

Tactical Churn in Contractual Service Relationships: When Customers Break up Without Leaving

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Abstract

Due to the targeting policy of service providers, some customer groups like new customers receive better contractual conditions compared to existing customers. Existing customers perceive this but do not receive any benefits for their loyalty. They react with a ‘tactical churn’ in order to obtain better offers from their current provider without any intention to switch. This study investigates the phenomenon of ‘tactical churn’ by taking into account four different sources of price comparisons: new customers, customers at the same provider, competitor offers, and intertemporal comparisons. The effects of these price comparisons are tested in a field study of 1,069 consumers in the Telco industry. The results show that price comparisons across the different sources are the strongest predictor for perceived price fairness. Further, they have a significant negative influence on appreciation, moral obligation and a positive on subjective norms, which in turn drive tactical churn intention.

Keywords: *customer loyalty; fairness; contractual services*

Track: Services Marketing