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Evaluating the consequences of abandoning unprofitable customers: A comparison of direct and indirect abandonment strategies



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Abstract: Due to the increasing use of customer databases in many industries, companies nowadays have high visibility about the profitability of individual-level client relationships. This has led some researchers to recommend the implementation of value-based customer management strategies, including the abandonment of unprofitable customer relationships. In this context firms are faced with the choice between direct and indirect abandonment approaches. While direct abandonment strategies tend to be more efficient than indirect ones (i.e., immediate termination of the relationship vs. hoping that the unprofitable customer may leave on her own) they are also claimed to be associated with more severe negative reactions and higher abandonment cost. Based on two surveys among 965 US customers we provide evidence that, despite these beliefs, direct and indirect abandonment strategies do *not* differ in their negative impact on the abandoning firm. Given that (indirect) abandonment costs are therefore likely to be similar for both approaches, direct abandonment appears to be the recommendable approach for relationship dissolution.

Keywords: Relationship marketing · Customer Relationship Management (CRM) · Relationship dissolution · Unprofitable customer abandonment

JEL Classification: M31

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1 Introduction

The more widespread use of customer databases combined with theoretical progress in the area of customer lifetime value calculation (e.g., Fader and Hardie 2009) has given companies increasing visibility of individual-level customer relationship profitability. This evolution has enabled firms to spot customer relationships that lack profitability and the management of such relationships has recently received interest among academics and practitioners alike (Haenlein and Kaplan 2010; Haenlein et al. 2006; Mittal et al. 2008). Among the strategies discussed in the literature are customer-value based management (Subramanian et al. 2007), selective customer acquisition by offering damaged goods (Bhargava and Feng 2005), the modification of offer components to reduce cost-to-serve (Rosenblum et al. 2003) and, as a last resort, the abandonment of unprofitable customer relationships (Haenlein and Kaplan 2009). When deciding for the latter option, firms are faced with the choice between direct and indirect abandonment approaches. Direct abandonment strategies hereby refer to cases in which the company explicitly states to the customer its desire to exit the relationship, whereas indirect strategies describe cases in which the firm tries to accomplish the break-up without an explicit statement of the goal (Baxter 1985). Looking at recent company examples shows that both techniques are implemented by companies. The US telecommunications firm Sprint Nextel, for example, directly abandoned customers in July 2007 by terminating the contracts of 1000 clients (Srivastava 2007) while the brokerage house Charles Schwab is claimed to implement indirect abandonment by making low profitability accounts wait longer in call center queues (Brady 2000).

Adopting the (unprofitable) customer's perspective, it seems likely that being abandoned in a direct or indirect way will be perceived as negative and create a certain level of dissatisfaction, ultimately leading to negative Word-of-Mouth that may generate attention among the general public. From the abandoning firm's point of view, such publicity is likely to have two negative consequences: First, it could lead to the (involuntary) loss of *remaining* customers that the abandoning firm would like to retain, and second it could influence *potential* customers not to join the focal company but rather one of its competitors. The managerial belief appears to be that direct abandonment strategies are associated with more severe negative consequences and larger abandonment cost than indirect ones (Mittal et al. 2008). Yet no research has until now formally investigated the negative effects that unprofitable customer abandonment may have on the abandoning firm's remaining and potential customer base and the differences that may exist between direct and indirect approaches. Our manuscript intends to address this question. Based on two surveys among 965 US customers we provide evidence that direct abandonment strategies do not lead to more negative reactions than indirect ones. Both strategies result in the same levels of exit intention among remaining customers, purchase intention among potential customers and boycott likelihood for both customer types. Given that (indirect) abandonment costs are therefore likely to be similar for both approaches while direct strategies tend to be more effective than indirect ones, direct abandonment appears to be the recommendable approach for relationship dissolution.

2 Literature review and hypothesis development

The management (e.g., Padmanabhan and Tuzhilin 2003) and measurement (e.g., Nagar and Rajan 2005) of individual-level customer relationships has recently received increasing interest in marketing and management science. Theoretically, these efforts belong to the area of customer relationship management (CRM), an area of marketing concerned with the creation of “improved shareholder value through the development of appropriate relationships with key customers and customer segments” (Payne and Frow 2005). Among others, CRM implies that firms optimize marketing interventions on an individual level, take account of heterogeneity within the customer base (Rust and Verhoef 2005), and allocate marketing resources proportional to customer value (e.g., Kumar et al. 2008). For high-value customers such resources can then, for example, be used to provide superior service levels in the context of loyalty programs (Singh et al. 2008) in the hope that such (surprisingly) good treatment may lead to an increase in loyalty and protection from competition (Rust and Oliver 2000). Yet, given constant marketing budgets, spending more resources on one customer segment also implies cutting back on others. Such customer prioritization has been shown to result in higher average customer profitability and return on sales under the condition that a set of organizational factors are present to ensure a successful implementation of such a strategy (Homburg et al. 2008). Unprofitable customers, which have been shown to account for a substantial share of a firm’s customer base in many industries (see, for example, Bowman and Narayandas 2004 for processed metal; Haenlein et al. 2007 for retail banking), seem to be a natural starting point for such actions. Although different approaches have been proposed to manage such accounts (Mittal et al. 2008), the abandonment of unprofitable relationships appears to be a particularly interesting alternative as the value of the (real) option of doing so can be substantial (Haenlein et al. 2006). This may be particularly important if firms decide to report customer equity (i.e., the sum of the CLV—after marketing expenditures—of all the firm’s customers in a given period) within their balance sheets (Wiesel et al. 2008), as unprofitable customer abandonment directly leads to an increase of such a measure.

In order to classify the approaches that firms might want to use when abandoning unprofitable customers, we borrow from research in the domain of personal relationship dissolution. Such an analogy is warranted as the buyer–seller relationship has previously been compared to a personal relationship (see Tynan 1997 for a review of the marriage analogy in relationship marketing) and according to Dwyer et al. (1987) personal relationships provide an apt framework for analyzing questions in the area of relationship marketing. Specifically, we draw on the research of Baxter (1985) in the area of interpersonal relationship disengagement. Based on a series of studies Baxter identified eight basic disengagement strategies that can be used to dissolve personal relationships. These strategies can be grouped by their degree of directness. Direct strategies, which refer to cases in which one relationship partner explicitly states its desire to exit the relationship, hereby include the following four options: *fait accompli* (i.e., explicit declaration to the other party that the relationship is over); *state-of-the-relationship talk* (i.e., explicit statement of dissatisfaction and desire to exit the relationship); *negotiated farewell* (i.e., explicit communication between both parties to formally end the relationship); and *attributional conflict* (i.e., conflict about why the exit is necessary triggered by the mutual desire to exit

the relationship). Indirect strategies, which describe cases where one relationship partner tries to accomplish relationship dissolution without an explicit statement of this goal, summarize the following four approaches: cost escalation (i.e., behavior to increase the relational cost of the other party); withdrawal (i.e., avoidance-based behavior to reduce relationship intimacy); pseudo de-escalation (i.e., false declaration of the desire to transform the relationship into one of reduced closeness); and fading away (i.e., implicit understanding that the relationship has ended). As discussed by Alajoutsijärvi et al. (2000), the same strategies can also be found when analyzing disengagement in inter-organizational buyer–seller relationships. Approaches such as raising prices and reducing cost as discussed, for example, by Rust et al. (2000), belong to the indirect category and so do strategies that involve reducing the intimacy and/or lessening the frequency of contact that is, for example, given when a company stops sending promotional materials to unprofitable customers. Direct strategies, on the other hand, involve direct communication and open relationship termination, as in the aforementioned case of Sprint Nextel.

Looking at the reactions that remaining and potential customers are likely to show in response to unprofitable customer abandonment, it seems reasonable to assume that direct strategies will lead to more severe reactions than indirect ones. Such thinking is consistent with the literature on the impact of (lack of) service quality on consumer behavior (Zeithaml et al. 1996) vs. the reactions in reply to (unfavorable) service encounters and critical incidents (e.g., Bitner et al. 1990; Doorn and Verhoef 2008). Indirect abandonment approaches, such as customer value-based management strategies (Subramanian et al. 2007), are essentially equivalent to a reduction in the perceived value of the offer for unprofitable customers (Zeithaml 1988) caused either by a decrease in perceived quality (e.g., if unprofitable customers are served less well than profitable ones) or an increase in price (e.g., in the case where fees are a function of account profitability). Such a decrease in perceived value has been shown to lead to lower levels of satisfaction (Fornell et al. 1996). Direct abandonment strategies are, on the other hand, more similar to critical incidents (unfavorable service encounters, Bitner et al. 1990), which have been shown to lead to more severe reactions including a full reconsideration of the business relationship (Doorn and Verhoef 2008). Hearing about direct abandonment, in particular, is likely to evoke feelings of anger, deception, and betrayal that can result in highly damaging consequences for the firm (e.g., Bougie et al. 2003; Darke and Ritchie 2007). Also, the reactions that direct abandonment strategies evoke in the business press appear to confirm this assumption (Mittal et al. 2008; Srivastava 2007). This leads to the following hypothesis:

H₁: The use of direct abandonment strategies to terminate unprofitable customer relationships leads to more severe reactions among the abandoning firm's remaining and potential customers than the use of indirect abandonment strategies.

3 Research methodology

To test our hypothesis we investigated the impact of unprofitable customer abandonment on three different measures of consumer behavior: exit intention for remaining customers, purchase intention for potential customers, and boycott likelihood for both customer types. The level of exit and purchase intentions after having heard about unprofitable customer

abandonment directly take account of the aforementioned negative effects that customer abandonment may have on the abandoning firm's remaining and potential customer base. Boycott likelihood has been included in our study as boycotts have previously been analyzed in marketing literature as a strong reaction to company activities that customers consider unacceptable (e.g., John and Klein 2003; Sen et al. 2001). Regarding the operationalization of the variables included in our analysis, exit intention was measured using a five-item scale adapted from Rusbult et al. (1988), purchase intention using a six-item scale reported by Bruner et al. (2005, scale #335), based on Baker and Churchill (1977), augmented by two additional items, and boycott likelihood using three items from Bruner et al. (2005, scale #96), based on Sen et al. (2001). Details on the specific scale items used can be found in Tables 2, 3 and 4. Following the recommendations of Cox (1980) all items were measured on 7-point Likert scales ranging from -3 to $+3$. Once we assessed the reliability of each scale (Cronbach's Alpha exceeding 0.90 in all cases), we calculated composite scores for each construct by summing up the items belonging to the same construct and dividing the total by the number of items—an approach that is consistent with the general philosophy behind Likert scales (Likert 1932). Given that such equal-weight composites have been shown to be highly robust (Rozeboom 1979) we decided against the use of more sophisticated item weighting schemes.

Data collection was carried out using a set of online experiments, focusing on remaining and potential customers of a mobile phone provider. In each experiment respondents were asked to read a scenario about a hypothetical phone call in which we described different manipulations of tie strength and abandonment strategy. Tie strength is a measure that describes the strength of relationship between two individuals (Granovetter 1973) and is influenced by factors such as personal attraction, positive identification, and competition (Reagans 2005). Tie strength was included as a covariate into our analysis as it seems likely that the strength of the relationship between the abandoned customer and the remaining/potential client under investigation has an impact on exit intentions, purchase intentions and boycott likelihood. For example, it has been shown that information received from strong-tie contacts influences decision making more strongly than information from weak-tie sources (Brown and Reingen 1987). Furthermore, people linked by strong-tie relationships tend to share similarities in basic characteristics (McPherson et al. 2001) and brand preferences (Reingen et al. 1984). Abandonment of a close-tie contact should therefore make the risk of abandonment more relevant and salient to the remaining customer under investigation. To manipulate different levels of tie strength within our scenario descriptions, we created different combinations of duration of interaction, frequency of communication, and importance attached to the social relation. Participants were subsequently randomly assigned to read one of these scenarios and asked to provide the name of a friend/acquaintance that fulfilled these criteria (see Appendix 2). The scenario text then continued with a description of the specific case of a mobile phone provider implementing either a direct or an indirect abandonment strategy (see Appendix 3). After having read the scenario descriptions, participants were asked to imagine themselves in this situation when replying to all subsequent questions.

We used these scenario descriptions for data collection among 816 participants of a US-based online panel, which we allocated randomly to one of 20 treatment cells defined by a full-factorial design of 2 types of customers (remaining/potential) \times 2 types

of abandonment strategy (direct/indirect) \times 5 levels of tie strength. After deletion of 43 responses (5%) that showed particularly high or low survey response times, we obtained a final sample of 773 observations (Appendix 1 shows the breakdown of this sample by gender and age). To test our hypothesis we subsequently analyzed the responses received using an analysis of covariance (ANCOVA), which allows for assessment of the impact of abandonment strategy on the respective outcome variable (i.e., exit intention for remaining customers, purchase intention for potential customers, boycott likelihood for all customers) while taking account of the tie strength covariate effect. For this we included a measure of tie strength to the abandoned customer based on items borrowed from Frenzen and Davis (1990) covering closeness, intimacy, support, and association (see Tables 2, 3 and 4 for details), which we combined into one composite score as described above. All analyses have been conducted using the univariate general linear model function in SPSS for Windows Version 14.

4 Results

The upper half of Table 1 summarizes the stated reactions to unprofitable customer abandonment observed in our sample. As can be seen, the average exit intention among remaining customers is 0.92 on a scale from -3 to 3 . Unprofitable customer abandonment therefore has a moderate impact on the intention to leave a customer relationship with the abandoning firm. There are, however, no significant differences with respect to the abandonment strategy employed (F-value: 2.668, p-value: 0.103; effect of tie strength covariate—F-value: 6.946, p-value: 0.009). Regarding potential customers, unprofitable customer abandonment has a significant impact on the intention to become a client of the abandoning company. Average purchase intention, measured on a scale from -3 to $+3$, is -2.32 , indicating that potential customers are unlikely to join a company that abandons unprofitable customer relationships. As before, there are no significant differences in mean purchase intention with respect to abandonment strategy (F-value: 1.080, p-value: 0.299; effect of tie strength covariate—F-value: 0.523, p-value: 0.470). The average boycott likelihood for both customer types combined and measured on a scale from -3 to $+3$ is 0.75, indicating that remaining and potential customers have a moderate intention of boycotting a company that abandons unprofitable customer relationships. Again, there are no significant differences in mean boycott likelihood with respect to abandonment strategy (F-value: 0.973, p-value: 0.324; effect of tie strength covariate—F-value: 6.505, p-value: 0.011). Combined, these results indicate that unprofitable customer abandonment can result in significant negative consequences and indirect abandonment cost, independent of the type of abandonment strategy employed.

In order to test the stability of these findings, we performed two additional analyses as robustness checks: First, we analyzed whether our results have been caused by framing effects in the abandonment message and second, we investigated whether our findings hold when correcting for measurement error and common method bias.

Regarding the first robustness check, it is conceivable that the specific (negative) framing of the abandonment message used in our scenario descriptions might have inflated our findings. Previous literature has provided ample support for the fact that respondents

Table 1: Stated reactions to unprofitable customer abandonment (ANCOVA)

		Cell means by abandonment strategy				Univariate Analysis of Covariance (ANCOVA)		
		Indirect	Direct	Overall	F-value	p-value	Partial Eta Squared	
<i>Remaining customers</i>	<i>Exit intention</i>	<i>Negative framing</i>						
	Mean	1.05	0.79	0.92	2.668	0.103	0.007	
	Std. Deviation	1.47	1.71	1.60				
	Sample size	196	189	385				
<i>Potential customers</i>	<i>Purchase intention</i>	-2.40	-2.26	-2.32	1.080	0.299	0.003	
	Mean	1.19	1.40	1.31				
	Std. Deviation	1.79	2.09	388				
	Sample size	179	209	388				
<i>All customers</i>	<i>Boycott likelihood</i>	0.81	0.69	0.75	0.973	0.324	0.001	
	Mean	1.88	1.93	1.91				
	Std. Deviation	375	398	773				
	Sample size							
<i>Remaining customers</i>	<i>Exit intention</i>	<i>Positive framing</i>						
	Mean	0.63	0.79	0.70	0.192	0.663	0.002	
	Std. Deviation	1.53	1.72	1.61				
	Sample size	48	40	88				
<i>Potential customers</i>	<i>Purchase intention</i>	-2.15	-1.79	-1.98	1.714	0.193	0.017	
	Mean	1.29	1.51	1.41				
	Std. Deviation	53	51	104				
	Sample size							
<i>All customers</i>	<i>Boycott likelihood</i>	0.67	0.63	0.65	0.114	0.736	0.001	
	Mean	1.95	1.94	1.94				
	Std. Deviation	101	91	192				
	Sample size							

react to messages differently, depending on how they are presented to them. Such framing effects, which psychologically belong to the general domain of thinking biases (Stanovich and West 2008), have been observed in the context of risky decision making, attribute information processing, and goal achievement (Levin et al. 1998). To test the extent to which our findings may be subject to a potential framing bias, we collected additional data from 203 subjects from the same online panel pool, who we contacted roughly five months after our first data collection wave. Again we deleted 5% of responses based on survey response time leading to a final sample of 192 observations (see Appendix 1 for a split by gender and age). In this second data collection wave we used an alternative, more positively framed, scenario description, in which we highlighted that the firm's abandonment decision would only affect a very low percentage of the customer base and that most clients would actually benefit from such a decision (see Appendix 4). Additionally we relied on one single (medium) level of tie strength manipulation only (i.e., a friend whom the respondent has known for about a year and with whom s/he usually speak several times a month), given that the tie strength covariate did not show a significant impact within our previous ANCOVA analysis. This simplified design resulted in a slightly lower standard deviation of the tie strength variable ($\sigma_{\text{pos}} = 1.0056$ vs. $\sigma_{\text{neg}} = 1.1813$) and the same level of mean tie strength across both framing conditions ($\mu_{\text{pos}} = 6.10$ vs. $\mu_{\text{neg}} = 6.05$, z-score: 0.5732, p-value: 0.5665).

The results based on the positive scenario framing condition can be found in the lower half of Table 1. Two findings are of particular interest: First, as can be expected, the positive framing condition leads to slightly less negative reactions toward unprofitable customer abandonment than the negative framing one. Exit intention for remaining customers and boycott likelihood for all customers tend to be lower, and purchase intention for potential customers tends to be higher in the positive vs. negative framing scenario. Yet, there are only two cases in which these differences are significant on a 5% level, both related to potential customers, where the purchase intention for the direct abandonment strategy and overall are significantly higher in the positive vs. negative framing condition (p-values of 0.0444 and 0.0230 respectively). Second, as in the case of negative framing, an ANCOVA analysis reveals that abandonment strategy does not show a significant impact on reactions toward unprofitable customer abandonment in all three cases (effect of tie strength covariate F-value: 0.632, p-value: 0.429 for exit intention; F-value: 0.092, p-value: 0.762 for purchase intention; F-value: 9.498, p-value: 0.002 for boycott likelihood). This implies that our previous findings remain robust with respect to the potential framing effects in the abandonment message.

With respect to the second robustness check, it is conceivable that our analysis suffers from measurement error, due to the aggregation of multi-item measures into composite scores, and common method bias. In order to determine the extent to which this may have influenced our findings, we estimated a series of structural equation models replicating our ANCOVA analysis. In these models we assume the dependent latent variable (i.e., exit intention for remaining customers, purchase intention for potential customers, and boycott likelihood for all customers) to be influenced simultaneously by the strength of the relationship to the abandoned customer (tie strength) and a binary abandonment strategy indicator variable. To control for common method bias we rely on an approach suggested by Podsakoff et al. (2003) and allow all items to load on their theoretical constructs as well

as on a latent common methods variance factor, uncorrelated to all other model constructs. These models were then estimated using the Mplus software tool, Version 5 (Muthén and Muthén 1998–2007).

Tables 2, 3 and 4 provide details on model fit and path coefficients/standard errors of the structural and measurement model for remaining, potential, and all customers. Three findings are of particular interest: First, all three models show excellent fit to the data. The Comparative Fit Index (CFI) as well as the Tucker-Lewis Index (TLI) exceed 0.95 and the Root Mean Squared Error of Approximation (RMSEA) and Standardized Root Mean Squared Residual (SRMR) are both below the recommended thresholds of 0.06 and 0.08 respectively (Hu and Bentler 1999) in all three cases. Second, all constructs show average squared standardized indicator loadings (i.e., average variance extracted, AVE) above the 0.5 threshold, which indicates good reliability. Third, and most importantly, all three structural equation models confirm the main finding of our ANCOVA analysis, namely that abandonment strategy does not significantly influence exit intention for remaining customers, purchase intention for potential customers, and boycott likelihood for all customers (all p-values equal to or above 0.1566).

5 Discussion

Summarizing, our results show that, contrary to what one might expect, the reaction of remaining and potential customers to unprofitable customer abandonment is largely independent of the type of abandonment strategy applied. Specifically, customers do *not* seem to perceive indirect abandonment (e.g., raising prices, decreasing service levels) as less severe than direct abandonment (i.e., no longer serving unprofitable customers), leading to rejection of our key hypothesis. One reason explaining this result could be that the news of unprofitable customer abandonment is so strong in terms of message content that the recipients see no need to differentiate between different types of abandonment strategies. In an environment where the customer is used to being treated as “king” the news of customer abandonment may be inconsistent with consumers’ meta-knowledge of the marketplace and be interpreted as a violation of implicitly assumed social norms (see Bolton et al. 2003; Xia et al. 2004 for a similar argument in the context of price fairness perceptions). It is therefore possible that the focus of attention is put only on the presence of abandonment itself and not the way in which it is carried out. Support for this assumption can be found in the overall negative reactions we observe in reply to customer abandonment, specifically for potential customers, independent of the way the abandonment message is framed (positive vs. negative).

From a managerial perspective, our study has two implications: First, we show that the abandonment of unprofitable customers is likely to be associated with significant (indirect) abandonment costs that need to be considered when evaluating the benefits of such a strategy (see Haenlein et al. 2006 for an approach to valuing the real option of abandonment in the presence of abandonment cost). This does not, however, imply that abandonment may not be a profitable strategy overall in any given situation. We strongly encourage managers to have a close look at the benefits and cost of unprofitable customer abandonment in their specific case and to choose the course of action that can be expected

Table 2: Impact of abandonment strategy on exit intention for remaining customers (negative framing)

	Structural model				Model fit indices				
	Estimate	Standard Error (SE)	Estimate/SE	p-value	CFI: 0.982	RMSEA: 0.076	TLL: 0.966	SRMR: 0.024	
	Measurement model				Average Variance	Cronbach's Alpha	Extracted (AVE)		
	Estimate	Standard Error (SE)	Estimate/SE	p-value					
Abandonment strategy → Exit intention	-0.238	0.168	-1.417	0.1566					
Tie strength → Exit intention	0.197	0.101	1.950	0.0511					
<i>Exit intention</i>									
I would tell my current MPP that I want to change to an alternative MPP	0.855	0.016	53.438	0.000	0.760	0.943			
I would switch to an alternative MPP	0.920	0.011	83.636	0.000					
I would be thinking about transferring from my current MPP to an alternative MPP	0.834	0.019	43.895	0.000					
I would trade my current MPP for an alternative MPP	0.891	0.014	63.643	0.000					
I would seriously be considering changing my current MPP for an alternative MPP	0.855	0.019	45.000	0.000					
<i>Tie strength</i>									
How would you rate your relationship with NAME? [not close at all/very close]	0.737	0.129	5.713	0.000	0.636	0.911			
How likely would you be to share a personal confidence with NAME? [very unlikely/very likely]	0.981	0.060	16.350	0.000					
How likely would you be to rely on NAME for help in everyday matters (as opposed to an emergency)? [very unlikely/very likely]	0.640	0.148	4.324	0.000					
How likely would you be to spend a free afternoon with NAME? [very unlikely/very likely]	0.793	0.109	7.275	0.000					

Table 3: Impact of abandonment strategy on purchase intention for potential customers (negative framing)

	Structural model				Model fit indices	
	Estimate	Standard Error (SE)	Estimate/SE	p-value	CFI: 0.997	RMSEA: 0.036
	Estimate	Standard Error (SE)	Estimate/SE	p-value	TLI: 0.994	SRMR: 0.016
Abandonment strategy → Purchase intention	0.146	0.140	1.043	0.2970		
Tie strength → Purchase intention	-0.025	0.076	-0.329	0.7422		
	Measurement model				Average Variance Extracted (AVE)	Cronbach's Alpha
	Estimate	Standard Error (SE)	Estimate/SE	p-value		
<i>Purchase intention</i>						
How likely would you be to join Cell Phone, Inc. the next time you renew your mobile phone contract?	0.875	0.159	5.503	0.000	0.592	0.963
How likely would you be to recommend Cell Phone, Inc. to a friend?	0.686	0.225	3.049	0.002		
How likely would you be to try Cell Phone, Inc. as a mobile phone provider?	0.808	0.178	4.539	0.000		
How likely would you be to subscribe to Cell Phone, Inc. if you happened to see it in a store?	0.755	0.213	3.545	0.000		
How likely would you be to actively seek out Cell Phone, Inc. in a store in order to subscribe to it?	0.882	0.141	6.255	0.000		
How likely would you be to patronize Cell Phone, Inc.?	0.559	0.146	3.829	0.000		
<i>Tie strength</i>						
How would you rate your relationship with NAME? [not close at all/very close]	0.836	0.018	46.444	0.000	0.747	0.920
How likely would you be to share a personal confidence with NAME? [very unlikely/very likely]	0.898	0.014	64.143	0.000		
How likely would you be to rely on NAME for help in everyday matters (as opposed to an emergency)? [very unlikely/very likely]	0.863	0.016	53.938	0.000		
How likely would you be to spend a free afternoon with NAME? [very unlikely/very likely]	0.859	0.016	53.688	0.000		

Table 4: Impact of abandonment strategy on boycott likelihood (negative framing)

	Structural model			Model fit indices		
	Estimate	Standard Error (SE)	p-value	Estimate/SE	CFI: 1.000 TLI: 1.000	RMSEA: 0.000 SRMR: 0.008
Abandonment strategy	→ Boycott likelihood	0.135	0.2540	-1.141		
Tie strength	→ Boycott likelihood	0.090	0.0871	1.711		
Measurement model						
	Estimate	Standard Error (SE)	p-value	Estimate/SE	Average Variance Extracted (AVE)	Cronbach's Alpha
<i>Boycott likelihood</i>						
	Not at all favorable—Very favorable	0.935	0.007	133.571	0.878	0.956
	Very bad idea—Very good idea	0.966	0.006	161.000		
	Not at all useful—Very useful	0.910	0.007	130.000		
<i>Tie strength</i>						
	How would you rate your relationship with NAME? [not close at all/very close]	0.844	0.171	4.936	0.556	0.915
	How likely would you be to share a personal confidence with NAME? [very unlikely/very likely]	0.777	0.246	3.159	0.002	
	How likely would you be to rely on NAME for help in everyday matters (as opposed to an emergency)? [very unlikely/very likely]	0.726	0.207	3.507	0.000	
	How likely would you be to spend a free afternoon with NAME? [very unlikely/very likely]	0.617	0.453	1.362	0.173	

to be the most profitable one. Second, our results indicate that these costs do not differ between direct and indirect strategies. Given that direct abandonment strategies generally tend to be more efficient than indirect ones (i.e., immediate termination of the relationship vs. hoping that the unprofitable customer may leave on her own), we therefore recommend that companies who decide on unprofitable customer abandonment should choose to do so in a direct way whenever possible.

Evidently, our study can only be seen as a first step to a better understanding of the reactions to the relatively new phenomenon of unprofitable customer abandonment, and more research is needed in this area. Our analysis focused, for example, only on contractual relationships, and future studies are necessary to understand the extent to which our results also hold in non-contractual settings. Additionally, there may be reasons to keep a customer although the relationship itself is unprofitable, for example, if the customer is able to refer new customers to the company. However, the question that needs to be answered in that context is to whether unprofitable customers are likely to have profitable friends or whether there are value-clusters in social networks of customers that make high (low) value clients likely to be related to other high (low) value customers. If, for example, it turns out to be the case that an unprofitable customer's friends are likely to be unprofitable themselves, it might actually be positive for the abandoning firm to let negative Word-of-Mouth spread so that more unprofitable customers will decide to leave or not to join the company.

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Appendix 1: Sample composition

Abandonment strategy Customer type	Direct				Indirect			
	Remaining		Potential		Remaining		Potential	
	N	in %	N	in %	N	in %	N	in %
	<i>Negative framing</i>							
<i>Sample size</i>	189		209		196		179	
<i>in %</i>	24.5%		27.0%		25.4%		23.2%	
<i>Gender</i>								
Male	102	54.0%	116	55.5%	96	49.0%	86	48.0%
Female	87	46.0%	93	44.5%	100	51.0%	93	52.0%
<i>Age</i>								
15–24 years	27	14.3%	24	11.5%	30	15.3%	27	15.1%
25–34 years	41	21.7%	42	20.1%	45	23.0%	38	21.2%
35–44 years	42	22.2%	52	24.9%	56	28.6%	39	21.8%
45–54 years	51	27.0%	53	25.4%	40	20.4%	53	29.6%
55–59 years	17	9.0%	17	8.1%	17	8.7%	7	3.9%
60–64 years	5	2.6%	11	5.3%	7	3.6%	12	6.7%
65 and older	6	3.2%	10	4.8%	1	0.5%	3	1.7%
	<i>Positive framing</i>							
<i>Sample size</i>	40		51		48		53	
<i>in %</i>	20.8%		26.6%		25.0%		27.6%	
<i>Gender</i>								
Male	20	50.0%	30	58.8%	28	58.3%	26	49.1%
Female	20	50.0%	21	41.2%	20	41.7%	27	50.9%
<i>Age</i>								
15–24 years	3	7.5%	8	15.7%	11	22.9%	6	11.3%
25–34 years	4	10.0%	5	9.8%	8	16.7%	14	26.4%
35–44 years	9	22.5%	13	25.5%	10	20.8%	11	20.8%
45–54 years	14	35.0%	16	31.4%	12	25.0%	8	15.1%
55–59 years	7	17.5%	4	7.8%	1	2.1%	5	9.4%
60–64 years	1	2.5%	1	2.0%	4	8.3%	5	9.4%
65 and older	2	5.0%	4	7.8%	2	4.2%	4	7.5%

Appendix 2: Manipulation of tie strength

You will now read a scenario describing a telephone conversation about mobile phone providers. You will then be asked a set of questions. While answering these questions, imagine yourself in the described scenario and try to indicate your experiences and opinion in such a situation. Before starting, please give me the name or initials of an acquaintance (a friend) whom you have known for several months (about half a year/about a year/a couple of years/many years) and with whom you usually speak less than once a month (about once a month/several times a month/about once a week/several times a week). This

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

Appendix 3: Scenario description (negative framing)

Imagine you are sitting at home in your living room. Suddenly the phone starts ringing. You answer and realize that the person calling is NAME. NAME tells you that some days ago s/he received a call from a customer service representative from his/her mobile phone operator PROVIDER (Cell Phone, Inc.), the same mobile phone provider you have a contract with (an imaginary mobile phone provider. Assume that Cell Phone, Inc. is a different mobile phone provider than the one that you have a contract with). This customer service representative told NAME in a very polite and friendly way that PROVIDER (Cell Phone, Inc.) recently conducted an extensive profitability analysis from their entire customer base. In this context, they realized that the business relationship with NAME was not profitable. PROVIDER (Cell Phone, Inc.) therefore took the decision ...

...to end the business relationship with NAME. NAME's contract would run out at the next possible date without the possibility of renewal. (Direct abandonment strategy)

...to increase the monthly fee charged to NAME. Additionally, s/he would need to expect longer waiting times when contacting the customer services department in future, as customers with higher profitability would be served with priority. (Indirect abandonment strategy)

Appendix 4: Scenario description (positive framing)

Imagine you are sitting at home in your living room. Accidentally, you see a few newspapers (USA Today, Wall Street Journal, New York Times) on the living room table. You decide to pick one of them up and browsing through it you stumble over an article covering the mobile phone industry. The article speaks about the mobile phone operator PROVIDER (Cell Phone, Inc.), the same mobile phone provider you have a contract with (an imaginary mobile phone provider. Assume that Cell Phone, Inc. is a different mobile phone provider than the one that you have a contract with). According to this article, PROVIDER (Cell Phone, Inc.) recently conducted an extensive profitability analysis of their entire customer base. In this context, PROVIDER (Cell Phone, Inc.) realized that the business relationships with a very low percentage of its customers were not profitable. As a consequence of this analysis, the company took the decision ...

...to end the business relationship with these unprofitable customers. The customers would be contacted and their contracts would run out at the next possible date without the possibility of renewal. (Direct abandonment strategy)

...to increase the fees charged to these unprofitable customers. Additionally, these customers would need to expect longer waiting times when contacting the customer services department, as customers with higher profitability would be served with priority. (Indirect abandonment strategy)

The article continues by saying that, according to PROVIDER (Cell Phone, Inc.) most customers by far would actually benefit from this decision as they would pay a lower rate once all business relationships with all unprofitable customers have been terminated (unprofitable customers are charged higher monthly fees and offered lower service levels when contacting the customer services department). While you are in the midst of reading, the phone starts ringing. You answer and realize that the person calling is NAME. During your conversation you mention to NAME the article you have just read. NAME then tells you that some days ago s/he was actually contacted by his/her mobile phone operator PROVIDER (Cell Phone, Inc.) and that his/her contract had been terminated (s/he is now charged a higher monthly fee and needs to expect longer waiting times when contacting the customer services department in future).

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