Win Back Offer and Service Benefit towards Switchback Intention in Indonesia Retail Business

Jasmin May P. Baniaga
College of Accountancy
University of the Cordilleras
Baguio City, Philippines
Corresponding author email: jasminmayb@yahoo.com

Christina Whidya Utami
Entrepreneurial Business Ciputra University
Surabaya, Indonesia
whidyautami@ciputra.ac.id

Abstract

In today’s market, firms realize that a perfect customer retention is impossible to achieve regardless of related initiatives. Various relationships between elements of retail business and personnel such as social capital, attitude, service importance, service benefit, win back offer, and switchback intention affects the customer’s loyalty to the business. Absence of efforts to retain customers may cause the customers to leave the company, thus, necessitates the importance of Customer Relationship Management (CRM) system which includes concepts on win back offer and switchback intention. Research respondents of the study were 245 customers who have various shopping experiences with modern retail shops located in Indonesia.

To test the effect of social capital, perceived service importance, attitude toward service benefits to win back offer and switchback intention, structural equation model with AMOS was used. The research revealed that: (1) Indonesian retail firm’s social capital and perceived service importance has positive and significant effect on attitude toward the service benefit; (2) Attitude toward the service benefit has positive and significant impact on perceived value of win back offer and switchback intention; (3) Perceived value of win back offer has positive and significant impact on intention switchback; and (4) The overall relationship showed a significant and positive relationship. The research offers a model switching on retail consumers affected by the influence of social capital, perceived service importance, attitude toward service benefits, and switchback.

Keywords: social capital, perceived service importance, attitude toward service benefit, win back offer, switchback intention
Introduction

As a country with one of the world’s largest population, Indonesia is a big attraction for retailers. Retail business is part of a distribution channel that plays an important role in a series of marketing activities and is a mediator and coordinator between the activities of producers and consumers. All activities involving the sale of goods and services directly to end consumers for personal use, and not for business is what is understood of retail business in general. Retail business in Indonesia has developed rapidly in recent years, with a variety of formats and types. This is brought about by the development of distribution business, open service and market opportunities, as well as government efforts to encourage the development of retail businesses through regulations and laws. In an article by Suwastoyo (2013, May 23) in the Jakarta Globe, Indonesia is one of the leading emerging economies in Southeast Asia together with China and India due to its stable economic growth.

On the other hand, the development of retail business in Indonesia primarily is driven by the rapid competition in the market for end customers. Intense competition, according to Berman and Evans (2001), occurs because of the difficulty in product differentiation of retail businesses and low entry barrier. Competition retailers no longer occur among the same retail formats but occur between different ones. As an example, a supermarket not only has to compete with other supermarkets, but also compete with hypermarkets, department stores, super stores, and chain stores. This is conditional on the need for a very tough business for retailers to retain customers.

Based on the presented information, it is clearly shown that the retail business opportunities and competition are very open. The conditions reveal the need for a comprehensive and integrated understanding related to setting strategy and operational management of retail. Many factors are driving the success of large-scale retail formats, some of which involves the choice of suitable locations, support information systems technology, low price, or product completeness. However, an increasingly fragmented market and the difference between retail formats clearly affects the success of retail industry. Thus, excellent strategies of large-scale retail format will not be enough to survive and win the competition.

One of the keys to success in the modern retail sector is the implementation of relationship marketing strategies (Meerzorg, 2003). This opinion was reinforced by Crosby, Evans and Cowles (1990) by arguing that in today’s retail environment, relationship marketing strategies play an important role in increasing consumer demand for the construction of a harmonious relationship between customers and retailers.
Customer Relationship Management (CRM) has been one of the hottest catch phrases in marketing in the last decade (Cohen & Moore, 2000). CRM has emerged to support the view that “developing a relationship with a customer is the best way to get them to become loyal and loyal customers are more profitable than non-loyal customers” (Dowling, 2002: 87). Until recently, the attractiveness of CRM was attributed to its capacity to enhance firms customer retention capabilities (Rust, Zahorik, & Keiningham, 1996). Nowadays, firms realize that a perfect retention is a myth; and regardless of the initiatives taken for customer retention, still, customers leave (Dodson, 2000). Instead of calculating their losses and moving on, some firms chase their clients and become successful at winning them back (Griffin, 2001). For example, BellSouth had been losing small-businesses at an alarming rate of 29,000 lines per month in 2001. With aggressive customer win back efforts, they gained 26,000 previously lost lines per month in the first half of 2003 (Caruso, 2003). Consequently, a new perspective has emerged for firms that focus on CRM—namely, “customer reacquisition.”

Stauss and Friege (1999: 348) define customer reacquisition as “rebuilding the relationship with customers who explicitly quit the business relationship.” Similar to Stauss and Friege, Thomas, Blattberg, and Fox (2004: 31) conceptualize customer reacquisition as “the process of firms' revitalizing relationships with customers who have defected.” The concept of “defected customers” refers to former customers who are no longer active (Schmittlein et al., 1990). This provides a clear distinction between customer reacquisition and the long-established recruitment and retention concepts. As Stauss and Friege (1999: 348) convey “traditional recruitment is directed to prospects who lack experience with the service offered for retention management, current customers are the target group,” whereas reacquisition targets defected or lost customers. Customer reacquisition or win back programs provide firms with high economic benefits, including incremental sales gain, lower acquisition costs compared to new prospect recruitment, ability to identify service improvement opportunities by tracking the defected customers’ reasons for leaving, increased capability to detect at-risk customers by learning from defected customers, and the ability to limit negative word of mouth from switchers and increase positive word of mouth through those that are reacquired (Griffin & Lowenstein, 2001; Reichheld, 1996; Stauss & Friege, 1999).

As a result of all the expected benefits, customer reacquisition initiatives are becoming more and more popular as firms recognize that customer reacquisition may be a critical element in their ability to manage an entire customer portfolio over time (Hunt, 2002). Despite the increasing popularity among practitioners, customer reacquisition has attracted only a few scholars.
WIN-BACK OFFER AND SERVICE BENEFIT TOWARDS SWITCHBACK INTENTION

In relation, Stauss and Friege (1999) developed a conceptual basis for regain management aimed at winning back lost customers by supporting their views with illustrative cases. Following Stauss and Friege's work, Helfert et al. (2003) developed a five-step process framework for customer regain management in e-business. Neither of these studies provides an empirical basis for customers' value perceptions of a win-back offer, nor do they offer any situational factors that moderate such value perceptions. Thomas et al. (2004) also examined the effects of pricing and relationship lapse duration on customer recapture likelihood and on the duration of the revitalized relationship.

While Thomas et al. (2004) is the first study in the customer reacquisition area that provides an empirical basis to explain customer recapture likelihood, it assumes that it is price and elapsed time, rather than the overall value of the offer, that drives customers' intentions to return back. To address this concern, the objective of this paper was to develop an empirical model for the perceived value of a win back offer, identify its determinants, and assess its impact on defected customers' intentions to return back.

To address the objectives, two studies were conducted. In the first study, the social aspect of the retail provider to defected customer relationship and the importance of service provider selection (as perceived by customers) as two situational factors that moderate previously reported relationships between value determinants (price and service benefits) and win back offer value were presented. In the second study, the impact of value determinants on intentions to return back was investigated along with elapsed time, switching reason, delight with the current retail provider, regret regarding the original switch, and the defected customer's satisfaction with the original retail provider at the time of original switch.

On the other side, shopping behavior supported with buying capability makes a retail business potentially attractive to investors. Indonesia has good progress for the retail business, and many investors come to invest in Indonesia like Giant, Carefour, Hypermart, and Lotte market, among others. Competition in retail business gives the opportunity for the customer to choose the store that gives more value for the customer.

For the purpose of becoming a market leader, every retailer makes some promotional program to attract customer interest. This program is important for retailer's profitability. Recently, the competition in retail businesses has increased even more, with the aim to have loyal customers. In March 2009, focus group discussion of 30 retail customers in Surabaya was conducted. Based on this activity, there were 67% retail customers identified that have no product loyalty or have switching buying behavior from one retailer to another. Based on the explanation, this paper aimed to look and analyze various relationships.
between elements of retail business and personnel such as social capital, attitude, service importance, service benefit, win back offer, and switchback intention.

To illustrate specifically, the following statements and framework were drawn: (1) the relationship between social capital and attitude toward service benefit; (2) the relationship between perceived service importance and attitude toward service benefit; (3) the relationship between attitude toward service benefit and perceived value of win back offer; (4) the relationship between perceived value of win back offer and switch back intention; and (5) the relationship between attitude toward service benefit and switch back intention.

![Conceptual Framework of the Study (Research Model)](image)

Figure 1. The Conceptual Framework of the Study (Research Model)

A clear understanding of the variables (i.e., social capital research, perceived service importance, attitude toward service benefits, perceived intention win back offer and switchback) is needed to prevent differences of opinion and perception. Therefore, it needs to be given a clear operational definition. To present, perceived service importance, as a sub-dimension of a wider concept, refers to a personal understanding of purchasing services (purchased service’s personnel) and its relevance to customers and retailers.

Social capital is the customer’s perception of something real which includes accumulation of resources through network resources and network relationships tied up in it. Frenzen and Davis (1990) states that social capital are collected when there is an exchange between partners or bidding. Burt (1997) explains that social capital as a “slip discounted prices” can be used or exploited in the exchange of the partnership when needed. Social capital theory emphasizes the feeling or understanding of the existence of obligations or duties of individuals, based on its resources in an organization that has been authorized by the individual (Coleman, 1990; Bourdieu, 1986).

Attitude toward service benefit is the overall customer rating of perceived usefulness of a product that is based on what is acceptable and what is expected. It shows the retailer “bundle benefits” earned by “the customer
compared to the allure of the price” received by the customer.

Perceived win back offer is the consumer’s perception with regard to the overall value offering of the company to divert back customers who switched. Switchback intention is the intention of customers to switch back to the retailer who became their first choice before they changed service to another retail company.

Methodology

Participants

The population includes all consumers who shops at modern retail in Surabaya and Sidoarjo in Indonesia. Given the infinite population, purposive sampling was used to determine the amount and distribution of respondents in each of those retail stores. Specifically, respondents of this study were the customers who have experienced shopping at modern retail, service failures, other retail shopping activities, and an offer to return to the shop at original retail. These criteria were used to stratify the respondents to properly reflect the retail customers who become actual retail market consumers and has the capability to interpret the questionnaire with the appropriate question. The criteria of shopping activity of at least two (2) times in the last two (2) months, was used to assure that each respondent had the knowledge and shopping experience that was sufficient to answer the questions in the questionnaire.

Through a non-probability random sampling, a total of 300 questionnaires were distributed, hence, satisfies the provisions of model size and maximum likelihood estimation as seen in multivariate analysis (Hair et al., 1998). The excess questionnaires served as a buffer in cases of rejected questionnaire.

Materials

The main instruments used in this study is a questionnaire that includes a structured list of questions used to measure the perceptions of respondents and the facts relating to the respondents, and with a condition that has been known to respondents. Multiple item scale is used to measure each variable. The items are based on previous researches (Grewal et al., 1998; Notani 1997; Schneider & Rodgers, 1996) and some modifications were made to suit the context of the study.

Before conducting the main experiment, the researcher conducted extensive pre-testing of the list of questions. Based on pre-tests, some of the questions were reworded and the scaling was fixed. Construct reliability was conducted to determine the internal consistency of the indicators of a construct indicating the degree to which each indicators identify a common factor or latent, or in other words how specific things help each other to explain a
common phenomenon. Construct reliability for all variable ranges from 0.7974 to 0.9035 which is above the acceptable level of reliability of 0.70 indicating that all research variables are reliable and can be used for further analysis.

Perceptions of respondents to the social capital is measured by five items, 5-point Likert scale model developed by Coleman (1990) and modified by Frenzen and Davis (1990). Items to assess respondents’ perception include patronage owing to the original retailer, feeling obliged to do business with the original retailer, having a give and take relationship with the original retailer, feeling indebted to the original retailer, and feeling a need to repay. Perceived service importance was measured using five service points of the original Likert scale developed by Schneider and Rodgers (1996). Items to assess respondents’ perception includes having a big decision in one’s life, having great importance, carefully taking a lot of thought, being a serious decision, and meaning a lot.

Attitude toward service benefits is measured using eight items, 5-point semantic differential scale modified from Burton and Lichtenstein (1988). Attitude toward the score and a detailed quote marks signifying benefit from offering services to win back customers includes aspects on service attitude towards the benefits of the win back deals offered by original retailer; unfavorable-favorable, bad-good, harmful-beneficial, unattractive-attractive, poor-excellent, very-very disadvantageous-advantageous, worthless-valuable, and do not like-like. Perceived win back offer was measured using ten items with 5-point Likert scale as modified by Grewal et al., (1998) which is a scale of perceived acquisition value. The measure was obtained from the process of factor analysis to confirm differences in the dimension of the constructs. The items asked are as follows: “My former retailer’s Offerings meet my quality standards, I think that given my former retailer’s features/services it is a good value for the money.”

Switchback intention was measured by asking respondents on their desire to recreate a pleasurable experience and increased hopes of conspiring against the existence of win back from previous retailers. This was established through the question: “Please rate the probability that you would switch-back or return to your original retailer” with the corresponding expected answers such as unlikely-likely, existent-non-existent, improbable-probable, impossible-possible, uncertain-certain, definitely not, definitely.

Research time was set from March to June, taking into consideration the regular spending time of the consumers (rather than the spending conditions based on their particular religious beliefs).

Structural Model

Structural Equation Modelling (SEM) has characteristics that can
be distinguished with other multivariate analysis techniques. This includes 1) Estimation of multiple dependence relationships (multiple dependence relationships), 2) Allows to represent a concept that previously was not observed in the relationships that exist and take into account measurement error. Since the purpose of this study is to investigate correlations between variables under study causality, the Structural Equations constructed are shown in Table 1.

Table 1
Equations of Structural Research

<table>
<thead>
<tr>
<th>No.</th>
<th>Equation of Structural Research</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>( Y_1 = \delta_{11}X_1 + \delta_{12}X_2 + \epsilon_1 )</td>
</tr>
<tr>
<td>2</td>
<td>( Y_2 = \beta_{21}Y_1 + \epsilon_2 )</td>
</tr>
<tr>
<td>3</td>
<td>( Y_3 = \beta_{31}Y_1 + \beta_{32}Y_2 + \epsilon_3 )</td>
</tr>
<tr>
<td>4</td>
<td>( Y_3 = \beta_{41}Y_1 + \epsilon_3 )</td>
</tr>
</tbody>
</table>

Note. \( \beta, \delta = \) (beta, gamma) path coefficient of each variable, \( x1 = \) social capital, \( x2 = \) perceived service importance, \( y1 = \) attitude toward service benefit, \( y2 = \) perceived winback offer, \( y3 = \) switchback intention, \( \epsilon = \) error

Results and Discussion

Effect of Social Capital, Perceived Service Importance, Attitude Toward Service Benefits to Win Back Offer and Switchback Intention

In accordance with the purpose of research to test the effect of social capital, perceived service importance, attitude toward service benefits to win back offer and switchback intention, structural equation model with Analysis of Moment Structures (AMOS) was used. Results of testing with the AMOS program models are shown in Table 2.

Table 2 shows that the eight (8) criteria used to assess whether or not a model is worthy are all satisfied, thus indicates that no modification to the model is needed. The table also shows that all of the criteria used to assess the model have good value; therefore the model is acceptable because there is compatibility between the model and the data.
Table 2
Effect of Social Capital, Perceived Service Importance, Attitude Toward Service Benefits to Winback offer and switchback intention

<table>
<thead>
<tr>
<th>Criteria</th>
<th>Cut-off Value</th>
<th>Computing Result</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi Square</td>
<td>Expected small</td>
<td>127,008</td>
<td>Good, x² with df=126 is 153,1979</td>
</tr>
<tr>
<td>Significance</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Probability</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RMSEA</td>
<td>&lt; 0.08</td>
<td>0.013</td>
<td>Good</td>
</tr>
<tr>
<td>GFI</td>
<td>&gt; 0.90</td>
<td>0.933</td>
<td>Good</td>
</tr>
<tr>
<td>AGFI</td>
<td>&gt; 0.90</td>
<td>0.909</td>
<td>Good</td>
</tr>
<tr>
<td>CMIN/DF</td>
<td>&lt; 2.00</td>
<td>1.008</td>
<td>Good</td>
</tr>
<tr>
<td>TLI</td>
<td>&gt; 0.95</td>
<td>0.952</td>
<td>Good</td>
</tr>
<tr>
<td>CFI</td>
<td>&gt; 0.95</td>
<td>0.950</td>
<td>Good</td>
</tr>
</tbody>
</table>

Table 3.
Path Coefficient, Cr And Probability Of Significant Test Results Effect of Social Capital, Perceived Importance Service, Attitude Toward Service Winback Perceived Benefit of Offer and Intention Switchback

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coef Path</th>
<th>CR</th>
<th>Sig.</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social Capital -&gt; Attitude toward service benefit</td>
<td>0.393</td>
<td>4.215</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>Perceived Service Importance -&gt; Attitude</td>
<td>0.366</td>
<td>3.492</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>Attitude toward service benefit -&gt; Perceived</td>
<td>0.832</td>
<td>2.424</td>
<td>0.015</td>
<td>Significant</td>
</tr>
<tr>
<td>Winback Offer (Y₁ -&gt; Y₂)</td>
<td>0.182</td>
<td>4.664</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>Perceived Winback Offer -&gt; Switchback Intention</td>
<td>0.597</td>
<td>2.361</td>
<td>0.018</td>
<td>Significant</td>
</tr>
<tr>
<td>Attitude toward service benefit -&gt; Switchback</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intention (Y₃)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Path coefficient of each relationship between variables used in the study are presented to test the hypothesis. Path coefficients can be seen in Table 3. Influence of the path coefficient of social capital and perceived service importance, attitude toward service benefits to winback offer and switching.
intention and structural equation can be expressed as follows:

\[
\begin{align*}
ZY_1 &= 0.393 \times x_1 + 0.366 \times x_2 + \epsilon_1 \\
ZY_2 &= 0.832 \times y_1 + \epsilon_2 \\
ZY_3 &= 0.182 \times y_2 + \epsilon_3 \\
ZY_4 &= 0.597 \times y_1 + \epsilon_4
\end{align*}
\]

AMOS calculation results are presented in Table 3 which shows that social capital (X1) has a positive and significant effect on the attitude toward service benefits (Y1). This is seen from path coefficient with a value CR of 4.215 and obtained a significant probability of (p) = 0.000. This value is smaller than the significant level (\( \alpha = 0.05 \)). Thus, the relationship between social capital and attitude toward service benefit was proved. The amount of the direct influence of social capital on the attitude toward service benefits amounted to 0.393.

Table 3 also shows that the perceived service importance (X2) has positive and significant effect on attitude toward service benefits (Y1). This is seen from the path coefficient with a value CR of 3.492 and obtained significant probability of (p) = 0.000. This value is smaller than the significance level (\( \alpha = 0.05 \)). Thus, the research hypothesis which states that the perceived service importance has a relationship with attitude toward service benefit was proved. The amount of the direct influence of perceived service importance of attitude toward service benefits amounted to 0.366.

Based also on the findings presented in Table 3, the attitude toward service benefits (Y1) has positive and significant effect on perceived winback offer (Y2). This is seen from the path coefficient with a value CR of 2.492 and obtained significance probability of (p) = 0.000. This value is smaller than the significance level (\( \alpha = 0.05 \)). Thus, the research hypothesis which states that the attitude toward service benefits perceived has a relationship with win back offer is proven. The amount of the direct influence of attitude toward perceived service benefits to offer amounted to 0.832 winback.

The perceived winback offer (Y2) has positive and significant impact on intention switchback (Y3) based on the results presented in Table 3. This is seen from the path coefficient with a value CR of 4.664 and obtained significance probability (p) = 0.000. This value is smaller than the significance level (\( \alpha = 0.05 \)). Thus, the research hypothesis which states that has relationship with perceived value of win back offer is proven. The amount of the direct influence of perceived winback intention to offer to the switchback is 0.182.

The attitude toward service benefits (Y1) has positive and significant impact on intention switchback (Y3) as presented in Table 3. This is seen from the
path coefficient with a value CR of 2.361 and obtained significance probability (p) = 0.000. This value is smaller than the significance level (α = 0.05). Thus, the attitude toward service benefit having a relationship with switch back intention was proved. The amount of the direct influence of attitude toward intention to service the benefit of the switchback is 0.597.

In this study, a model of switchback intentions when customers are presented with win back offers was tested. The independent variables which are social capital, perceived service importance, and attitude toward service benefit have a positive relationship toward perceived win back offer and switching intention. While perceived win back offer is a cognitive evaluation that encourages consumers to evaluate the explicit attributes (service benefits) of the win back offer, the switchback intentions measure encourages consumers to think in terms of an alternative based evaluation (Dhar & Nowlis, 2004). The switchback intention includes satisfaction with original service provider, delight with new service provider, and social capital of both new and original service provider in addition to assessments of service benefits provided by the win back offer.

In this study, the service firm’s social capital has a significant impact on the relationship between service benefits and switchback intentions was found. When the service firm’s social capital was positive, service benefits had a positive significant impact on switchback intentions. These findings confirm the situational role of original service provider’s social capital in the customer’s assessment of the relationship between service benefits and switchback intentions - a finding only pertinent to customer reacquisition situations.

The study also examined the social capital and its impact on switchback intentions when customers are presented with win back offers. The finding confirms the argument that the customers think in terms of an alternative based evaluation when making switchback decisions and that the new service provider’s social capital may acts as a switching barrier for the customer. After considering the personal favors received from and the close personal relationship developed with the new service provider, the customer may feel highly indebted to the new service provider, and may feel obligated to remain loyal such that their likelihood of switching back diminishes. As suggested by Stauss and Friege (1999), effective reacquisition requires firms to track the defected customers’ reasons for switching. For instance, we found that a win back offer presenting a low price option is much more effective if in fact the original switching reason was price related. This finding implies that customers that are categorized as price conscious can be targeted and lured back with lower (than the alternative)
FIGURE 2
Relationship Social capital, perceived service importance, attitude toward service benefit with perceived winback offer dan switchback intention.
prices as long as the customer remains to profit at the suggested price level. For those that switched for service related benefits, offering them better services does not guarantee them being won back. One possible explanation may be upon receiving a win back offer, is that, customers who originally switched for better service benefits may question the original service provider’s efforts by asking why such an offer was not provided to them before they switched. Given that the customers will have to incur some switching costs in order to switch back to original provider, their expectations may reflect additional benefits that would make up for the switching costs. In those cases, firms should look to bundle service benefits with lower price, improved customer status (e.g., VIP, gold-member, etc.) that provide customers with service conveniences, and personalized gifts to lure customers back.

Customers’ previous experiences both with the original and the new service provider also play a critical role when customers develop switchback intentions. Firms should target formerly satisfied switchers with whom the service provider had built social capital to extend win back offers. Keeping in touch with defected customers may also lead to regret regarding original switch and a consequent switchback. However, our findings show that customers that are delighted with their new service providers would be less likely to switchback. Despite the challenge, firms should be persistent in chasing defected customers. As our findings indicate, value determinants (price and service benefits provided in the win back offer) play a prominent role in shaping switchback intentions regardless of the level of previous satisfaction, regret, or delight with the new service provider. A good value may always bring some customers back.

Implications for Theory and Practice

Overall, the research provides additional insight into the customer reacquisition decision and the role of win back offers. The contribution of this research is two-fold.

First, we examined the antecedents of win-back offer. We identified two intervening variables, social capital and perceived service importance, which impact the attitude toward service benefit, win-back offer and switchback intention. These variables suggest that the antecedents of customer perceptions of a win-back offer value are more complex than prior studies suggest. Second, we proposed and tested a broader model of the customer reacquisition decision, taking into account prior customer experience and aspects of the win back offer. We discovered that, as expected, customer prior experience has a significant influence on customers’ switchback intentions. The role of social capital in shaping customers’ switchback intentions is quite robust. We found out that attitude toward service benefit has a direct effect on switching intentions.
WIN-BACK OFFER AND SERVICE BENEFIT TOWARDS

WHITBACK INTENTION

Overall, across two studies, we found an evidence that the value of the win back offer is critical, but that the perceptions of this value and the influence of this value on switching intentions is moderated by factors that have not been investigated in prior research. These findings point to the importance of using customer management approaches to find out why and when customers leave. As mentioned in the beginning of the manuscript, win back efforts are often more effective and efficient than new acquisition efforts. Therefore, service firms that make customer win back a company-wide priority and begin utilizing CRM systems for winning back defected customers in addition to the retaining of active customers may see a significant increase in overall profitability.

One criticism related to reacquisition efforts is the service firm’s ability to identify lost customers. How do firms identify lost customers? Firms that commit to customer relationship management need to communicate with their customers in a proactive manner. In order to identify defected customers, firms should set timelines to communicate with their customers. Once a customer is identified as a lost customer, service providers should find out why the customer decided to switch to an alternative provider and develop an action, that is, a win-back offer, accordingly. Given the findings of this study, a win back offer may include such components as service benefits as well as reminders of special treatment during the customer’s past experience. Knowing the situations that may impact customers’ assessments of win back offer, service providers should develop customized win-back offers that may address customers’ specific needs. For example, a customer that received special favors and gifts in the past would pay less attention to service benefits that are available to all other customers—such customers can be enticed back by communicating a price advantage coupled with more special or personal treatment.

Moreover, the findings of the study suggest that firms should track the importance of their services to customers. For those customers who do not think the service provider selection is important, price advantage is the critical factor that drives their perceptions of win back offer and intentions to switchback. These findings also have implications for customer value analyses. In their efforts to assess financial return on marketing investments, Rust, Lemon, and Zeithaml (2004) suggested that lifetime value (LTV) models should have a customer win back component rather than treating defected customers as brand new recruits. Moreover, Stauss and Friege (1999:351) proposed that “to determine customer value in the context of regain management, the LTV of the terminated relationship is not appropriate.”

Only the value of the regained customer in the future is of interest. Accordingly, through data analysis, expected length and expected profitability of rebuilt relationships have to be assessed. The authors then go on to distinguish the
Conclusion and Recommendations

Social capital has positive and significant effect on attitude toward service benefits. This is seen from the marked positive path coefficient with CR values of 4.215 and significance probability of 0.000 was obtained. The value is smaller than the specified significance level alpha, which is 0.05. Hence, social capital has a relationship with attitude toward service benefit. The amount of the direct influence of social capital on the attitude toward service benefits amounting to 0.393.

Perceived service importance has positive and significant effect on attitude toward service benefits. This is revealed from the marked positive path coefficient with a value of 3.492 obtained CR significance probability of 0.001. This value is smaller than the specified significance level alpha, which is 0.05. Thus, the perceived service importance has a relationship with attitude toward service benefit. The amount of the direct influence of perceived service importance of attitude toward service benefits amounting to 0.366.

Attitude toward service benefits has positive and significant effect on perceived win back offer. This is also seen from the marked positive path coefficient with a value of 2.424 obtained CR significance probability of 0.015. This value is smaller than the specified significance level alpha, which is 0.05. Thus, attitude toward service benefits has a relationship with perceived value of win back offer. The amount of the direct influence of attitude toward service benefits to win back offer amounted to 0.832.

Perceived win back offer has positive and significant impact on intention to switchback. This is evident from the marked positive path coefficient with a value of 4.664 obtained CR significance probability of 0.000. The value is smaller than the specified significance level alpha, which is 0.05. Thus, the perceived value of win back offer has a relationship with switch back intention. The amount of the direct influence of perceived winback offer to switch back intention amounted to 0.182.
Attitude toward service benefit has positive and significant impact on switchback intention (Y3). This is shown by the marked positive path coefficient with a value of 2.361 obtained CR significance probability of 0.018. This value is smaller than the specified significance level alpha, which is 0.05. Thus, the attitude toward service benefit has a relationship with switchback intention. The amount of the direct influence of attitude toward service benefit to the switchback intention is at 0.597.

Based on the foregoing conclusions, the study recommends that the results of this study can be the basis of switchback intention on the retail business which is especially important for retailers doing a win back offer to consider. Also, further research can be done on a company or other organizational groups to obtain other models with additional variables that are antecedents of the variables that have been used in this study. Tracing the concept of the constructs and variable is the antecedent of actual variables in the research. This strengthens influence on the variables of attitude toward service benefit or switchback intention which is an endogenous variable depending if the model is complete.

For those companies which are large-scale retail food companies, this study can be an input to the operational and strategic policy, particularly in relation to their win back strategy. Win back consumer perception is a retailer effective strategy if linked with the aim of realizing customer switching intention. However, it takes commitment from the entire management to consistent implement an integrated strategy.

To the public, results of this study may be a consideration in making decisions of investing in the retail business. Retail business is very difficult to manage and the level of product differentiation has very low entry barrier. It is enough reason for caution, considering the high risks involved. Nevertheless, the efforts done by the retail business to offer a value through the implementation of customer switching intention should not be disregarded.

For the government, the results of this study are expected to be an input in determining policies for retail business, with the aim of protecting retail customers in accordance with the value expected by them. This is of paramount importance for the government in setting policies related to the development of growth and a completely competitive retail business in Indonesia.

In the future, a field study that targets customers with a switchback experience would provide an interesting complement to the current study. Another limitation of the study concerns measures of the value component. However, given the service settings examined here, omission of the value components significantly influenced the findings. It would be helpful for future studies to incorporate these aspects as well. The study developed an empiric
model for the perceived value of a win back offer, identified its two dimensions, and assessed its impact on intentions to switchback.

The implications of this research may provide service firms with a framework to regain defected customers. In addition, this research will also stimulate an emerging research stream towards a theory of customer reacquisition management.

References


