



Complaint Management, Switching Intention and Customer Defection: Study in Brazilian Fitness Centers

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Resumo

Even though failures are frequent in services, the absence of an adequate response can lead to more harm than the failure itself. Consumer satisfaction with recovery is an affective psychological response, based on subjective assessments, which relate to how consumer perceived the organization performance in resolving a failure. Fail severity is another factor that determine satisfaction with service recovery. Therefore, the questions that guide the research are: 1) what is the influence of complaint management satisfaction and failure severity on consumers? switching intentions? 2) What are the main drivers of customers exit after a complaint? To the model testing, a questionnaire, containing questions about complaint management and fail severity, was delivered personally to 1,500 clients, from 38 gyms, located in six Brazilian States. By the results, we identified the positive effect of justice on satisfaction with complaint, and the negative influence of satisfaction with complaint on switching intention and defection.



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Abstract

Even though failures are frequent in services, the absence of an adequate response can lead to more harm than the failure itself. Consumer satisfaction with recovery is an affective psychological response, based on subjective assessments, which relate to how consumer perceived the organization performance in resolving a failure. Fail severity is another factor that determine satisfaction with service recovery. Therefore, the questions that guide the research are: 1) what is the influence of complaint management satisfaction and failure severity on consumers' switching intentions? 2) What are the main drivers of customers exit after a complaint? To the model testing, a questionnaire, containing questions about complaint management and fail severity, was delivered personally to 1,500 clients, from 38 gyms, located in six Brazilian States. By the results, we identified the positive effect of justice on satisfaction with complaint, and the negative influence of satisfaction with complaint on switching intention and defection.

Introduction

In relationship marketing research, some topics have been extensively studied, among them are loyalty and commitment on the one hand, switching intention and defection on the other hand. Both are very important, in academic and managerial terms, although there are much more studies on the first vein, related to customer maintenance, than the second one, about customer exit.

The relationship between a consumer and a service organization may end unexpectedly as a result of service failures or as result of a series of incidents (Coulter, 2009). In the service context, several studies relate customer defection to service failure (Smith, Bolton, & Wagner, 1999; Trubik & Smith, 2000; Ahmad, 2002; Garland, 2002; Capraro, Broniarczyk, & Srivastava, 2003; Santonen, 2007, Walsh, Dinnie, & Wiedmann, 2006). Service failure is a situation in which something went wrong, failing to meet consumer's expectations, thus generating dissatisfaction (Nikbin; Hyun, 2015a; Zeithaml; Bitner; Gremler, 2014). Services tottally without errors is almost impossible, due to the combination of human variations (from the provider and the consumers), simultaneous production and consumption, and interactions in service encounters (Patterson, Cowley, & Prasongsukarn, 2006).

Fail severity also influences consumer perception of a service failure (Chang, Tsai, Wong, Wang, & Cho, 2015). Failure severity is the magnitude of the loss experienced by the consumer, due to faults in service delivery (Hess Jr., Ganesan, & Klein, 2003). Therefore, the greater the perception of loss, the greater is the consumer desire for recovery from a service provider (Kim & Ulgado, 2012).

Despite the academic advances regarding the relationships among service failure, service recovery and customer defection, some aspects still require better explanation. Some of them especially touch the ongoing services, because: (a) customer maintenance directly represents a flux of income and margin; (b) the frequencies of client-provider transactions and interactions increase the probability and the occurrence itself of failures.

On that realm, the first aspect refers to the moment of customer exit. Satisfaction comprises two modes - transaction specific or cumulative, and dissatisfaction could present a similar pattern, mainly in ongoing services. A single fail difficultly causes exit. Probably, however, the buildup of dissatisfaction will increase the switching intention (Santonen, 2007), before an actual exit. Switching intention is attitudinal, while exit is behavioral. Therefore, it is important to evaluate how fail and recovery influence switching intention and how the last one turns out defection.



The second topic concerns the nomological network adressed. Some studies evaluate the effects of service failure and satisfaction with service recovery on outcome variables such as repurchase intention, trust, loyalty, commitment and word-of-mouth (Weun, Beatty, & Jones, 2004; de Matos, Rossi, Veiga, & Vieira, 2009; Wang, Wu, Lin, & Wang, 2010; Betts, Wood, & Tadisina, 2011; De Matos, Henrique, & De Rosa, 2013). Other studies focus on the likelihood of or actual defection associated to demographic profile, service features, knowledge about alternative providers, corporate reputation or switching intention (Trubick, & Smith, 2000; Garland, 2002; Capraro, Broniarczyk, & Srivastava, 2003; Walsh, Dinnie Wiedmann, 2006; Santonen, 2007). Yet, few studies address the links among satisfaction with service recovery after a formal complaint, switching intention and defection (Ahmad, 2002). Repurchase intention, trust, loyalty, commitment and positive word-of-mouth are important for companies, as expressions of relationship, but they do not guarantee sales by themselves. On the contrary, customer exit certainly entails the total or partial loss of sales. As Reichheld (1996) alluded, understanding the roots of clients' exit is as important as (or even more than) identifying what maintains them. Therefore, the impact of the satisfaction with service recovery after a complaint on switching intention should be explicitly taken into account to decipher how such recovery could reduce the loss of clients.

The third topic is centered on the role of fail severity. Several studies (Ahmad, 2002; de Matos, Rossi, Veiga, & Vieira, 2009; Betts, Wood, & and Tadisina, 2011; Smith; Bolton; Wagner, 1999) measure fail severity with a single dichotomic item, comprising low and high levels, which constrains data analyses. In fact, fail severity has many facets (Maxham III and Netemeyer, 2002; Weun, Beatty, & Jones, 2004; Wang, Wu, Lin, & Wang, 2010; Sreejesh and Anusree, 2016), including several emotions, demanding a multidimensional scale. We implement here a multidimensional operationalization of fail severity, bringing more precision to it and to the analysis of its effects, both direct and moderating, on switching intention and defection.

The fourth aspect regards method. Various studies evaluating fail severity used experiments (Smith; Bolton; Wagner, 1999; Smith & Bolton, 2002; Weun, Beatty, & Jones, 2004; Betts, Wood, & and Tadisina, 2011; Sreejesh & Anusree, 2016), creating scenarios that induced subjects to imagine a service fail and, then, capture their reactions. Although well designed and theoretically well grounded, this method is unable to capture all the feelings involved in a failure, as imagining such a situation is quite far from living it.

This paper aims to fulfill these gaps, answering two questions: 1) What is the influence of complaint management satisfaction and failure severity on consumers' switching intentions? 2) What are the main drivers of customer's defection after a complaint? In addition, as a methodological contribution, we plan to approach these questions surveying clients who effectively faced a service failure and made a complaint.

The researched business is that of fitness center, because it is an ongoing service with frequent and intense provider-client interactions [relationship], which can lead to frequent failures. This scenario highlights the need of relationship marketing. There is also severe competition between fitness centers, almost all small businesses, implying many alternatives to consumers. This rivalry has been increased by the low cost competitor phenomenon (SMART FIT)

Switching intention and Customer Defection

The studies on switching intention have been relevant in the construction and development of marketing theory, especially with regard to the maintenance of relationships between providers and consumers (Miller, Craighead, & Karwan, 2000; Vázquez-Casielles, Suárez Álvarez, & Díaz Martín, 2010).



Switching intention is different from defection. The first represents the customer willingness to switch provider while the second shows the effective change. The switching intention is normally measured in a single item, high or low (Ahmad, 2002; Capraro, Broniarczyk, & Srivastava, 2003).

The performance of the central service, the service delivery and failures recovery influence customer satisfaction, determining their permanence or exit. The behavioral intention of switching provider is a consequence of consumer dissatisfaction about service performance. (Han, Kim, & Hyun, 2011). A high quality service coupled with a positive experience leads to a favorable behavioral intent of repurchase. Jones, Mothersbaugh and Beatty (2000) understand that higher levels of satisfaction with service reduce intention to change to another provider, providing higher repurchase intentions.

On the contrary, when service quality is insufficient to meet consumer expectations, dissatisfaction and switching intention may occur (Yu et al., 2014). Service quality and failure recovery could be insufficient to avoid switching intention. Even a satisfactory failure recovery process can break consumer trust with future implications for switching and exit (Ranaweera & Prabhu, 2003).

For the purposes of this study, two possible drivers of switching, intention and behavior, become relevant, complaint management satisfaction and fail severity.

Complaint Management

Although some authors differentiate service recovery from complaint management (Brown et al, 1996; Smith et al, 1996), in this research they are considered the same.

Failure recovery has been a strategic issue in service literature (Ashill, Carruthers, & Krisjanous, 2005). Service recovery can be defined as an effort made by organization to compensate for a loss suffered by consumer (Balaji & Sarkar, 2013, Campos, Figueiredo, & Araujo, 2013, Ozgen & Duman Kurt, 2012). Other authors (Ashill, Carruthers, & Krisjanous, 2005, Choi & Choi, 2014; Smith, Bolton, & Wagner, 1999) understand failure recovery as an activity developed by organization and employees in an attempt to compensate for losses or failure in providing service. It is seen as a bundle of resources an organization can use to try to correct a failure or error in service delivery (Smith, Bolton, & Wagner, 1999). Collie (2000) expresses that service recovery represents tactics aimed at changing the negative perception of consumers affected by a service failure, bringing them back to the state of satisfaction with organization and the service offered.

Customer satisfaction after the recovery of a service failure is related to evaluations of justice, that is, how conflict situation was solved. Consumers positively evaluate recovery processes adopted by organizations in response to their complaints (Casielles, Martín, Álvarez, & del Río Lanza, 2007, Casielles *et al.*, 2007; Choi & Choi, 2014).

Service recovery research has used theory of justice, seeking to understand what leads consumer to achieve satisfaction in treatment of their complaints (Ambrose, Hess, & Ganesan, 2007; Tax, Brown, & Chandrashekaran, 1998). The theory of justice has its origin in social psychology and has been used to explain how individuals react to situations of conflict (Blodgett, Hill, & Tax, 1997). Consumers perceive justice based on results they receive, procedures used to try to recover from a failure, and interpersonal treatment received (Tax, Brown and Chandrashekaran 1998).

The distributive dimension of justice is associated with outcomes or compensations consumer may obtain with his or her complaint. Procedural justice refers to policies used to try to recover consumer. Interpersonal justice concerns interactions between consumer and service provider, that is, courtesy in treatment, explanation of why service fail, and effort to solve fault. (Tax & Brown, 1998; Smith, Bolton, & Wagner, 1999).



Complainant consumers, when perceiving fairness in handling complaints, can assume a positive word-of-mouth communication behavior and even become loval (Blodgett, Hill, & Tax, 1997; Choi & Choi, 2014). On the other hand, if service provider shows no effort to recover from failure, it may trigger emotional responses in consumer, such as irritation, anger, or frustration (Choi & Choi, 2014; Mccoll-Kennedy & Sparks, 2003). Therefore, it is hypothesized:

H1: The three dimensions of justice (interactional, procedural and distributive) influence positively complaint management satisfaction;

H2A: Complaint management satisfaction influences negatively switching intention;

H2B: Complaint management satisfaction influences negatively customer defection;

H2C: Switching intention influences positively customer defection.

Failure Severity

A growing number of surveys have shown that service failures negatively impact consumer satisfaction as well as future repurchase behavior (Keiningham et al., 2014). As service failures are not identical, they vary in severity depending on consumer perception (Cho, Jang, & Kim, 2017). Thus, failure severity can be defined as the magnitude of loss experienced by consumers due to errors in service delivery (Choi & Choi, 2014; Hess Jr., Ganesan, & Klein, 2003; Nikbin, Beatty, & Jones, 2004).

Weun, Beatty and Jones (2004) argue that few studies include the failure severity in their models, although several authors consider it important for service recovery. The authors argue that failure severity will influence evaluation of service recovery and consumer's commitment to remain with service provider. Similar opinion is presented by McQuilken and Robertson (2011), who describe failure severity as a critical factor linked to consumer intention to defect. A service failure with a high perception of severity tends to have a negative relation with satisfaction, trust and, consequently, in repurchase behavior (Cho, Jang, & Kim, 2017; Weun, Beatty, & Jones, 2004).

As fail severity is based on individual perceptions (Smith, Bolton, & Wagner, 1999; Swanson & Hsu, 2011), the more severe or intense the error, the greater the perceived loss of consumer (Choi & Choi, 2014; De Matos, Vieira, & Veiga, 2012; Nikbin & Hyun, 2015; Sembada, Tsarenko, & Tojib, 2016; Weun, Beatty, & Jones, 2004).

The magnitude of failure is one of the factors determining satisfaction after a complaint, and this understanding is important for development of an adequate recovery strategy. Failures considered more severe present greater difficulties for recovery (Chuang et al., 2012), causing greater probability of switch and negative word of mouth (Chang et al., 2015).

In view of this, we propose:

H3A: failure severity influences positively switching intention; H3B: failure severity moderates the relation between service complaint satisfaction and switching intention.

H3C: failure severity influences positively customer defection.

Research Design

To the model testing, a descriptive research with a quantitative approach (Hair et al., 2011; Collis & Hussey, 2013; Bryman & Bell, 2011) was undertaken, as the design more appropriate. The research was conducted in three steps.

On the first one, 210 structured interviews with clients were conducted, which aimed to identify the main fails, or problems; how fitness center respond to consumer complaints and how consumers felt about the answers given. The answers were used in the refinement of the questionnaire. Data were analyzed with descriptive statistics.



In the second step, the questionnaire was delivered personally to 1,500 clients, from 38 gyms, located in six Brazilian States. It has 33 questions: one regarding the failure type, one for complaint channel, 4 to identify clients profile, plus 27 attitudinal regarding the constructs analyzed, all measured in an interval scale, ranging from 1 (strongly disagree) to 7 (strongly agree).

Measures were based on: interpersonal justice –INT- (4 items), procedural justice – PROC- (5) and distributive justice –DIST- (5), Tax; Brown; Chandrashekaran (1998); complaint management satisfaction –CMS- (4), Blogdgett, Hill and Tax (1997); failure severity –SEVE- (5), Smith, Bolton and Wagner (1999), switching intention –SI- (4), Burnham, Frels and Mahajan (2003). In this step, data were analyzed by Structural Equation Modeling, with PLS.

In the third step, there was a follow up in order to identify clients who remain and clients who effectively defected. After the identification, using Discriminant Analysis, we identified the variables responsible for exit or permanence.

Findings

From the 1,500 questionnaires sent, 336 did not return, 240 had missing values and were excluded. From the remaining 924, 103 could not be analyzed due to outliers, totaling 821 valid questionnaires.

The clients profile is as follow: 61.75% are female; 46.04% are single, 42.63% are married, 5.72% are divorced and 5.61% answered another marital status. As to educational level, 44.34% have college degree and 31.3% have graduate degree. Concerning income, 11.57% earn above US\$3,400 monthly, 25.21% between US\$1,700 and US\$3,400, and the remaining bellow US\$1,700 monthly.

The failures were grouped in three types: equipment (47.02%), trainers (28.50%) and infrastructure, like sports rooms, showers, bars, swimming pools, etc. (24.48%). The complaints were made personally (79.66%), by complaint box (11.69%) and the remaining in other ways.

The results of measurement model are showed in Table 1. As the AVE are above 0.7, and except one, all indicators present loadings above 0.708, all constructs showed convergent validity. The reliability was confirmed by the CR and Cronbach's Alpha above 0.7. The discriminant validity was evaluated using the Fornell-Larcker criteria. As can be seen, the correlations between constructs are smaller than the AVE square root, attesting discriminant validity.

Construct	Alpha	CR	AVE		DIST	INTE	SI	PROC	SEVE	CMS
INT	0.8975	0.9244	0.7102	DIST	0.9607					
PROC	0.8905	0.9194	0.6962	INTE	0.705	0.8427				
DIST	0.9720	0.9795	0.9229	SI	-0.4702	-0.5136	0.95			
SEVE	0.7941	0.8579	0.5473	PROC	0.749	0.8058	-0.4528	0.8344		
CMS	0.9388	0.9561	0.8448	SEVE	-0.2913	-0.2978	0.4349	-0.28	0.7398	
SI	0.9640	0.9737	0.9025	CMS	0.7986	0.7625	-0.5632	0.7909	-0.3533	0.9191

Table 1. Measurement Model.

The structural model results for the entire sample and group analysis are presented in Table 2. Based on results, the influence of three types of justice on complaint management satisfaction is confirmed (H1), as has been suggested by Casielles, Martín, Álvarez, and del Río Lanza (2007), Casielles *et al.* (2007) and Choi and Choi (2014), with emphasis on distributive justice. As indicated by the R^2 , justice types explain 74,08% of CMS variance.

The coefficient of -0.4448 between complaint management satisfaction and switching intention confirms H2A, showing the importance of complaint management to reduce switching intention, as stated by Blodgett, Hill, and Tax (1997) and Choi and Choi, 2014.

The relation between fail severity and switching intention (H3A) is also confirmed, with positive coefficient of 0.2715. Therefore, the greater the severity, the greater the switching intention, as proposed by Choi and Choi (2014), De Matos, Vieira and Veiga (2012), Nikbin and Hyun (2015), Sembada, Tsarenko and Tojib (2016) and Weun, Beatty and Jones (2004).

The negative coefficient of interactive term attests the moderator effect of fail severity, confirming H3B. So, if the severity is high, the positive effect of complaint management satisfaction will decrease.

Ta	able 2. Structu	ral Model, Gr	oup Analysis	
Relations	General	Equipment	Infrastructure	Trainers
$INT \rightarrow CMS$	0.2369***	0.1689**	0.3070***	0.1863***
$PROC \rightarrow CMS$	0.2890***	0.3209***	0.2417***	0.3611***
$DIST \rightarrow CMS$	0.4151***	0.3956***	0.4549***	0.3976***
R ²	0.7408	0.6525	0.8284	0.7680
$CMS \rightarrow SI$	-0.4448***	-0.3638***	-0.4725***	-0.4726***
$SEVE \rightarrow SI$	0.2715***	0.2545	0.2551	0.2570
CMS * SEVE \rightarrow SI	-0.0750**	-0.1382***	-0.0420 ^{ns}	-0.1202 ^{ns}
R ²	0.3866	0.2860	0.4079	0.4056

The model was also tested for groups, considering the three types of failure, trainers, equipment and infrastructure. The results for group analysis are quite similar to the overall result. The coefficients' values, the signals and R^2 are very close. The main difference is the non significance of moderator effect for infrastructure and trainers. In addition, the R^2 concerning switching intention for infrastructure and trainers is higher, highlighting the importance of this kind of fail on the likelihood of switch.

After the follow up, conducted four months later than the first survey, sample was split in two groups, exit and permanence. The results of discriminant analysis are presented in Table 3. There were 915 answers in this step, 562 remaining clients (group 1) and 353 clients who exited (group 2). The independent variables were indicators of complaint management satisfaction (4), failure severity (5) and switching intention (4). The Wilks' Lambda attested the significant difference among them. The canonical correlation coefficient was 0.444.

Variable	Function	Variable	Function
SI4	0.911	SEVE1	0.506
SI3	0.797	SEVE2	0.482
SI1	0.751	SEVE3	0.447
SI2	0.699	SEVE4	0.391
CMS3	-0.621	SEVE5	0.337
CMS1	-0.581		
CMS2	-0.564	-	
CMS4	-0.538		

As can be seen, the most important variables explaining discrimination are those forming the construct switching intention (H2C), all of them with positive relation. In second place come the variables of complaint management satisfaction (H2B), all with negative sign. Then appear the variables composing the construct failure severity (H3C), with positive



relation. Moreover, satisfaction with the complaint has a direct negative effect on exit. Another point that deserves attention is related to the fail severity, as it has direct influence on exit.

Based on these results, we can observe the strong importance of the complaint management. The most influential construct, in causing defection, is switching intention, which can be reduced, according to the PLS results, by a good service recovery.

Final Remarks

This paper advances theoretical and empirical research on the constructs justice (distributive, procedural and interactional), complaint management satisfaction, failure severity, switching intention and customer defection. We empirically confirmed: 1) the positive influence of perception of justice (distributive, procedural and interpersonal) on satisfaction with recovery of service failures; 2) the moderator influence of fail severity on consumer satisfaction with recovery; 3) the negative effect of customer satisfaction on switching intention, 4) the positive effect of fail severity on switching intention. It is also confirmed: 5) the positive influence of switching intention and failure severity on customer defection; 6) the negative effect of complaint satisfaction on defection.

As academic contributions, our research extends the literature and reduce some gaps. The first is related to the role performed by switching intention on customer defection. Although close related, there is a substantive distance between the first (just attitudinal) and the second (behavioral). It is not guaranteed that the switching intention will be materialized as behavior (Garland, 2002). In fact, it seems crucial to evaluate the relation between complaint satisfaction, switching intention and actual exit, as improving the first will cause decrease in the following two. Likewise, probably the increase of switching intention occurs step-by-step, like the cumulated satisfaction. Consequently, customer exit is more likely after a series of bad episodes, which gives the company several opportunities to correct its failures.

The second contribution lays on the relation between the evaluated constructs. Complaint satisfaction and failure severity are well studied, but they are frequently studied in relation to customer outcomes (such as loyalty, trust, commitment and word-of-mouth), all concerning customer maintenance. This paper focused on the link to customer exit, academic and managerially less investigated.

Moreover, in some studies, fail severity receives just a dichotomous measurement (high versus low). We proposed a scale for failure severity under client vision, a methodological contribution. This scale was developed after a qualitative research, and also based on items from other studies.

The last academic contribution falls on the chosen sector and research design. The most studied service sectors are bank, phone, credit card, airlines, etc., all full of big companies. Furthermore, experiment with students are very common in consumer research. This paper chose fitness center, comprising a large number of providers and a fierce competition. The sample involved clients who effectively experienced a service fail and made a complaint. That was a real scenario, as clients lived the problem, not only imagined it.

In managerial terms, the importance of the three dimensions of justice on complaint satisfaction constitutes a rich opportunity to reach customer satisfaction. As fail is a common occurrence in services, managers should encourage and welcome complaints and make effective efforts to solve their problems. This way, they could deserve customer satisfaction and thus reduce defection. Another point is fail severity. If a customer perceive high severity, intention to switch increases. So the types of failure that are normally considered as severe should be specially avoided, by using managerial tools as repairing equipment, improving interpersonal skills and providing good infrastructure. In this research, the fails on processes, mainly caused by personnel, are the most severe.





Finally, research limitations and suggestion for future studies should be underscored. The main limitation is the sample from only sector. Although the fitness centers sector have advantages to our research (high number of providers and the real competition among them), it typically does not includes very harmful failures, mostly. Therefore, it is suggested investigating further sectors, characterized by high levels on the dimensions of failure; that is, more damaging, such as health services, insurance, event planning. This is a longitudinal research, but the elapsed time between the two surveys was short. It would be useful a panel evaluating ahead the occurrence of fails, the satisfaction with recovery, switching intention and exit; covering middle and long terms. Finally, despite the care selecting the interviewees to cover several Brazilian regions, the convenience sample prevents generalization. Future studies could undertake a probabilistic sampling.

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