. 2000). In the present research, we argue that both B2B and B2C customers are sensitive to switching barriers, but their effects on loyalty after service recovery differ between B2B and B2C consumers, as developed below.

3.3.1. The Effect of Positive Switching Costs on Loyalty Behavior

Positive switching costs affect positively the loyalty intent of B2C customers (Jones et al. 2002; Patterson and Smith 2003). For instance, special benefits offered by firms are valued by customers as important drivers of loyalty (Gwinner et al. 1998). Lost performance costs (which are positive switching costs) have a stronger positive effect on repurchase attention than other types of switching costs (Jones et al. 2002). Both loss of special treatment and loss of friendly relationships (which are positive switching costs) are positively associated with the propensity to remain with the service provider (Patterson and Smith 2003). Similarly, loss of personal relationships positively affects loyalty intent (Burnham et al. 2003). Therefore, we hypothesize a positive link between positive switching costs and loyalty behavior in B2C context.

In the B2B context, the presence of a close personal relationship is assumed to protect an existing relationship from competitors (e.g. Berry 1995), which is has been confirmed empirically by several studies. For instance, Wathne et al. (2001) found that the presence of interpersonal relationships has a significant and negative impact on the tendency to switch in the context of B2B services. Recently, Yanamandram and White (2009) found that the cost of benefit loss was positively associated with repurchase intent. Also, special treatment makes business customers more likely to stay with service providers with whom they are dissatisfied (Tähtinen and Vaaland 2006; Yanamandram and White 2006). Positive switching costs are then assumed to affect positively loyalty behavior also in the B2B context. The magnitudes of these effects are lower in the B2B sector than in the B2C sector for the following reason. Since the quality of social relationship and the level of material benefits (i.e., preferential rates, special treatment or attention) are more normative and vary less in the B2B context (Wathne et al. 2001), business customers do not expect a considerable loss in terms of positive switching costs if they switch the current provider. We therefore propose:

> **H3a**: Following service recovery, positive switching costs have a stronger positive impact on loyalty behavior for B2C customers than for B2B customers.

3.3.2. The Effect of Negative Switching Costs on Loyalty Behavior

In the B2C context, the positive link between negative switching costs and loyalty intent has been documented. Procedural switching costs (a typical kind of

negative switching costs) increase customers' loyalty intent (Bell et al. 2005; Burnham et al. 2003; Chebat et al. 2011; Jones et al. 2002). Similarly, monetary loss costs (such as early termination fees) positively affect loyalty intent (Burnham et al. 2003).

In the B2B context, negative switching costs are measured in terms of the time, effort and/or hassle the customer anticipates when switching. As in the B2C context, prior research supports the positive link between negative switching costs and business customer loyalty intention (Heide and Weiss 1995; Lam et al. 2004; Ping 1993; Wathne et al. 2001). For instance, negative switching costs increase buyers' tendency to maintain relationships in high-technology markets (Heide and Weiss 1995), corporate financial service (Wathne et al. 2001) and the courier service industry (Lam et al. 2004). Consequently, we anticipate a positive link between negative switching costs and loyalty behavior in both the B2C and B2B contexts. We argue that the magnitude of the effects of negative switching costs on loyalty behavior will be higher in the B2B context, because B2B customers are supposed to be more rational, and thus more sensitive, to the economic loss incurred due to negative switching costs. Business customers tend to be more sensitive to the economic costs than to benefits (Bolton et al. 2008).

H3b: Following service recovery, negative switching costs have a stronger positive impact on loyalty behavior for B2B customers than for B2C customers.

3.3.3. The Effect of Perceived Alternatives on Loyalty Behavior

In the B2C context, some studies show that perceived alternatives influence customers' loyalty (Capraro et al. 2003; Colgate et al. 2007; Vázquez-Carrasco and Foxall 2006). However, most of the empirical evidence fails to confirm this intuitive link. For example, Patterson and Smith (2003) found that perceived alternative does not affect the propensity to stay in both the medical sector and hairdressing. Likewise, Jones et al. (2000) found no significant effect of alternatives on loyalty in both the banking and hairstyling/barber sectors.

In the B2B context, the extant literature suggests that perceived alternatives affect loyalty behavior. For instance, Ping (1993, 1994) reports that the presence of alternatives affects exit behavior when satisfaction is sub-standard. Giller and Matear (2001) showed that the perceived high quality of market alternatives leads to a higher likelihood of relationship termination. More recently, Yanamandram and White (2006) showed, through in-depth interviews, that the lack of attractive alternatives is the primary reason dissatisfied business customers stay with their service provider.

In accordance with the above research, we propose the following:

H4: Following service recovery, perceived alternatives affect negatively customers' loyalty, mostly in the B2B context but not in the B2C context.

4. Research Method

4.1. Sample and Data Collection Procedure

The data were collected from business and individual customers of a major Canadian telecommunications company. The service portfolio of this company includes high-speed Internet, phone services, IP-broadband services, information and communications technology services, and more. The telecom sector was selected for its high level of failure and because customer defection is a frequent problem (Edvardsson and Roos 2003; Van Doorn and Verhoef 2008). Since we want to compare post-recovery customer loyalty in B2B vs. B2C markets, we had to employ data collection from the same business domain. This approach allowed for a control of the effects of industry type.

The telecom company provided the addresses of randomly selected customers from both business and individual markets who had experienced a service failure and a recovery episode within the last year. These customers were then contacted by professional interviewers from a reputed research company and were invited to participate in a study on behalf of the telecom company. Depending on their readiness to participate, telephone interviews were carried out either immediately or later.

For the B2B group, the key informant was the senior executive, the senior manager, or the owner who was the key decision maker regarding the telecom service. For the B2C group, respondents were the household decision maker regarding telecom service.

During the telephone interviews, all participants were first screened to confirm that they had experienced a recent recovery episode. Then, through an open-ended question, they were asked to recall the last service failure and recovery episode experienced with the telecom firm. The remainder of the questionnaire incorporated scales reflecting the constructs in our framework. This retrospective procedure is consistent with prior research on service recovery (Bougie et al. 2003; Gregoire and Fisher 2008; Tax et al. 1998).

Our final sample consists of 260 usable questionnaires, that is, 140 B2C customers (response rate = 13%) and 120 B2B customers (response rate = 20%). The response rates in both groups were comparable to those reported in similar studies (Gregoire and Fisher 2008; Homburg and Fürst 2005; Lam et al. 2004).

The B2B sample was composed of small- and medium-size firms with an average of 24 employees (SD = 60). These firms belonged to a vast array of sectors: retail (20%), consulting (21%), manufacturing (12%), storage and transport (9%), banking and insurance (6%), health care (5%), culture and tourism (6%), and communication (4 %). The annual turnover was 26% less than $200 000, 39% between $200 000 and $999 999, and 34% more than $1 000 000.

33.6% of the B2C respondents were males, 63% were between 25 and 44 years old, and 73% had at least a college education. Interestingly, the demographic characteristics of the B2C and B2B respondents were very similar to the demographic characteristics of the initial sample provided by the telecom

company, which suggests that non-response bias is not a problem with the data (Armstrong and Overton 1977).

4.2. Measurement

Our measures are derived from current scales that have undergone prior psychometric testing. We used the same questionnaire for both B2B and B2C customers with minor adjustments to the wording of items, since previous research indicated that consumer scales could be transferred into the business context successfully (Durvasula et al. 1999). All items used a seven-point, Likert-type scale (1 = "strongly disagree" and 7 = "strongly agree"). The loyalty measure was based on the observed actual behavior provided by the telecom company's records. This approach enhances one's ability to draw causal inference and rule out common method biases as "one of the major causes of common method variance is obtaining the measures of both predictor and criterion variables from the same source" (Podsakoff et al. 2003), p. 887). The scale items (after purification) are presented in the Appendix.

The three dimensions of justice (distributive, interactional and procedural) were measured with a three-item scale based on the work of Tax et al. (1998) and Smith et al. (1999). Distributive justice included items such as "Overall, the outcomes I received from the telecom company were fair". Interactional justice included items such as "The employee(s) who interacted with me treated me with respect". Procedural justice included items such as "The telecom company quickly reacted to my complaint".

Satisfaction with complaint handling was measured with a four-item scale adapted from Tax et al. (1998) and Maxham and Netemeyer (2003) and included items such as “I was very satisfied with the handling of my complaint”.

Positive and negative switching costs were assessed with a seven-item scale derived from previous studies (Burnham et al. 2003; Jones et al. 2002). The positive switching costs scale included items such as “My telecom company provides me with special privileges I wouldn't receive elsewhere”, while the negative switching costs scale included items such as “It would take a lot of time and effort to go through the steps of switching to a new telecom company”.

Perceived alternatives were measured with a three-item scale adapted from Ping (1993) and Jones et al. (2000), including items such as “Compared to my current telecom company, there are other companies I would probably be equally satisfied with”.

Control variables were employed to limit possible confounds. We controlled for the effects of the severity and frequency of the failure as well as firm’s blame, since these variables were found to affect customer responses to service recovery in previous research (Gregoire and Fisher 2008; Homburg et al. 2010; Smith et al. 1999). Firm’s blame was measured by adapting a two-item scale developed by Russell (1982). Severity and frequency of the failure were measured with items adapted from Smith et al. (1999).

5. Findings

5.1. Assessment of the Measures

We performed a CFA on an eight-factor model including distributive fairness (3 items), interactional fairness (3 items), procedural fairness (3 items), satisfaction with complaint handling (4 items), positive switching costs (4 items), negative switching costs (3 items), perceived alternatives (3 items), and firm's blame (2 items). The model produced a satisfactory fit with a comparative fit index (CFI) of .93, a TLI of .91, a RMSEA of .05, and a chi-square of 517.36 (d.f. = 314, $p < .001$). All factor loadings (λ's) were large and significant (p's < .001), and all average variances extracted values exceeded or approached the suggested threshold of .502 for all constructs. Cronbach's alphas were also greater than or approaching the 0.7 guideline. In addition, all variance extracted estimates were greater than the corresponding inter-construct squared correlation estimate. Overall the CFA model indicated that our constructs possessed satisfactory psychometric properties. As a result, construct scores were calculated and used in the regression analyses. Table 1 reports the measurement statistics.

Common Method Bias. Self-report surveys are vulnerable to the inflation of correlations by common method variance (Podsakoff et al. 2003). In order to prevent the common method bias effect, we employed several procedural techniques suggested by Podsakoff et al. (2003). Specifically, we used well-

[2] Except for procedural justice, interactional justice and negative switching costs, for which a lesser but still acceptable value was obtained for the average variance extracted. Nevertheless, the scales were not modified because they have been previously validated.

established scales, assured respondents' anonymity, stressed that there are no right or wrong answers, used a counterbalancing question order, and tried to improve the scale items based on our-pre-tests to avoid item ambiguity. Also, we obtained measures of independent and dependent variables from different sources. Loyalty behavior was the observed actual behavior provided by the telecom firm's records.The other constructs are respondents' measures. This procedure is highly recommended by Podaskoff et al. (2003) and is the best to control for common method bias according to them.

-- Table 1 about here --

5.2. Hypotheses Testing

The effect of justice dimensions on satisfaction with complaint handling. We performed linear regression models for both the B2B and B2C groups; satisfaction with complaint handling was the dependent variable, and the three justice dimensions were the independent variables. As recommended by (West and Aiken 1991), we first entered the control variables (i.e., failure severity, failure frequency, and firm's blame) and then the independent variables. Based on collinearity diagnostics, multicollinearity was minimal in both regressions: variance inflation factors varied between 1.09 and 1.65 for the B2C group and between 1.05 and 1.44 for the B2B group, which is substantively below the 4 guidelines. Table 2 displays the standardized coefficients for the two groups. Overall, the three justice dimensions had significant positive effects on satisfaction

with complaint handling in both groups. In the B2C group, distributive justice had the highest effect in satisfaction with complaint handling (β = .498; p = .000), followed by interactional justice (β = .251; p = .001) and procedural justice (β = .166; p = .021). In the B2B group, distributive justice had also the highest effect in satisfaction with complaint handling (β = .492; p = .000). However, procedural justice had the second highest effect (β = .365; p = .000), then interactional justice (β = .158; p = .024). The control variables had no significant effects. Second, we performed a Chow test (Chow 1960) in order to test if the three justice dimensions have different impacts on B2B and B2C groups. The result of the Chow test indicated no significant differences between the regression model for the B2C group and the regression model for the B2B group (F (4,250) = .75, p = .56). In summary, the three justice dimensions have positive and significant effects on satisfaction with complaint handling, with similar magnitude for both B2B and B2C customers. H1 is supported.

-- Table 2 about here --

The effect of satisfaction with complaint handling and switching barriers on loyalty. To test H2, H3a, H3b and H4, we performed logistic regression models for both the B2B and B2C groups; loyalty behavior (a dichotomous variable) was the dependent variable, and satisfaction with complaint handling, positive switching costs, negative switching costs, perceived alternatives, and the three justice dimensions were the independent variables. The control variables (i.e.,

failure severity, failure frequency, and firm's blame) were entered first, as recommended by Aiken and West (1991), and then the hypothesized main effects. Table 3 displays the results for the two groups. The logistic regression analysis yielded a $\chi 2$- statistic significant at the 0.001 level for both groups. This result indicates that our model has significantly more explanatory power than a baseline model containing the intercept term only. In addition, the classification tables show that a very high percentage of the total cases were correctly classified (73.2% in the B2C group and 74.2% in the B2B group), providing further evidence of the goodness of fit of the model in the two groups.

H2 dealt with the influence of satisfaction with complaint handling on loyalty behavior. Satisfaction with complaint handling positively and significantly affects loyalty behavior in the case of B2C customers ($\beta = .341$; $p = .046$) but not in the case of B2B customers ($\beta = -.230$; $p = .227$). Thus, H2 is supported.

H3a dealt with the relative impact of positive switching on loyalty behavior in the B2B and B2C sectors. Positive switching costs negatively impact loyalty in the case of B2C customers ($\beta = -.611$; $p = .000$) but not in the case of B2B customers ($\beta = -.056$; $p = .701$). H3a is supported: positive switching costs affect loyalty significantly more in the B2C sector.

H3b dealt with the relative impact of negative switching on loyalty behavior in the two service sectors. Negative switching costs positively and significantly impact loyalty behavior only in the case of B2C customers ($\beta = .360$; $p = .007$), not in the case of B2B customers ($\beta = .170$; $p = .219$). H3b proposed

that the relation should be stronger for the B2B customers than for the B2C customers; we found the opposite. H3b is rejected.

H4 concerns the relative impact of perceived alternatives on loyalty behavior in the two sectors. Consistent with H4, perceived alternatives negatively and significantly affect loyalty behavior in the case of B2B customers (β = -.341; p = .002) but not in the case of B2C customers (β = -.231; p = .096).

In addition, we found that both distributive justice (β = .284; p = .046) and interactional justice (β = .341; p = .037) positively affect loyalty behavior in the case of B2B customers.

-- Table 3 about here --

The mediating role of satisfaction with complaint handling. We tested the potential mediation of satisfaction with complaint handling between justice dimensions and loyalty. We used the approach proposed by (Zhao et al. 2010) to test this mediation effect, which is an important tenet of the current service recovery literature in the B2C context. Table 4 reports the results.

In the B2C context, the indirect effects (through the mediation effects of satisfaction with complaint handling) of all three justice dimensions were significant on loyalty behavior, with a 95 confidence interval, excluding zero. However, none of the justice dimensions had a significant direct effect on the outcomes (all *p*'s greater than .10), which provides evidence of indirect-only

mediation, that is, a full mediation. These results further suggest that the omission of an alternative mediation is unlikely (Zhao et al., 2010).

In the B2B context, the indirect effects of the justice dimensions (through the mediation of satisfaction with complaint handling) were not significant on loyalty behavior. All three confidence intervals include zero. Yet, the direct effects of both distributive justice and interactional justice on loyalty were significant, which reflects the findings from our previous logistic regression analysis.

In summary, satisfaction with complaint handling mediates the relationships between all three justice dimensions and loyalty in the case of B2C customers not in the case of B2B customers.

-- Table 4 about here --

6. Discussion and Managerial Implications

6.1. Theoretical Implications

The present study is the very first to focus on the differences between B2B and B2C customers' behavioral reactions to service failure and recovery experience. Three justice dimensions impact satisfaction with complaint handling similarly in the two contexts. The remaining findings show contrasts between the two types of customers.

First, satisfaction with complaint handling mediates the relationship between justice and loyalty only in the B2C context. This mediation is a key element in the service recovery literature. We found no such mediation in the case of B2B customers, for whom there was a direct positive effect of interactional and distributive justice on loyalty but no main effect of satisfaction on loyalty.

Second, both positive and negative switching costs affect B2C customers' loyalty but have no such effects in the case of B2B customers. Third, perceived alternatives affect loyalty only in the B2B context. These findings have important theoretical and managerial implications.

Justice dimensions affect satisfaction with complaint handling similarly in B2B and B2C contexts

The three justice dimensions explain a high proportion of the variance of satisfaction with complaint handling: 54% in the B2C group and 63% in the B2B group, with distributive justice exerting the strongest effect for both B2B and B2C customers. This result corroborates the meta-analysis in service recovery in the B2C context (Gelbrich and Roschk 2011; Orsingher et al. 2010) and highlights the importance of offering customers a fair outcome in both contexts. Distributive justice is the most tangible dimension of justice and the easiest to assess. A fair outcome may make customers pay less attention to the procedures followed by the service provider and the behaviors of the employees. A lower level of procedural and interactional justices will have limited impact on the level of satisfaction with complaint handling compared to lower level of distributive justice.

Satisfaction with complaint handling does not affect B2B customers' loyalty

The link between satisfaction with complaint handling and loyalty differs significantly between the two types of customers. For B2C customers, satisfaction with complaint handling mediates the relationships between the three justice dimensions and loyalty; and this confirms the major role of satisfaction with complaint handling already established in previous research on service recovery (Ambrose et al. 2007; Davidow 2000; Maxham and Netemeyer 2002; (Gelbrich and Roschk 2011; Orsingher et al. 2010). However, this important foundation of the current service recovery literature does not hold in the case of B2B customers. Satisfaction with complaint handling has no significant effect on B2B customers' loyalty. This result is interesting, especially in light of the emphasis placed on satisfaction in the service failure literature, in particular, and in marketing, in general.

On the one hand, B2C customers' loyalty appears to be more emotional, since it is firmly linked to satisfaction with the complaint handling, which is consistent with Chebat and Slusarczyk (2005), who showed that B2C customers did not react to justice cues directly but through emotions.

On the other hand, B2B customers' loyalty appears to be more rational since they react to justice cues without the mediation of satisfaction. Their loyalty decision is directly influenced by interactional justice and distributive justice. This could be explained by the fact that satisfaction with complaint handling is an emotional reaction to the recovery process (Homburg and Fürst 2005), and it may

not necessarily reflect the long-term view of B2B customers and economic considerations. The interactional and distributive justices are more stable cues and contribute to making inferences about future outcomes and explaining the loyalty decision. A fair outcome not only counterbalances the economic loss following a service failure, but it is also a signal that the service provider is ready to "step in" and repair failure. A fair interaction is a signal that the service provider cares about its relationships and future business.

These findings corroborate the Self-interest Theory and Group Value Theory. The former suggests that interactional justice gives individuals confidence that they will receive fair outcomes in the future (Thibaut and Walker 1975). The Group Value Theory postulates suggests that interactional justice reveals what a firm thinks about its customers (Lind and Tyler 1988).

The differential role of switching costs and alternatives in the two contexts

Our findings show that switching barriers operates differently on post-recovery loyalty among B2B and B2C customers: positive and negative switching costs affect only B2C customers' loyalty, and perceived alternatives affect only B2B customers.

Negative switching costs have a positive effect on B2C loyalty. This finding mirrors those of other studies (Bell et al. 2005; Burnham et al. 2003; Chebat et al. 2011; Jones et al. 2002). It is easily explained by the fact that B2C customers' decision is motivated by personal needs and benefits. B2C customers

would be reluctant to leave an unsatisfactory relationship if they had to assume a high penalty and undergo hassle related to switching to a new service provider.

The link between positive switching costs and B2C loyalty is negative, which seems counterintuitive. Why would benefits and preferential treatment offered to customers lead them to exit their service provider after service failure and recovery? We propose the following explanation. On the one hand, high positive switching costs are perceived as cues that the service provider is committed to its customers and highly value this relationship. On the other hand, service failure and the recovery process send the message that this is not the case (the mean of satisfaction with complaint handling among B2C customers who exit the relationships was 2.68). Such contradictory messages from the service provider make the relationship look inauthentic. This sense of lack of authenticity could be a reason for exiting.

Perceived alternatives affect loyalty only among B2B customers. As expected, the higher the perceived alternative, the lower the loyalty, which is consistent with previous empirical research in both the B2C context (Jones et al. 2000; Patterson and Smith 2003) and the B2B context (Giller and Matear 2001; Ping 1994; Ping 1993). B2B customers remain loyal with the service provider who is able to provide needed services, given the set of alternatives, whatever the level of their satisfaction with the complaint handling.

The contrast we found between B2C customers whose loyalty decision is influenced by switching costs (not by alternatives) and B2B customers who are

influenced by alternatives (not by switching costs) can be explained by two theories: Prospect Theory (Kahneman and Tversky 1979) and Expected Utility Theory.

Prospect Theory states that people frame decisions based on the potential value of losses and gains rather than on the final outcome and that they use certain heuristics in order to evaluate these losses and gains. In other words, people decide which outcomes they see as identical, set a reference point, and then consider lesser outcomes as losses and greater ones as gains. As suggested by Prospect Theory, losses hurt more than gains feel good, which is called loss aversion (Kahneman and Tversky 1979). On the other hand, Expected Utility Theory assumes that rational agents care only about absolute, not relative wealth, and that they are indifferent to the reference point. Within the context of service failure and recovery process, B2C customers' decision regarding whether to stay with or leave their current service provider can be explained according to Prospect Theory, whereas B2B customers' process of decision making can be explained on the basis of Expected Utility Theory.

We can assume that B2C customers tend to set the reference point as the service offered by the current service provider. They consider switching costs as losses and the expected benefits from an alternative service provider as gains. Therefore, B2C customers, whose loyalty decisions are influenced by switching costs and not by alternatives, consider losses incurred from the switching costs more hurtful than potential gains from alternative offers. On the other hand, B2B customers, who are more rational agents, evaluate the absolute gain if they change

to an alternative service provider, regardless of the losses they might incur from the switching costs. Therefore, their loyalty decisions are influenced by alternatives, not by switching costs; and they tend to select those service providers who can maximize their long-term profitability.

6.2. Managerial Implications

The findings of our study provide the basis for useful recommendations to managers. Our key recommendation is that service providers serving both B2B and B2C markets should apply differents recovery strategies appropriate to each type of market, as B2B and B2C customers react differently to the service failure and recovery process.

We show that B2B customers are more rational decision makers. They base their post-recovery loyalty decision on rational heuristics (i.e., distributive and interactional justice and perceived alternatives). Therefore, managers responsible for complaint handling should have the authority to offer a fair compensation. The managers should pay attention to their interactions and communication methods during the recovery process. For example, it might adequate to have a face-to-face formal apology session instead of one via the telephone.

In the same vein, managers should be aware of the fact that B2B customers are sensitive to alternative offerings, and they should point out their competitive advantages to their customers, especially in highly competitive markets. Hence, service providers should represent their services and solutions not only in the most

economically effective way, but also in a very flexible way that could be tailored for the high standards and requirements of their B2B partners.

7. Limitations and Directions for Further Research

First, our methodology is based on the recall of service failures, which is common in the service failure and recovery literature. This approach may induce a certain recall bias. Although this bias cannot be completely eliminated, we surveyed only customers who experienced a service failure and recovery within the past twelve months. This timeframe is similar to that of previous studies (Chebat et al. 2011; Haj-Salem and Chebat 2013; Tax et al. 1998).

Second, we collected data from a single telecom company in order to reduce the variance attributable to sector or to company. Still, there is always some concern that results may be idiosyncratic to a firm or industry. Further research should try to confirm our findings in other service industries that have different structural and relationship properties.

Third, even if we control for the severity and frequency of failure, a longitudinal design would seem particularly appropriate to investigate the effects of several failures and to examine the effects of time on the differences and similarities between B2B and B2C customers' post-recovery behaviors. Also, it would be useful to conduct a scenario-based experiments study to replicate our results.

Finally, other variables beyond the scope of this research may be of importance in explaining post-recovery loyalty, such us emotions (Chebat and

Slusarczyk 2005), trust, and commitment (Morgan and Hunt 1994; Tax et al. 1998). Further research should clarify the effects of these variables on post-recovery loyalty for both B2B and B2C customers. Future research could also investigate the potentially different effects of service recovery on non-transactional B2B and B2C customers' behavior, such as WOM and engagement, as the consequences of service recovery go beyond loyalty(Van Doorn et al. 2010).

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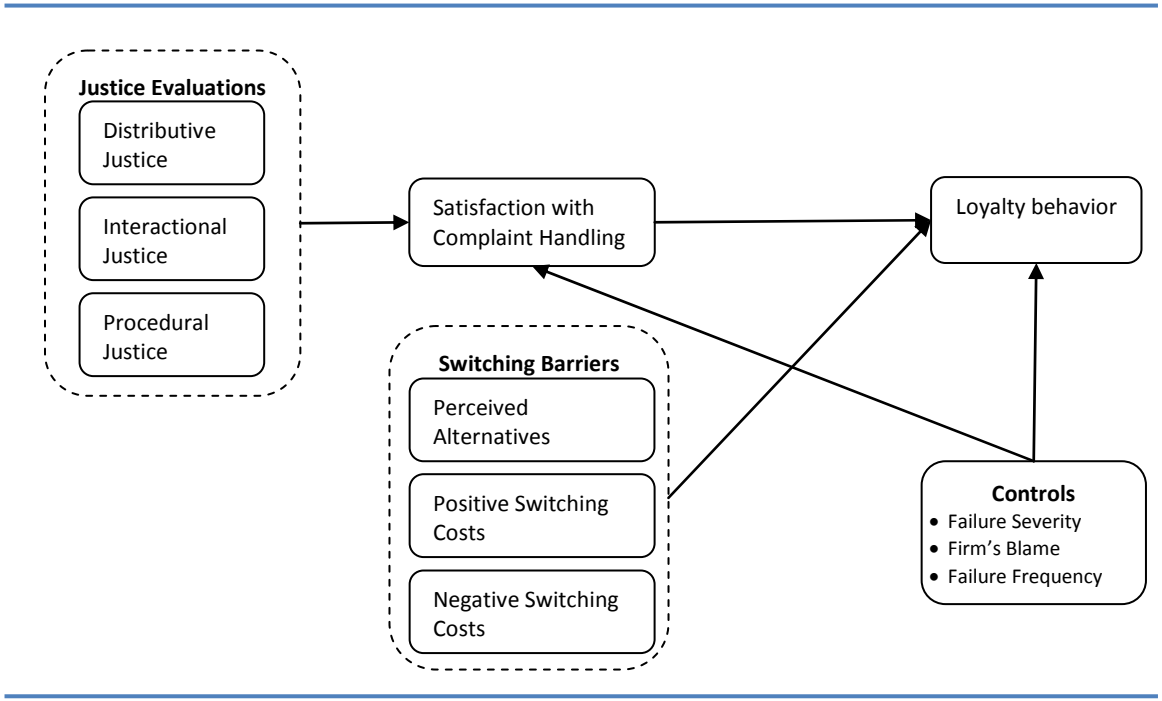
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Figure

Figure 1: Conceptual Framework.



Tables

Table 1: Scale Statistics: Means, Standard Deviations, Measure Reliabilities, Average Variances Extracted, and Correlations.

Variables	M	SD	MR	AVE	1	2	3	4	5	6	7
1. Distributive justice	3.77	2.07	.80	.57							
2. Interactional f justice	4.62	1.77	.73	.48	.47						
3. Procedural. justice	3.06	1.77	.72	.47	.41	.73					
4. Satisfaction with complaint handling	3.15	1.85	.84	.57	.83	.66	.64				
5. Positive switching costs	3.26	1.90	.86	.60	.07	.00	.13	.05			
6. Negative switching costs	4.00	1.73	.65	.40	.03	-.08	-.02	-.04	.54		
7. Perceived alternatives	5.01	1.70	.78	.54	-.16	-.19	-.17	-.27	-.29	-.29	
8. Firm blame	4.81	1.90	.53	.37	.06	-.22	.02	-.02	.26	.17	.17

Notes: MR = easure reliability, and AVE: average variances extracted.

Table 2: The Effects of Justice Dimensions on Satisfaction with Complaint Handling.

	B2C ***β***	**B2B** ***β***	**B2C and B2B together** ***β***
Control variables			
Failure severity	-.009 (p = .884)	-.066 (p = .270)	-.050 (p = .233)
Failure frequency	-.060 (p = .337)	.021 (p = .719)	-.030 (p = .480)
Firm's blame	-.004 (p = .947)	-.004 (p = .952)	-.021 (p = .619)
Main effects			
Distributive justice	.498 (p = .000)	.492 (p = .000)	.495 (p = .000)
Interactional justice	.251 (p = .001)	.158 (p = .024)	.198 (p = .000)
Procedural justice	.166 (p = .021)	.365 (p = .000)	.267 (p = .000)
$\mathbf{R^2}$	.54	.63	.58

Table 3: The Effects of Satisfaction with Complaint Handling, Perceived Alternatives, Switching Costs and Perceived Justices on Loyalty Behavior.

	B2C ***β***	**B2B** ***β***
Control variables		
Failure severity	-.507 (p = .060)	.494 (p = .017)
Failure frequency	-.296 (p = .114)	-.393 (p = .037)
Firm' blame	-.114 (p = .471)	.091 (p = .566)
Main effects		
Satisfaction	.341 (p = .046)	-.230 (p = .227)
Perceived alternatives	-.231 (p = .096)	-.341 (p = .022)
Positive SC	-.611 (p = .000)	-.056 (p = .701)
Negative SC	.360 (p = .007)	.170 (p = .219)
Distributive justice	-.051 (p = .951)	.284 (p = .046)
Interactional justice	-.221 (p = .802)	.341 (p = .037)
Procedural justice	.088 (p = 1.092)	-.088 (p = .559)
Pseudo R^2	**.36**	**.30**

R2: Nagelkerke R Square

$\chi^2_{B2C} = 42.86$; $df_{B2C} = 9$; $p_{B2C} = .000$; $\chi^2_{B2B} = 26.36$; $df_{B2B} = 9$; $p_{B2C} = .001$.

Table 4: Table 4: Mediation Testing -Bootstrap Results for Indirect Effects.

Indirect effect of IV on DV through the mediators	Mean indirect effect (*ab* paths)	Bias corrected 95% confidence intervals
B2B context		
Distributive justice → SATCH → loyalty	-.0054	[-.2328; .2163]
Interactional justice → SATCH → loyalty	.0345	[-.1341; .2700]
Procedural justice → SATCH → loyalty	.1046	[-.0620; .3527]
B2C Context		
Distributive justice → SATCH → loyalty	.1902	[.0047; .3852]
Interactional justice → SATCH → loyalty	.1754	[.0367; .3512]
Procedural justice → SATCH → loyalty	.1443	[.0206;.3178]

SATCH: Satisfaction with complaint handling

Appendix: Constructs and Items

Constructs and Items	Std. loading (λ)
Distributive fairness (α=.79)	
To what extent do you agree with the following statements?	
• I got what I deserved.	0.71
• Overall, the outcomes I received from the telecom company were fair.	0.84
• In the handling of the failure, the telecom company gave me exactly what I needed.	0.70
Interactional fairness (α=.75)	
The employee(s) who interacted with me...	
• Communicated honestly with me.	0.63
• Treated me with respect.	0.60
• Treated me with empathy.	0.83
Procedural Fairness (α=.71)	
To what extent do you agree with the following statements?	
• The telecom company quickly reacted to my complaint.	0.63
• In the handling of the failure, the telecom company was flexible in the way it responded to my concerns.	0.60
• The telecom company gave me an opportunity to have a say in the handling of the problem.	0.80
Satisfaction with complaint handling (α=.83)	
• The company did everything you expected of them to solve your problem.	0.76
• The complaint was not handled as well as it should have been. (reverse scored)	0.78
• I was very satisfied with the handling of my complaint.	0.68
• I was not happy with the complaint handling of the telecom company. (reverse scored)	0.78
Negative switching costs (α=.63)	
If I had to change may telecom company soon…	
• It might be a real hassle.	0.48
• It would take a lot of time and effort to go through the steps of switching to a new telecom company.	0.65
• I would have to learn how things work at a new one.	0.73

Appendix: continued

Constructs and Items	Std. loading (λ)
Positive switching costs (α=.87)	
• My telecom company provides me with special privileges I wouldn't receive elsewhere.	0.79
• By continuing to use the same telecom company, I receive certain benefits that I would not receive if I switched to a new one.	0.79
• There are certain benefits I would not retain if I were to switch my telecom company.	0.78
• I would lose preferential treatment if I change my telecom company.	0.73
Perceived alternatives (α=.78)	
If I had to change may telecom company soon…	
• There are other good telecom companies to choose from.	0.84
• Compared to my current telecom company, there are other companies I would probably be equally satisfied with.	0.76
• I would probably be happy with the products and services of another telecom company.	0.58
Firm's blame (α=.50)	
• The telecom company was responsible for the failure.	0.62
• The failure can happen anytime in the future with this telecom company.	0.59

Control variables. We also included two other control variables (besides anger and firm's blame) in the survey instrument. Specifically, we included one question to access each of the following control variables:

1. Failure severity: How important was the service failure you just described? Not important at all (1) – very important (7).
2. Failure Frequency: Have you ever had any other service failures with the telecom company? Never (1) –very often (7).

CONCLUSION

L'examen de la littérature sur l'échec et la récupération de service nous a permis de dégager deux lacunes majeures. Premièrement, l'absence de recherche sur les effets des coûts de transfert dans un contexte d'échec de service et de mauvaise récupération, source principale de la défection des clients. Deuxièmement, l'absence de recherche sur la réaction des clients B2B face à un échec et une récupération de service. Ce constat nous a amenés à formuler deux questions de recherche : comment réagissent les clients aux coûts de transfert suite à un échec et une mauvaise de service? Comment réagissent les clients B2B suite à un échec et une récupération de service?

Le premier article s'attache à répondre à la première question. En se fondant sur l'*Appraisal Theory of Emotions* (Lazarus 1991), nous avons développé un modèle expliquant l'effet des coûts de transfert sur la rétention et sur le désir de vengeance des clients suite à un échec et une mauvaise récupération de service. Ce modèle tient compte pour la première fois dans la littérature des réactions émotionnelles face aux coûts de transfert et intègre le désir de vengeance comme conséquence néfaste liée à l'usage de ces coûts. Pour valider ce modèle, nous avons collecté des données sur le terrain auprès de clients d'une grande firme canadienne de télécommunications et avons mesuré le comportement réel de loyauté de ces clients. Les résultats montrent que, suite à un échec de service et une mauvaise récupération, les clients réagissent aux coûts de transfert émotionnellement et irrationnellement. Contrairement à la croyance

communément admise dans le milieu académique, nos résultats démontrent que les coûts de transfert négatifs génèrent à la fois la défection et un désir de vengeance. En ce sens, ils agissent comme un « poison » dans la relation client-fournisseur de service. Paradoxalement, les coûts de transfert positifs constituent une « lame à double tranchant » : s'ils génèrent de la rétention, ils conduisent aussi à un désir de vengeance plus exacerbé. En termes d'implications managériales, ce premier article invite les gestionnaires à réviser leur usage des coûts de transferts en tant qu'outils de rétention des clients.

Le deuxième article initie l'étude de la réaction des clients B2B face à un échec et une récupération de service. Trois questions sont posées : comment les clients B2B évaluent-ils la réponse du fournisseur de service à leurs plaintes? Quels sont les facteurs qui expliquent la décision des clients B2B de continuer ou de mettre fin à la relation avec leur fournisseur de service après un échec de service et une récupération? Les clients B2B réagissent-ils différemment des clients B2C suite à une expérience de récupération de service? Pour apporter des éléments de réponse à ces questions, nous avons réalisé une étude en contexte réel auprès de clients B2B et de clients B2C ayant expérimenté un échec et une récupération de service auprès d'une même compagnie de télécommunications. Les résultats mettent en avant trois éléments majeurs : (1)- les clients B2B et les clients B2C se comportent de manière différente suite à un échec et une récupération de service ; (2) – les clients B2B forment leurs décisions de quitter ou non le fournisseur de service sur des heuristiques rationnelles; (3) - les clients B2C forment leurs décisions de quitter ou non le fournisseur de service sur une base

principalement émotionnelle. Sur le plan des implications managériales, ce deuxième article invite les gestionnaires à concevoir des stratégies de récupération appropriées aux besoins de chaque type de client (B2B vs. B2C).

Ainsi, cette thèse apporte un éclairage spécifique sur les échecs et récupérations de service et confère une contribution significative à la littérature en gestion de la relation client. Elle conduit également à la formulation de précieuses recommandations managériales destinées à l'optimisation des stratégies de rétention des clients.

Finalement, les quatre contributions majeures de ce travail doctoral résident dans :

- La mobilisation de l'*Appraisal Theory of Emotions* pour expliquer l'effet des coûts de transfert suite à un échec de service et une mauvaise récupération;
- La mise en exergue de comportements paradoxaux et néfastes qui peuvent être engendrés par les coûts de transfert suite à un échec de service et une mauvaise récupération ;
- La validation empirique d'un modèle intégrateur permettant de mieux comprendre le comportement de loyauté des clients B2B suite à un échec et une récupération de service;
- L'identification des différences et similitudes entre clients B2B et clients B2C, relatives à leurs réactions face à un échec et une récupération de service.

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