The Impact of Unprofitable Customer Abandonment on Current Customers’ Exit, Voice, and Loyalty Intentions: An Empirical Analysis

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Abstract
To manage relationships of unprofitable customer and mainly divesting is the area has receiving growing attention between researchers and practitioners over the past few years. The aim of paper is to explore the influence of abandonment of unprofitable customer on existing customers of abandoning firm, specially their exit voice and loyalty intentions. For the first time this study examines that how current customer that a company want to keep along reacts towards termination of unprofitable customer’s relationship. As a result, insights have been provided with regard to cost associated with the abandonment of unprofitable customer relationship a problem that has not been the focus of any empirical study nowadays. This is mainly an empirical study and a scale was settled to know the influence of constructs comprising; relational and structural constraints on exit, voice and loyalty intentions. The survey was circulated among the participants based on convenience sampling. Data were analyzed using correlation and regression analysis to assess the impact of abandonment of unprofitable customer on existing ones of abandoning firm. Study show that existing customers are more inclined and actively respond to abandonment of unprofitable customer in terms of exit/voice than passively through loyalty silence. Moreover, this indicates that current customers are less likely to limit the potential negative consequences, abandon unprofitable customer switching costs increase or satisfied.

Keywords: Customer relationship management; Relationship marketing; Unprofitable customer abandonment; Relationship dissolution

Introduction

The thought of (divesting) is extremely rare and uncommon in today’s marketplace. Best Buy a famous retailer of consumer electronics declared a program they named “Devil and Angel,” containing advancements in offering and outlet layout in order to keep dispirit not profitable ones from denigrating towards their stores [1]. Given that most of the saturated markets, 30 per cent of the customer leaves by breaking relationship with their company in a year [2,3]. It is known among services marketers that having loyal customers, not solely focusing on acquiring customers is extremely important for service firms [4]. As concern towards having customer, large body of research proves that good superiority of service [5,6], quality of relationship [7,8], and satisfaction from service [9] can have substantial influence on customer intentions to remain with a company. When company going to abandons their customers then they might face direct loss in form of losing customers due to several issues that leads towards low profitability, revenue, reduction in market share and indirect loss in the situation, whenever customer churn occurs (dissatisfied customers have worse impacts on satisfied or current customers), Much evidence has been produced that groups influence members’ behavior. The managing and organizing of current customer base and relationships and particularly influence of abandonment of customer on existing customer is area that has receiving growing attention amongst researchers and practitioners over the past few years [10].

Customer satisfaction measures are used as a tool by number of companies to evaluate their performance. The rationale for this belief views that churn directly follows by low customer satisfaction will increase the probability of customer to break the relationship with company and thus have negative impacts on profitability. Although, there are number of studies shows that merely measuring customer satisfaction is not enough and can be confusing. On average scale a company have 84 per cent satisfied customers, only 41 per cent loyal customers and 60-80% of customers will claim to be satisfied and then leave [11]. The matter doesn’t close here, only dissatisfied customer leaves or break relationship with company and have negative impact on satisfied or current customer [10]. According to sociologists and social psychologists humans are influenced by others [12].

Thinking differently from the unprofitable customer’s angle, it looks as shocking and depressing – due to negative WOM two situations might be resulted. Based on whole sum of leaving consumer, this negative WOM might also produce consideration among the public. Furthermore, this ray come up with more unfavorable outcomes for the company, and not limits to the loss of other profitable customers that a firm wants to keep. Current study intends to provide input in this field as until now, such mechanism has not been properly explored.

With similarity to our study a little distinction, customer abandonment is the area that has been investigated with objective of hearing current customer behavioral and attitudinal response towards unprofitable customer abandonment is necessary especially when estimating lifetime value of customer in order to keep away from biased and unfair results [13-15]. Haenlein and Kaplan [16] look into the attitudinal and behavioral reactions to unprofitable customer abandonment. Haenlein and Kaplan [17] compare the effectiveness of different types of abandonment strategies. Unsurprisingly, the idea

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Received October 21, 2016; Accepted November 02, 2016; Published November 10, 2016

Citation: Husnain M (2016) The Impact of Unprofitable Customer Abandonment on Current Customers’ Exit, Voice, and Loyalty Intentions: An Empirical Analysis. J Account Mark 5: 203. doi: 10.4172/2168-9601.1000203

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of “firing” unprofitable customers also received considerable attention in managerial journals [18,19]. Due to contextual constraints, and this study trying to explore this phenomenon in telecom sector in south Asian context like Pakistani telecom firms applying abandonment strategies. Current study plans to develop this area by emphasizing the influence of leaving or abandoning on existing one. The purpose of the research is twofold: In First part, we investigate how leaving or abandoning individual views effect current customer intentions in terms of exit, loyalty, and voice. Second, we investigate how relational constraints and structural constraints affect these intentions. For the sake of this, this work signifies an initial effort toward assessing possible cost linked indirectly with unprofitable customer abandonment (Figure 1).

**Literature Review**

The composition of this study based on theoretical framework, represents literature of exit-voice loyalty theory of Hirschman’s [20] with literature on social influence. Business a circumstance in which there is stress to consider customer like “king,” latest reports is that a firm ends relationships with who is not profitable seems as betrayal of “natural” customer privileges. According to Hirschman, community reacts to such behavior which seems dysfunctional of divesting firm in three basic ways: quit, raise voice, and remain loyal. Most basic and first underlying supposition is that existing customer response toward abandonment can be fixed in the similar direction.

Moreover, it is assumed that the reactions existing customer show toward abandoned customer not same in all conditions but it varies depends on strength of association among current and leaving customer in this examination. Naturally, existing customer should be expected to behave in different way toward divesting of a seldom interaction with friend or coworker than sibling or spouse. Mark Granovetter a sociologist was among the pioneers who setvariances in affiliations by familiarizing conception as “tie strength” which operationalizes as “a arrangement of emotional intensity, the total time by someone and the closeness which leads describe tie” [21]. It is frequently investigated since from Granovetter in the field of management and general marketing literature like WOM referring behavior [22] interpersonal resemblance of brand [23]. Evident from the prior work in literature we come up with supposition that emotional attachment can play a significant task in response to abandonment of unprofitable.

Three constructs are used within this general conceptual framework to describe the reaction towards unprofitable customer abandonment. These constructs includes exit intention, an intention not to shop or buy the firms offerings [20]; voice intention, an intention to show disappointments to some authority or directly towards management of a company or simply through protest in front of care takers [20]; finally loyalty intention, an intention with expectation that something happens to solve the problems by maintaining substantial attachment with organization [20].

Furthermore, we are trying to examine the role of structural restraints (switching cost, attractiveness of the best alternative) and
relationship characteristics (overall satisfaction) for producing these reactions. Overall satisfaction defined as post-choice judgment of particular buying experience [24]; attractiveness of the alternative as the customer perceived the best alternative possible association [25]; cost of switching relationship as the cost related with establishing an alternative and quitting the existing relationship [25]. Furthermore, we examine the influence of strength tie procedures, defined as emotional intensity or degree of nearness of affiliation between the existing customer under examination and abandoned customer [26]. We will develop a series of comprehensive hypotheses in the subsequent segment describing the association among these variables.

Hypothesis development

The antecedents regarding to intentions, it is predicted that perceived value of relationship increase due to rise in satisfaction level and cost to switch for others. Current customer get motivated and might react favorably to relationship crisis and trying to agree on a solution, more they may be reluctant to go out because it seems not a good decision [20,27,28]. Similar findings has remained and empirically established by previous study of ping [25] in which he establish a favorable association among voice intention and satisfaction with negative among exit intention and cost of switching/satisfaction in study regarding response intentions of retailer to suppliers. It is expected that existing clients may exert little resistance towards problems to raise in attractiveness of new relationship and brought motivation to take right decision of either bringing their relationship partner for discussion of the problem or simply quit the relation in this regard. Similar findings of past empirical studies like Rusbult et al. [28], found a favorable association among exit/voice intention and alternative attractiveness and negative among loyalty intention and alternative attractiveness. Combining this discussion leads to following hypothesis:

H1. High switching cost and satisfaction leads: high voice, high loyalty and low exit in towards abandonment of not profitable customer.

H2. High alternative attractiveness leads: high voice, low loyalty and high exit towards abandonment.

According to Hirshman [20], that there is a flow among these intentions in a manner that firstly respondents passively behave towards relationship conflicts with loyalty rather than attempt to solve problem via raising voice. Same are findings of the Hibbard et al. [29], argued that there is negative association among voice and loyalty, also examined effect of damaging actions in suppliers relationships and found inverse association among constructive discussion/venting (voice) and passive acceptance (loyalty). Ping [30] also confirmed and finds a negative association among voice and loyalty. The conflict would not be more and voice would be considered as an alternative to conflict, if handled properly leads to solution on which they are agree. On other hand, provided that it doesn’t, exit might be likely to follow voice, based on earlier work in interactive relationships recognizes attributional clash (voice) as predictor disintegration of relationship [31]. Suggests there is an inverse association among exit and voice come up with the following hypothesis:

H3a. Higher the loyalty leads to low levels of voice towards abandonment of customer.

H3b. Higher the voice leads to low levels of exit towards abandonment.

Another assumptions regarding tie strength that all relationship mentioned in above all hypothesis would never be similar in all conditions but comparatively dissimilar depends on strengthens or attachment among current and abandoned one. To justify such thinking at least three reasons can be used: First, according to [22] that info comes from close relations impacts more strongly decision making as compare to info received from not very close sources. Connected to the situation, this suggests that divesting of close-tie association may as well expedite more extreme responses as compare to weak-tie. Next, individuals connected by close-tie have a tendency with similar traits [32], similar preference regarding brands [23]. The risk of abandonment would seems to be more accordingly and prominent to the existing customer due to abandonment of close tie contact. Another, divesting or abandoning of close-tie would be a cause of evoking ego vs. other intensive emotional feelings [33] that can be predicted to stimuli different reactions. All these leads towards following:

H4. Emotional attachment between abandoned and existing customer leads to higher loyalty, high voice and low exit intention.

Research Methodology

In line with the study objectives, a causal relationship is hypothesized between the variables of interest independent variable and dependent variables. Therefore; data collection and analysis for further interpretation and recommendations were made through the following means and procedures.

No changes or external modifications will be introduced by the researcher in natural work settings (organizations) from where the responses are sought from the respondents (customers) through questionnaire. In this manner, the study is field experiment of obtaining first-hand information from the respondents in organizational settings. The study was cross sectional in nature where responses were obtained from the respondents only once i.e. at one point in time.

Data collection procedure and measurement scales

Operationalization of the constructs regarding attractiveness of alternative, switching cost and service satisfaction were examined as recommended by Ping [25]. Items were tailored as according to context for exit and loyalty intentions also used by [28]. Hibbard et al. [29] emphasize regarding voice intention that there is a significant difference among venting or in the form of constructive discussion. This study emphasizes on venting, because there is millions of customer and cellular companies have low likely chance to go and deal with each one to change their policies. Thus, voice intention items covering venting composed by Hibbard et al. [21] along with items composed by Rusbult et al. [28]. Frenzen and Davis [34] followed for the operationalizingtie strength, association, intimacy and support used in this regard. Except tie strength all items were measured on five point Likert scale as suggested by Cox [35] with response cues labels strongly disagree to strongly agree. An experiment was carried out for the sake of data collection by involvement of respondents and asked to read and understand scenario comprises phone call conversation in which various manipulations regarding abandonment strategy and tie strength shown. For the operationalization of tie strength a combination of three measures are applied as used by Brown and Reingen [22]: importance attached to the relation, nature of social association (close friend, neighbor, or acquaintance), and how frequently they communicate. Significance to the relationship along with frequency of communication and duration of interaction was also used by Reingen and Kernan [36]. Based on this logic, combination
of five matrix of importance attached to the social relation, frequency of communication and frequency of communication were formed, coding five levels tie strength. The text of the program, and then continue with the respondent’s current mobile phone provider’s description of the specific circumstances, the implementation strategy, directly or indirectly, adversely affect abandon this particular friends/acquaintances (Appendix 1 and 2).

**Data Processing and Analysis**

Data will be processed through statistical tools (both descriptive and analytical). Descriptive statistics will be expressed and analyzed through frequency distribution, mean, standard deviation, median, range and skewness of data. Before processing data, the issue of multicollinearity will be identified for possible remedies and modifications.

**Demographics**

These situation depictions were utilized for information gathering around 248 respondents affiliated with different universities in the capital city of Islamabad, Pakistan. Additionally, open-ended in-depth interviews to 27 people were conducted regarding the processes underlying such mechanism of unprofitable customer abandonment. Their discussion to explore the phenomena was formalized and incorporated in discussion phase of this paper.

Table 1 summarizes Demographics of participants, majority of them are in age of: hundred, to 24% female. Majority, (ninety seven percent) were under forty, 92 percent among the respondents are unmarried.

**Correlations analysis**

We calculated for each variable’s mean and standard deviation, and created a hypothesis test all the variables used in the correlation coefficient matrix. Mean, standard deviation, reliability, and for analysis of all the correlation between scales shown in Table 2. The whole structure of the variables analyzed using Cronbach alpha reliability scores, and tested Cronbach alpha values of all variables recommended, the lowest level above 0.70. Analysis of Table 1, we can see that satisfaction was negatively correlated with intention to exit P<0.01 level, switching costs and exit intention is P<0.01 level was negatively correlated, alternative attractiveness and exit intention positive correlation level P<0.01 and affection and exit intentions were negatively correlated, P<0.01.

**Regression analysis**

For the regression analysis we carried out several hierarchical regression to test the effect of independent variables on dependent variables (Table 3).

Hypothesis 1 stated that High switching cost and satisfaction leads: high voice, high loyalty and low exit in towards abandonment of not profitable customer. We run regression analysis to test this hypothesis. And the result shows that Satisfaction, Switching cost and Emotional Attachment had significant (ρ<0.05) positive effect on loyalty intentions (β=0.31, 0.419 and 0.594 respectively). The β value shows that one unit increase in Satisfaction, Switching cost and Emotional Attachment will bring 31, 41.9 and 59.4 percent increase in loyalty intentions respectively. The result shows that Alternative Attractiveness had significant (ρ<0.05) negative effect on loyalty intentions (β=–0.419). The β value shows that one unit increase in Alternative Attractiveness will bring 21.6 percent decrease in loyalty intentions (Table 4).

Hypothesis 2 stated that High alternative attractiveness leads: high voice, low loyalty and high exit towards abandonment. We run regression analysis to test this hypothesis. And the result shows that Satisfaction, Switching cost and Emotional Attachment had significant (ρ<0.05) positive effect on Voice intentions (β=0.167, 0.642 and 0.647 respectively). The β value shows that one unit increase in Satisfaction, Switching cost and Emotional Attachment will bring 16.7, 64.2 and 64.7 percent increase in voice intentions respectively. The result shows that Alternative Attractiveness had significant (ρ<0.05) negative effect on voice intentions (β=–0.31). The β value shows that one unit increase in Alternative Attractiveness will bring 31 percent decrease in voice intentions (Table 5).

The result shows that Satisfaction, Switching cost and Emotional Attachment had significant (ρ<0.05) negative effect on Exit intentions (β=–0.511, -0.436 and -0.747 respectively). The β value shows that one unit increase in Satisfaction, Switching cost and Emotional Attachment will bring 51.1, 43.6 and 74.7 percent decrease in exit intentions respectively. The β value shows that one unit increase in Alternative Attractiveness will bring 31, 41.9 and 59.4 percent increase in loyalty intentions (β=0.31, 0.419 and 0.594 respectively). The β value shows that one unit increase in Alternative Attractiveness will bring 21.6 percent decrease in loyalty intentions (Table 4).

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Discussion and Theoretical Implications

Three findings are important to interest regarding this study. First, existing customers are feels uncomfortable and are likely to penalize firm who abandons relationships that are unprofitable. Currently there are a considerable number of customers likely to respond positively to either abandon unprofitable customers opt to give up the relationship between firm and protest, raise the voice against such behavior, not passive behavior through loyalty and silence. The significance of such thinking has theoretical importance as it entails that the manner in which a firm under the umbrella of customer relationship management treats one customer can have influence on the other customer reactions. Prior studies in the field of customer relationship management has primarily examines the customer responses against the company’s activities directing to them. Current study provides a signal that it might be too narrow to view from this angle and One of the company to treat customers the way, A may affect the customer B, C, D as well.

Secondly, the relationship between current customer and the abandoned customer seems to be independent from the emotional attachments under investigation. On the basis of results, it appears that existing perceive divesting abandonment of a strong-tie contact more than that of weak-tie relationship. From theoretical viewpoint this indicates that certain effects of CRM strategies cited earlier may be not restricted to close social circle. Social enrichment theory or social balance theory from sociology are of particular importance to explain their occurrence in this regard. The findings depict that firing is related to substantial unintended cost of abandonment and should not be undertaken whenever valuing benefits of such plan. Third, as compare to the negative outcomes stated earlier, results also implies that some customer may see the abandonment as something good and positive, and this was also expressed by interviewees during the study. However, towards abandonment exit and voice are more likely responses, still loyalty intentions at medium level is maintained. The rationale behind such thinking depicts that most of the customer either aims to stay loyal with their existing cellular company due to quality of service […. Because it is the only one in the area to provide services], utility intensification (personally)[…. I only react when their program affects me], or inertia […. I am with them so long]. But there is also a slag of customers who respond favorably to abandonment of unprofitable customers as they tend to believe that the cost will be re-save the unprofitable investment on the existing relationship of their own […. My cellular company will not raise the rates because of unprofitable customer]. Combined all these implies that unprofitable customer abandonment have added benefits beyond to those debated in earlier work by Haenlein et al. [37].

Implications for managers

These findings have at least two managerial implications. First, companies must develop a clear understanding before applying their abandonment decision by estimating the consequences and net benefit of such strategy. It seems to be positive in a way that firms may enjoy benefits to keep safe from future fatalities from serving customers that are no more profitable – known as true option value of divesting of such strategy. It seems to be positive in a way that firms may enjoy benefits to keep safe from future fatalities from serving customers that are no more profitable – known as true option value of divesting of not profitable [37]. Moreover, abandoning unprofitable customers can enhance the firm image in the eyes of some existing customer. Negative point is the cost that directly linked with divesting (e.g. ufone apply decision regarding cancellation of all outstanding balances for those they decided to terminate the contract with) and cost associated with involuntary loss (exit) and by negative Word-of-Mouth (voice) of existing customers. For managers, cost-benefit analysis is advised and they have to think rationally and take decision regarding in against or favor abandonment of unprofitable customer. Even from…

| Model | Unstandardized Coefficients | Standardized Coefficients | T | Sig. |
|-------|-----------------------------|---------------------------|---|-----|
|       | B                           | Std. Error                | Beta |     |
| 1     | (Constant)                  | .835                      | .068 | 12.311 | .000 |
| SAT   | .326                        | .035                      | .310 | 9.281  | .000 |
| SC    | .659                        | .032                      | .419 | 52.469 | .000 |
| AA    | -.635                       | .041                      | -.216 | 40.000 | .000 |
| EA    | .547                        | .046                      | .594 | -55.269 | .000 |

Dependent Variable: LI

**Table 3: Regression analysis.**

| Model | Unstandardized Coefficients | Standardized Coefficients | t | Sig. |
|-------|-----------------------------|---------------------------|---|-----|
|       | B                           | Std. Error                | Beta |     |
| 1     | (Constant)                  | -1.494                    | .091 | -16.401 | .000 |
| SAT   | .151                        | .047                      | .167 | 3.194  | .002 |
| SC    | .641                        | .042                      | .642 | 15.100 | .000 |
| AA    | -.357                       | .055                      | -.310 | -6.499 | .000 |
| EA    | .883                        | .062                      | .647 | 14.282 | .000 |

Dependent Variable: VI

**Table 4: Regression analysis.**

| Model | Unstandardized Coefficients | Standardized Coefficients | t | Sig. |
|-------|-----------------------------|---------------------------|---|-----|
|       | B                           | Std. Error                | Beta |     |
| 1     | (Constant)                  | -.501                     | .011 | -47.363 | .000 |
| SAT   | -.370                       | .005                      | -.511 | 67.693 | .000 |
| SC    | -.351                       | .005                      | -.436 | -71.216 | .000 |
| AA    | .222                        | .006                      | .240 | 34.889 | .000 |
| EA    | -.022                       | .007                      | -.747 | 114.475 | .000 |

Dependent Variable: EI

**Table 5: Regression analysis.**
the relationship with any type [31], to exit unprofitable customer relationships may result in adverse consequences should reflect the other is just a business decision.

After the implementation of such decision, a firm should closely monitor the social media and other forums in order to check their reactions. For a variety of new social and digital platforms (such as YouTube, Facebook and Wikipedia) gives an opportunity to customers to express and exchange their views. This new form of electronic WOM has brought up with new challenges that should handle accordingly [38]. The association among existing customer and abandoned one in this inquiry may not have substantial impact on response towards customer abandonment. This indicates the existing customer might show similar response, whether or not they come to know about decision of a firm regarding divesting during exchange of views with friend or through internet. In conceptual framework, relationships identified propose that increasing switching cost or satisfaction among existing customer is not likely to limit the inverse outcomes of firing. Neither of these constructs shows a significant impact on exit, voice and loyalty. Only the best alternative attractive relations have a significant impact on existing customer response. Companies must emphasize to create their offerings distinctive whenever they go for abandonment strategy. This might be done by developing a strategy (product position) highlighting its distinctive qualities of offerings. It not only motivate the existing customer to see abandoning firm more favorable and less comparable to others but also lower down the attractiveness of alternative of competitors in market.

Limitations and Areas for future research

This work is also attached with some back draws on which future replications might be conducted. First, some customer reacts favorably to abandonment of unprofitable customer. Based on this preliminary finding, future studies should examine whether company applies particular programs to raise such favorable association. Such as, by highlighting the meaning in a negative versus positive theme, so that it might give potential positive effects for remaining customers. For a more detailed understanding of these effects additional analysis are needed. Second, attractiveness of alternative found to be with most impact on exit, voice and loyalty. However this doesn’t mean that there are no more other variables in conceptual framework who could lead to such choice. Third, it assumes that abandonment decision has already chosen. There should be reasons to keep remain customer, though it is not profitable: e.g. customer might refer new prospects to company who might seems to be profitable. Broader areas of work referral behavior and social network analysis shows that people with similar needs, has the same behavior, belonging to the same social environment, like the same brand [22,39] in this case, from the company’s perspective, it seems to be promising, they are also subject to the same profit model. Comparatively, they may be related to others who are probably to be not profitable themselves. Further efforts are required to better examine the influence of social network in customer level profitability. Emotions have, for example, been shown to be a main driver of consumer behavior [40] and the specific characteristics of unprofitable customer abandonment, which can be interpreted as a violation of unexpressed marketplace norms, make the elicitation of emotional responses particularly likely. Future studies should analyze the types of emotions that are experienced in response to unprofitable customer abandonment.

Increasing interest has been seen among practitioners and academics in the issues of customer relationship management and relationship marketing in recent years. In most of the work in this area in the process of stress between the relationship between development and sustained success. Customer choice and relationship dissolution is in its infancy in many regions. The dissolution of the relationship in the region, this study helps to provide some additional insights. “Breaking up is hard to do,” but in some cases it may be unavoidable and the companies are advised to take this decision in a least painful manner.

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