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A Systemic Analysis of the Defection Process in the Small Parcel Logistic Industry

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A SYSTEMIC ANALYSIS OF THE DEFECTION PROCESS IN THE SMALL PARCEL LOGISTIC INDUSTRY

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Dissertation Abstract

A SYSTEMIC ANALYSIS OF THE DEFECTION PROCESS IN THE SMALL PARCEL LOGISTIC INDUSTRY

The study of customer-initiated defection from one provider of services to another has been studied extensively in the business-to-consumer market. The reason to study defection patterns and analytics is to allow businesses to identify and control antecedents to defection that in turn will generate increased customer loyalty, market share, and profitability. Keaveney's study of defection was the starting point for understanding the key criteria individuals used to switch their purchasing criteria.

This research adds to existing defection theory by addressing the narratives of eight individuals who switched their vendor relationship in the small-parcel package industry. Prior to this research, no studies addressed this specific industry. Previous research mainly addressed attempts to understand antecedents and critical events that led to defection in consumer markets. These generalized findings of defection in consumer markets fail to extend to other industries and provide limited value to marketing and sales departments looking to understand ways to gain new business and keep highly profitable existing customers.

The findings from this research extend the theory of defection energy first proposed by Hollmann by understanding the temporal process a highly relational industry like small-parcel delivery requires. In addition, research shows that neither price nor service performance are effective criteria when deciding to convert to an alternative carrier. The three reasons identified for defection in the small-parcel industry were (a) account representation, (b) poor problem resolution, and (c) unique service offerings. These three key findings will allow companies in highly relational industries to better understand how to increase profitability and market share and reduce defection.

Darrell Gualco, Author

Dr. Patricia Mitchell
Chairperson, Dissertation Committee

This dissertation, written under the direction of the candidate's dissertation committee and approved by the members of the committee, has been presented to and accepted by the Faculty of the School of Education in partial fulfillment of the requirements for the degree of Doctor of Education. The content and research methodologies presented in this work represent the work of the candidate alone.

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DEDICATION

This work is dedicated to those individuals who encouraged me to purse my goal of a doctoral degree. Without their support, the completion of my goal and this study would not have been as personally fulfilling.

To my parents, John and Mary, who have supported and encouraged all my interests. I hope you know that without you this wouldn’t have been possible.

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CHAPTER I

THE RESEARCH PROBLEM

Statement of the Problem

In 2001, Griffin noted that companies lose on average between 20 and 40% of their customer base each year to competitors. A 5% reduction in defection could impact company profitability by as much at 100% (Reichheld & Sasser, 1990). Costs to keep existing customers have been shown to be significantly lower than the costs of acquiring new customers (Jackson, 1985). Although businesses agree that controlling defection is important, relatively little is known about why buyers leave suppliers (J. Johnson, Barksdale, & Boles, 2001). Significant research has been published on consumer-services switching (Keaveney, 1995; Roos, 1999) but no research has yet to be published on the business to business (B2B) services context (Yanamandram & White, 2010). In particular, no published research exists on the defection process of customers in industries where there is a highly relational dyad. Unless research can identify and minimize this problem, companies will continue to lose market share and erode profitability.

Previous research on defection has provided significant insight into probable causes of customer defection in the consumer-services industry. Initially, Hirschman (1970) proposed that exit, voice, and loyalty affect overall relationship satisfaction, relational investments, and attraction to alternatives (Ping, 2007). In 1982, Duck provided three predisposing factors that influence relationship ending: precipitating factors and attenuating factors. Hirschman's research has been tested in employment relationships, showing a parallel between the ending of a business relationship that is similar to ending one's employment and the difficulty individuals have in ceasing a relationship (Ping, 2007). Additional research on maintaining close, long-term, cooperative relationships shows the positive impact to the supplier in reducing defection (J. Johnson et al., 2001). Research from other sources show that social bonds (Berry, 1995), relationship quality (Crosby, Evans, & Cowles, 1990), satisfaction (Fornell, 1992), service quality (Homburg & Fürst, 2005), and price (Naumann, Haverila, Khan, & Williams, 2010) have significant impacts on customers' interest in defection to alternative suppliers.

The difficulty in researching defection in business relationships is a significant deficiency in the current published research. Due to the proprietary nature of actual customer data, much of the research hails from consumer-survey data and perceptions of service experiences and intention to remain (Ahn, Han, & Lee, 2006). A preponderance of the research on defection comes from several core industries like banking (Athanassopoulos, 2000: Bansal & Taylor 1999; Perrien, Lalonde, & Filatrault, 1994), telecommunications (Gustafsson, Johnson, & Roos, 2005; Jahromi, Sepehri, Teimourpour, & Choobdar, 2010; Sabharwal, Soch, & Kaur, 2010), and consumer services (Keaveney, 1995; Roos, 1999). These empirical studies provide some antecedent data that addresses perceived or actual defections from industries that are not primarily highly relational industries. Although these industries provide anecdotal information on defection, it cannot directly impact defection understanding in industries like pharmaceutical sales, high-technology sales, or small-parcel logistics. To illustrate, interactions with service providers take place regularly and frequently, providing ample occasions for critical incidents. A service failure can disrupt a firm's operations and potentially create greater financial consequences for the supplier than a lost phone call or poor banking experience (van Doorn & Verhoef, 2008). Although service quality and loyalty have both been well researched, dyadic research to capture how expectations affect the relationship is negligible, and the literature base is lacking in a supply-chain context (Davis & Mentzer, 2006).

The following research provides the basics for understanding the defection process in a highly dyadic relationship in the small-parcel-logistics industry (SPLI). By examining actual defectors in a highly dyadic relationship and understanding the process of defection, these findings allow highly relational industries to better understand why customers defect. The findings from this study provide companies with an understanding of the interrelationships of antecedents like service quality, service recovery, and trust in the salesperson, competitor attractiveness, price, and how to minimize defection through manipulation of direct sales resources, training, and marketing.

Purpose of the Study

The purpose of this qualitative study was to explore the temporal process of defection in the SPLI as it relates to customers who defected to or from United Parcel Service (UPS) or Federal Express (FedEx). Previous published research parallels the loss of a significant business relationship to the emotional difficulty of leaving a job (D. Farrell & Rusbult, 1981; Levitt, 1983). Individuals continue to work in jobs with low to high satisfaction and usually only make a change after a period of contemplation and review. Therefore, it is important to understand the totality of business-relationship failure from start to dissolution and the criteria used by individuals to justify their change. These findings provide specific and actionable narratives that will assist companies to understand future defections and what preventative actions could be implemented prior to defection. I accumulated these data from an industry in which the buyer–supplier relationship is of a highly relational and dyadic nature, where consequences of service failures have significant negative impacts for each participant. I collected narratives from eight interviews of decision makers who switched their SPLI provider within 24 months of the interview. The conclusions reached in this study may extend the current research provided by Hollmann (2008) on the emerging defection process by moving from a generalized overview of defection to a review of actual defectors in a specific industry like SPLI. In addition, this research also adds to Friend's (2010) research on why individuals win and lose sales opportunities by addressing both sides of the defection process.

Background and Need for the Study

The small-parcel industry is an example of a highly relational industry. Primarily two parcel-delivery carriers exist in SPLI: UPS and FedEx. According to their annual reports, UPS and FedEx generated over 85% of the combined revenues in 2011 for all SPLI carriers. The overall size of the SPLI is equal to 12.3% of the GDP, according to an industry report by Morlok, Nitzberg, Balasubramaniam, and Sand (2000). The overall services industry accounted for 68% of the global GDP; in the United States, it is 66% of the GNP (Brady, Cronin, & Brand, 2002). Current SPLI participants include companies like UPS, FedEx, DHL, TNT, and regional parcel delivery companies in the United States like OnTrac and Golden State Overnight. In 2006, Li, Riley, Lin, and Qi compared service quality between UPS and FedEx and found no statistically significant difference in quality between the two companies.

The combined revenue in sales for UPS and FedEx totaled nearly $77 billion in sales and $8 billion in profit, based on combined financial statements from their 2011 annual reports. The revenue only addresses the small-parcel portions of earned revenue and not the additional revenue streams of less than truckload shipments and freight-forwarding divisions. Because defectors in this industry have only one alternative for service, a 1% difference between each companies defection rate could range from a gain to UPS of $350 million (of $35 billion in sales for FedEx) or a gain to FedEx of $440 million (of $43.9 billion in sales for UPS) based on gross sales revenue of each competitor (2011 annual reports).

Whether it is the basic service of sending an overnight letter or manufacturing goods requiring a time-definite delivery, each account is assigned a sales resource to manage all needs from pricing, service recovery, invoicing, and shipment training. Because the nature of the industry is that failure is expected on 1% or more of deliveries, it is necessary to maintain a strong sales force to address customer concerns and grow existing revenue either from competitors or new customers. Because it is not financially feasible to have a local sales resource for every person or company shipping, the industry typically segments customers by net-revenue generation, after discount, and assigns an appropriate local direct-sales representative.

The current industry standard is that a customer spending in excess of $20,000 is considered a vital customer, requiring a local direct-sales resource to visit and assist in managing customers’ logistics concerns. McDonald, Millman, and Rogers (1997) noted that a key account is a business-to-business customer of strategic importance. In Gosman and Kelly’s (2002) study, a survey noted that 50% of sales came from what a customer called a key account. This research addressed only those accounts with FedEx or UPS of over $150,000 in net spending. This revenue threshold constitutes a significant revenue stream for either company, requiring a highly trained sales resource to manage, grow, and assist this key account. The small-parcel industry generates approximately 10 cents in profit for every dollar generated in revenue. Therefore, a $150,000 account could be assumed to have a minimum of $15,000 in net profit. In fact, an Arthur Anderson study showed that by one high-value customer is worth 19.5 other customers (Griffin, 2001). In other words, one large key account that generates $15,000 in net profit will need 19.5 new small customers to generate the same profit lost from one key account. Therefore, this research is vital to address maintaining high-value customers, as losing just one high-value customer would require a company to convert over 19 of the competitor's customers to break even. The average value of defected business addressed in this study is $500,000 or approximately $50,000 in net profit lost by the incumbent carrier.

Aside from the maintenance of their existing accounts, it is the responsibility of the direct-sales force to win business from the competitor. This sales process creates a level of constant attraction to a competitor, as a limited number of customers spend over $20,000 who is unknown to a competitor. In addition, with only two major competitors (UPS and FedEx), it is very likely that buyers are dual-sources, using services of FedEx and UPS, which provides a constant comparison of capabilities and performance. Therefore, identifying why businesses switch from one competitor to the other completely can be invaluable for future success and current retention. The list of defection reasons includes better pricing, better service options, corporate branding, service- and sales-provider follow through, as well as service recovery during significant service failures. Because customer defection to competitors is a progressive process in which customers disengage from established relationships and allocate more and more of their expenses to competitors (N'Goala, 2007), it was important to identify the process in the SPLI, as this study has done.

Currently, several process theories of defection (Hollmann, 2008; Roos, 1999; Tahtinen 2002) address a general understanding of process from a qualitative prospective. However, no study addressed the defection process in a B2B market like the SPLI where relationship involvement is instrumental to companies' success. This study is the first known review of defection in a B2B industry with only two competitors, which should benefit understanding of defection (Hollmann, 2008) created during the routine daily management of customer concerns and perceptions.

Current research on defection rates was primarily based on two published authors (Griffin, 2001; Reichheld & Sasser, 1990) and primarily addressed consumer-based services like credit cards and telecommunications. Reichheld and Sasser (1990) estimated defection at 15 to 20% per year. They pointed to the credit card industry as usually very high and indicated that the lowest in the industry is MBNA at 5% customer loss. Griffin (2001) estimated customer loss at between 20 and 40% per year. Due probably to proprietary reasons, no SPLI company has provided a defection rate. The definition of defection used for this study is when a customer moves more than 90% of their logistics spending in SPLI to the alternative carrier. This definition effectively covers instances when a buyer has moved all significant spending to the competitor rather than picking and choosing services or using dual sources by preference.

Based on my industry experience, the SPLI is influenced by the ability of each carrier to create differentiation in service capabilities or product differentiation. The ability to create differentiators in service is very rare and time limited. Companies monitor standards for service, price, brand recognition, and technology daily. When a new service offering or product differentiator arises for either carrier, a significant competitive threat could be created. This research identified two such differentiators in Saturday home delivery and UPS capital services as potential differentiation products that affect a buyer's decision to defect. Accordingly, competitors will identify and minimize the differentiation of services and products as rapidly as possible to eliminate opportunities for defection.

Current research on the subject of the importance of the sales person in minimizing customer defection is relatively brief. J. Johnson et al. (2001) found little research in the buyer–seller-relationship literature regarding the role that costs and benefits play in relationship termination. Their findings showed that the salesperson plays an important role in reducing defection; in addition, the defection process is far more complex than merely keeping customers satisfied. They proposed addressing concepts of customer commitment and building equitable relationships. The methodology used to create their findings was to interview sales managers and salespersons on their perceptions of defection. From that data, they created a survey, with responses from 844 buyers who were not actually defectors.

In 2005, Sierra and McQuitty created a survey of 208 undergraduates who were asked to remember a service encounter in the last couple of months. The study aimed to address constructs of inseparability, shared responsibility, emotional response, and service loyalty. The findings supported the idea that emotions are highly involved in the consumption and production of services. This study empirically tested Lawler's affect theory in which buyer–seller relationships are infused with emotional exchanges that affect perceptions of consumption. This study addressed the impact of the salesperson–buyer relationship and provided some insight into the shared feelings of responsibility. However, research on decision makers who impact their personal and professional well-being may be more impactful. Whereas previous research with undergraduates may address a purchase worth $20 to $50, this study of defection researched the temporal process of decision makers who made $500,000 business decisions that affected their personal and professional careers.

Current research on the B2B defection phenomenon is limited to three known studies. Tahtinen (2002) conducted a case study of a single incident when a software company failed to maintain and meet the objectives of the buying company. This relationship dissolved over a period of time that allowed the author to create a framework of dissolution. Åkerlund (2005) looked at the private banking relationships of 12 groups that constituted the banker and customers. The findings from this relationship dissolution created an outcome perspective on types of dissolutions. The relationship endings were donned either "crash landed," "the altitude-drop" dissolution, "the try-out" dissolution, or the "fizzle-out" process. The last study was Hollmann's (2008) review of 18 dissolution decision makers from multiple industries. The common perspective from these studies was that a relationship was established, grew, and ended for a variety of reasons. Each of these dissolution frameworks, unlike other published research, directly addressed the impact of a sales-resources impact on the relationship. However, none of the three studies has the significant impact financially, emotionally, and professionally as those decisions a defector will cause in the SPLI.

In summary, existing research on defection addresses the consumer-services and retail-purchasing markets quite effectively. However, the research does not provide similar context to highly relational exchange associations where personal and professional outcomes are significantly impacted by a single decision. There is a common phrase in the industry—“no one ever got fired for using FedEx”—which implies that switching carriers has professional and personal risk for the decision maker because switching away from FedEx is not just switching delivery of product. It affects the entire supply-chain movement of products from inbound raw materials to shipping-out production. Switching carriers could affect revenue generation and profitability positively or negatively. This research illustrates executive-level decision making and thought processes when considering a change in carriers. A defection to a competitor is a significant event and requires a thorough review of the process that the current literature fails to address. This research adds to the current field of defection research by addressing a specific industry not researched before that is highly relational, extremely competitive, and has only two competitors.

Theoretical Framework

This research primarily uses social-exchange theory (SET) as the prism through which to understand and analyze the accumulated data. Since its inception in 1958 by Homans, SET has been refined and amended to meet generational explanations for human social and economic-exchange outcomes. This research used SET along with additional research by Lawler (2001) on affect theory and Rousseau and Tijoriwala’s

(1998) findings on "psychological contracts" to better review the SPLI. The SPLI is a highly competitive market with significant potential social and economic impacts for participants and reviewing and addressing this research will provide richer data for consideration.

SET is often the theoretical framework used to understand complex exchanges between two individuals involving economic and sociological relationships. The function of social exchange is to build a framework of social solidarity between people participating in exchanges (Ekeh, 1974). In addition, cooperative alliances between suppliers and buyers along the supply chain, allows partner firms to create perceptions of shared fate (Yang, 2009). The theory of social exchange seems to be one of the more important foundations of marketing theory building and should be more thoroughly applied, especially in connection with marketing relationships (Jancic & Zabkar, 2002). SET hails from the combined writings of four distinct authors from four different fields. Homans, Kelley, and Thibaut wrote primarily from the field of psychology whereas Blau contributed from the economic field (Emerson, 1976). According to Emerson (1976), the vocabulary of SET is reward, reinforcement, cost, value, utility, resource, comparison level, transaction, profit, and outcome that derive most notably from psychology and economics disciplines. SET, when considered in the form of social-exchange relationships, provides the context in which the aforementioned vocabulary can be understood. Any relationship that individuals enter into and exit from provides reward, reinforcement, and cost that individuals consistently update based on transactions. Emerson reduced SET to the following:

> With the exchange relation as the unit of analysis, we see an actor engaged simultaneously in numerous exchange relations, each competing with some of the

> other for a commitment of resources I suspect that a value hierarchy forms to regulate such commitment of resources. (1976, p. 350)

The difference between exchange theory and SET is that economic exchange theory cannot address the imperfections of social structures that occur over fairly long-term relationships (Emerson, 1976).

In reviewing SET against different theory prisms, Emerson (1976) reviewed research and theory that directly impacted the use of SET. For example research by Meeker and Cook brought equity and distributive-justice principles to the relationship. In addition, Sahlins's work showed that longitudinal-relationship exchanges do not take place at uniform times. Sahlins posited that transactions must preserve the integrity of previous transactions and prepare for future transactions (Emerson, 1976). In conclusion, SET is a tool that helps theorists understand market imperfections in longitudinal exchange relations and network structures (Emerson, 1976).

With the growth of research literature on relational marketing, a theory that encompassed the exchange behavior of imperfect markets was needed. Because SET focuses on the relationship between the exchange parties and the governance mechanism of exchange, SET became useful in explaining B2B relationships (J. C. Anderson & Narus, 1984; Dwyer, Schurr, & Oh, 1987; Lambe, Wittmann, & Spekman, 2001). Lambe et al. (2001) reviewed the literature for SET and provide an understanding of the following four premises that create the foundation of SET:

1. Exchange interactions result in economic or social outcomes.
2. These outcomes are compared over time to other exchange alternatives to determine dependence on the exchange relationship.

3. Positive outcomes over time increase firms' trust of their trading partner(s) and their commitment to the exchange relationship.
4. Positive exchange interactions over time produce relational exchange norms that govern the exchange relationship.

The four premises establish a base theory to explain why and how individuals enter and exit from personal and professional relationships.

Reviewing SET as a framework for successful long-term relationships allows researchers to work backwards and hypothesize about antecedents of successful relationships. This research shows that power imbalances in a relationship lead to risk of defection or dissolution, if one party feels the rewards received are not balanced (Emerson, 1962). When power is imbalanced, the parties make comparisons to the relationship that may provide better balance. Kelley, Hoffman, and Davis (1993) developed the concepts of comparison level to address this response to negative stimuli (Lambe et al., 2001). In the small-package industry, comparisons could be caused by competitor attraction, price, service failure, and better relationship maintenance.

A significant signature to any successful relationship is trust. Several published articles on relationship marketing have compared exiting a business relationship to exiting a job or the dissolution of marriage (J. Johnson et al., 2001; Pressey & Matthews, 2003). These studies illuminated the value and impact trust has on relational marketing. Homans (1958) suggested trust is created through small or minor transactions and as trust builds, the more valuable the rewards become (Lambe et al., 2001). Without trust, relationships cannot move from a transactional, single-episode event that minimizes benefits to each participant and increases costs due to consistent monitoring and evaluation. When participants are aware of and confident in the returns the relationship will provide, the benefits to the long-term relationship accrue to both parties. These successful relationships are characterized by high levels of cooperation, joint planning, and mutual adaptation to each exchange partner's needs (Gundlach & Murphy, 1993; Hallen, Johanson, & Seyed-Mohamed, 1991; Nevin, 1995). In some form, variables like trust, satisfaction, cooperation, and commitment have been operationalized and tested to validate the fundamental premises of SET (Lambe et al., 2001).

In reviewing the foundations and strengths of SET, Lambe et al. (2001) also addressed its current limitations in explaining B2B relational matters. Their research showed the following limitations of SET that need to be researched and addressed:

1. Lack of consideration for opportunism by each partner. SET assumes that individuals will work to balance the relationship so that each participant is satisfied and committed.
2. SET is limited in its ability to address governance in short-term or new relationships.
3. What happens to relational trust and commitment when key personnel change.
4. What impacts formal contracts have on relational exchange.

These identified limitations provide the starting point for future qualitative and quantitative research in relational marketing. Future research will impact the effectiveness of SET in understanding complex business relationships in a highly competitive industry.

Previous research by several authors has extended the capability of SET to be a valuable tool in explaining relational outcomes. Lawler's (2001) theory of social exchange posited that instrumental conditions of exchange create emotions that are involuntary. These involuntary emotions transform relations, networks, or groups into objects that are a source of value. Lawler's theory effectively intertwines the rational behavior of social exchange with the irrational behavior associated with relationships. An extension of SET was the "psychological contracts" created by Rousseau and Tijoriwala (1998), addressing an individual's belief in mutual obligation between the two parties (Kingshott & Pecotich, 2006).

> Psychological contracts comprise mental models that facilitate the framing of promises. When formed, these promises result in stable, reliable and predictable underlying schema that may lead to the disregard of external factors. This illustrates the "holding power" of the construct because it focuses the mind upon the intrinsic factors perceived to be inherent within the relationship. Hence, the perceived obligations tend to act as the glue that binds parties so increasing the level of trust and commitment through strong psychological bonds. (Kingshott & Pecotich, 2006, p. 1056)

Because the relationship has established a form of psychological contract, the impact of success or failure on the future relationship is far higher than if this perceived contract was not agreed upon. Any failure of the psychological contract will have a direct effect on trust, which in turn affects the viability and longevity of the relationship.

In 2011, Colquitt and Rodell suggested that informational justice extends the strength of SET and provides additional opportunities for research. Informational justice means providing proprietary information that signals to the customer that their account manager is honest and truthful. In addition, providing this information shows a vulnerability to the customer, based on the significant risk being taken to be inclusive. This intentional risk taking on the part of the sales or account team raises the reciprocity standard for the customer and minimizes future defection possibilities. The final extension of SET is the hypothesis by Ballinger and Rockmann (2010) that "anchoring events" have the ability to rapidly change the decision criteria of the relationship. By distinguishing between the beliefs that SET does not allow for single instances to dramatically change the relationship because of the history of reciprocity, they showed how "anchoring events" can quickly turn a relationship from reciprocal to transactional.

Delimitations

The following research had three specific delimitated criteria to minimize the apparently large opportunity to gather defection data. First, to incorporate the relational scope of defection in the SPLI, it was imperative to seek out high-revenue customers that were final decision makers. These customers always have assigned sales resources to manage their accounts and allow for the richest data collection for interpretation. That data included both the relational and transactional nature of the exchange relationship. Therefore, the group of participants had a minimum net spending in small-parcel services of $100,000.

A second delimitation was choosing customers who have transitioned, at a minimum, 90% of their SPLI budget. This limits those customers who may have switched slowly over time, to capture customers who had a critical event causing the defection. The third delimitation involved choosing customers who defected in the last 24 months. With the decision to switch a personal and a professional relationship, the ability to recollect critical incidents should still be relatively clear. These delimitations allowed me to generate the most productive data for analysis and provide value to future defection research in highly relational B2B contexts.

Limitations

This study had three key limitations. First, I identified participants from a group of sales managers and representatives in the small-parcel industry who could identify customers they either won or lost in the last 24 months. These coworkers and industry acquaintances could have provided or withheld candidates based on their willingness to let me reviewed their information. However, during the identification of participants, no specific customer was withheld because sales representative felt uncomfortable with the idea that I could judge their success or failure.

The second limitation of this research was my participation in the interviews. Specifically, one of the eight interviews was a specific customer during the time of the defection. However, I was not a primary sales resource with the customer and was only a small participant in the daily account management. Although the opportunity existed for research bias, I minimized this limitation by researching customers that I had not won or managed prior to their defection. This allowed me to gather data from customers without customer apprehension that an established relationship could be damaged by open conversation on their reasons for defection.

The final limitation of the study was the small sample size. Based on the significant number of reasons customers defect, this study could not incorporate all possible defection criteria or fully detail the weighting decision makers put on every possible critical incident during an actual defection process. The interview was a review of their decision to switch carriers and the process prior to and after the switch to incorporate as much valuable data as possible. However, weighing critical incidents and speaking with all parties involved was not possible. Several interviews addressed the consensus building that came to the decision, but this research only addressed the final decision maker and the criteria they used and implemented to make the switch.

Additional limitations of this study were that participants are primarily from northern California; therefore, any service or operational capabilities or restrictions may have affected their defection outcome, which may be dissimilar to those in other portions of the country. In addition, with a minimum net expense of $100,000 to participate in this research, the findings may not be reflective of customers spending less who switched or large multinational customers who defected. Therefore, additional research of low-revenue customers as well as large multinational users like Walmart.com and Target.com would add to the understanding of the defection process in the SPLI.

Research Questions

The following research questions established the broad nature of data to be collected from the specific defected customers.

1. What process and factors emerged during the defection process in the small-parcel industry?
2. What impact did the direct-sales resource have in reducing or extending the defection process?
3. What impact did perceived value have in the defection decision?

The first question addressed the steps customers perceived their decision making process. The second question addressed the potential impact of a direct-sales resource in this process. Responses extend current research by addressing unknown emotional and relational processes that impact a defection decision. The final question addressed current research on value as a switching barrier to a competitor.

Significance of the Study

The findings from this study provide additional data to expand the current understanding of defection in the B2B industry. Research on the defection process is relatively new, with Keaveney's (1995) study on customer defection in the B2C industry. Additional research followed and has mainly been directed at the telecommunication and banking industries, where data accumulation is easily accessible. This research addresses a new industry, SPLI, and an alternative to business-to-consumer (B2C) by understanding B2B sellers. B2B relationships are more robust and require more relationship skills than the customer-service-intensive industries of banking and telecommunications.

Based on my 19 years of experience in the SPLI, I interviewed a group of eight defection candidates. I coded findings to provide a framework for why customers defect in the SPLI. These findings will allow FedEx and UPS to consider changes to the sales-management process of key accounts that spend between $100,000 and $5 million. These accounts spend nearly $40 billion between the two carriers.

Definition of Terms

The following section identifies industry-specific terms to educate the reader on common phrases and verbiage. These definitions allow the reader to understand the narrative of the defectors and reasons for defection.

Anchoring events: Anchoring events are significant events that have occurred in any relationship. Ballinger and Rockman (2010) argued that extreme emotional and instrumental content allows relationships to move from reciprocity-based to nonreciprocity-based forms of exchange. They noted these events are coded into one's memory, and alters the future course of relationship behavior. Once the rules for the relationship have changed, the ability to revert back to a more reciprocity-based relationship is difficult. In the SPLI, anchoring events are very common and sometimes lead to grudgeholding. An example may be when a highly valuable shipment is lost, damaged, or delayed. When this occurs, the person receiving the package has a negative perception of both the SPLI carrier and the person who shipped the package. This negative event then impacts the relationship between the account manager and the shipper. If the negative event is not successfully resolved, the event is encoded into the relationship and all future interactions will be judged against this one interaction.

B2B: B2B is the acronym used to address interbusiness transactions. When a company is purchasing or selling to another company, the transaction is considered to be B2B. B2B transactions vary because the decision process may involve several individuals and require a different methodology to market and sell in this channel. An example of a B2B transaction is a UPS account manager working directly with an Amazon logistics director. Whereas a B2C transaction is Amazon selling to an individual person, B2B transactions typically are more collaborative and long-term; current B2C transactions are predominately single one-time transactions.

B2C: B2C is the acronym used to address business to consumer transactions. Typical transactions are Internet sales or retail sales like purchases at supermarkets, banking, and telecommunications.

Buyer–Seller: A buyer–seller interaction in this study addressed the ongoing relationship between the two sides of the business relationship. The buyer will always be the nonlogistics company who is purchasing the logistics services and the seller is the logistics provider.

Churn: For purposes of this study, the definition of churn is similar to defection. Churn is when a customer ceases to continue a business relationship with a provider for reasons that are known only to the customer. Churn has two differentiators from defection in that churn can be silent where a customer spends less and less with a supplier but still uses the carrier. Second, some companies consider a customer churned out to a competitor when they spend $1 less than the previous year, whereas as defection, for the purposes of this study, is when a customer severs all ties with a company and goes nearly exclusively with a competitor.

Defection: Defection is an outcome in which a current business relationship is stopped due to some decision or event by the buyer or seller. The operationalized definition to be used for this study is when a buyer moves more than 90% of their current logistic spend in small parcels to an alternate carrier. A review of the literature revealed no definition of defection. Verhoef (2003) identified defection as a “loss of wallet” to a particular supplier. However, the percentage or amount can vary from industry to industry. In the SPLI the buyer initiates nearly 100% of defections. Other terms used in the industry are churn and switching.

Defection energy: A model hypothesized by Hollmann (2008) suggested negative events occur during the course of a business relationship that affect the satisfaction–dissatisfaction continuum and lead to a threshold where decision makers choose to defect to a competitor. Hollmann’s research showed that subsequent events appear to create momentum for a decision maker to defect by violating the image a customer holds about the goals, values, and practices they expect from the vendor.

Payment equity: Defined by Bolton and Lemon (1999), payment equity is the customers' perception of fairness in the exchange of services for payment. A typical example is the bilateral agreement between a UPS or FedEx customer and the daily feedback those companies receive from their customer. Should the customer have significant service failures, it would cause the customer to consider whether the price they are paying for the service is commensurate with the benefits received. Bolton and Lemon showed that payment equity plays a key role in explaining how usage levels change and price influences customer satisfaction and subsequent usage levels.

Relational selling and marketing: Relational selling addresses the daily interactions between a sales resource for a logistics provider and a current or potential customer. Morgan and Hunt (1994) defined relational marketing as all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges. This daily activity impacts the perceptions of the customer for future and current usage patterns. Selling can be transactional like the purchase of a car; however, when ongoing relationships are addressed in this process, the selling becomes more relational than transactional.

Small-parcel logistics industry (SPLI): The SPLI incorporates companies that provide pick-up and delivery services of parcels that are typically less than 150 pounds. The following definition by Morlok et al. (2000) best describes the value of the SPLI:

> A trend toward more customized products has also resulted in supply chains that rely on make-to-order or rapid replenishment of goods, in order to avoid having large inventories of stock that might not be sold. The cost savings and increased customer value from such products and business practices require rapid transport, time-definite delivery, and the transportation of small quantities of just the right items to the right destination. By definition, this is parcel service. (Morlok et al., p. 3)

Included in this pick-up and delivery is usually a guaranteed time-in-transit that allows SPLI providers of this service to charge a premium to general unguaranteed services like the U.S. Postal Service. The SPLI was dominated by three main carriers in 2013. These carriers are UPS, FedEx, and DHL. The primary carriers this study researched are customer defections between UPS and FedEx only.

Switching barriers: Switching barriers are perceived hurdles that existing customers feel prevent their defection to an alternate supplier. Jones, Mothersbaugh, and Beatty (2000) defined switching barriers as any factor that makes is difficult or costly for customers to change providers. Jones et al. (2000) classified the cost of switching (monetary and social costs), alternative attractiveness (competitor), investment (financial cost to switch), and uniqueness of investment in the supplier. Switching barriers can range from the lowest price to a vendor that provides the best service regardless of price. In the literature, subjective terminology like satisfaction and trust in the service relationship are considered switching barriers, as a vendor is moving from one familiar relationship to a new and unknown service provider.

Temporal process of defection: The temporal process of defection, a researcher-defined term, is the timeline in which a customer first decides to consider an alternative provider of services until the actual decision to switch to that provider. If a customer considers an alternative provider but never switches, no temporal process of defection exists. However, if a customer considers a competitor and then acts on that decision, the timeline in which the customer undergoes the decision process is the temporal process of defection. That decision process will have some form of prioritization, justification, and emotional criteria that will be valuable to understand.

Summary

This study is the first to look into the minds of decision makers who have defected to an alternate provider of services in the SPLI. In Chapter 1, I addressed the need for the study by addressing the impact of a 1% reduction in defection, which equals an increase in profitability by as much as $350 million. If key accounts in the SPLI account for 50% of industry revenue of $80 billion, then this study directly impacts $40 billion in corporate spending on logistics as well as $4 billion in estimated profit between the two main carriers, UPS and FedEx.

SET addresses economic, sociological, and psychological decision making in the context of two parties. Lambe et al. (2001) identified four key limitations of B2B relational theory. The findings from this research add to this framework by addressing what happens when key personnel change, as well as the lack of consideration for opportunism.

Chapter 2 addresses the limited research directed specifically at defection in the B2B industry. In addition, because of the highly relational industry of the SPLI, the literature review also addresses relational marketing and antecedents to defection. Chapter 3 addresses the methodology used to collect the necessary narratives and analyze the data to formulate the process of defection in the SPLI. This qualitative research is based on grounded theory and uses eight interviews with decision makers who have switched carriers in the last 24 months. Chapter 4 presents an overview of each participant and their personal narrative for defection. In addition, each research question is addressed, based on data from transcribed interviews to formulate the systemic process of defection in the SPLI. In Chapter 5, I discuss the unique findings of this study compared with current findings on defection and relational marketing. From this discussion, I address conclusions reached from 19 years of industry experience and the eight narratives on defection. I present industry and theoretical-framework implications and recommendations for future research on defection.

CHAPTER II

REVIEW OF THE RELATED LITERATURE

In this chapter, I review the current literature that discusses the topics of defection, customer switching, exit, and churn. Because the marketing literature has not provided one key concept to capture how customers address the process of leaving a supplier, I review these several concepts. As Reichheld (1996) noted, the difficulty in identifying why customers leave and extracting the lessons needed to minimize future defection limits the abilities of both companies and researchers to truly understand why customers leave. Stewart (1998) described *exit* as a customer ceasing patronage with a supplier, whereas Verhoef (2003) described *defection* as a “loss of wallet” wherein a vendor loses a revenue stream due to a customer no longer purchasing their products.

Research on defection began in earnest with the seminal work of Keaveney in 1995. Prior to this research, no identifiable research on customer defection characteristics existed. Since 1995, coincidentally at the start of the Digital Age and the Internet, the marketing literature robustly began to research why customers leave (Friend, 2010; Hollmann, 2008; Keaveney, 1995; Naumann et al., 2010; Roos, 1999), why customers stay (Colgate, Tong, Lee, & Farley, 2007; Ganesh, Arnold, & Reynolds, 2000), and what switching barriers provide the most value (Kim, Park, & Jeong, 2004).

For this study, I reviewed defection in the small-parcel industry, delimited to those customers who completely switched their logistics to an alternate carrier. With this scope in mind, this literature review covers three main areas. The first section will address the maintenance required in this highly relational industry. Specifically, I address current research on key-account management (KAM) and sales failures, addressing antecedents of the defection process. The second area of review will be those specific studies that have only addressed complete defection and its causes. The third area includes current research on relational marketing and its impact whenever noted on defection or prevention. Because each participant in this study had a direct-sales resource, it is important to understand the strengths, benefits, and weaknesses of this type of relationship and its effect on consumers' decisions to switch. A significant portion of research has studied existing relationships and predefection to try to identify why customers stay with a firm and what would make them more loyal or satisfied. These two areas of review provide a thorough review of the process customers undergo when deciding to maintain or eliminate a valued business relationship.

Account-Management Strategy

In the SPLI, each of the researched customers had a specific account-management resource provided by the existing carrier, FedEx or UPS. Each carrier does not provide an account manager for every account they manage and only provide direct-sales resources to a self-identified minimum threshold account. Therefore, these are considered key accounts and are identified as B2B customers of strategic importance (McDonald et al., 1997). The following section of literature review addresses recent research designed to understand account management, sales failure (a possible inverse correlation for why customers defect), and findings from loyalty intentions in the third-party logistics industry. The findings from the following studies illuminate the complexity of account management in general and help in understanding the difficulty in controlling defection, as well as winning business from a competitor.

Key-Account Management

KAM is the study of long-term collaborative relationships between suppliers and buyers rather than transactional sales-based approaches to customer management (Millman & Wilson, 1995; Ryals & Humphries, 2007). Businesses can have many strategic relationships in their supply chain. For example, Apple sends components from around the world to a select few factories in China for assembly and completion. The complexity of managing movements and quality control throughout this supply chain creates the necessity to work with a partner that has established trust, adaptability, and cooperation (Campbell 1997; Dyer 1997; Hausman 2001; Ryals & Humphries, 2007).

Ryals and Humphries (2007) researched the complexity of KAM relationships by reviewing two civil engineering companies and their largest supplier with a value of around $100 million. Through a qualitative approach, they found that trust concerns were the most frequently mentioned and strongly voiced concerns. In addition, a key determinant for them was to work with a flexible supplier, one that could adapt to changing needs and situations. The engineering firms also expressed strong comments about relationship stability. A key theme in their study was suppliers' concerns about risk and benefits for both parties.

In analyzing their KAM study, Ryals and Humphries (2007) believed they addressed several key findings in highly relational industries like supply-chain management. First, relationship management is key for potential value to be realized in the relationship. Second, formal evaluations improve the understanding of benefits each receives in the relationship. The last key finding was that the key account manager must address communication, internal and external.

Failed B2B Sales Proposals

The final study to be reviewed is a sales-failure review in the B2B market. This study by Friend (2010) was a multimethod review of 35 failed sales proposals presented in professional-services industries. In these 35 reviews are eight individuals who made purchasing decisions in the shipping and logistics industry. The first findings of the qualitative research showed that customers perceived a lack of value from the alternative competitor. A second finding was that the company and salesperson were not adaptive in their selling skills. They did not address how their product could benefit the new opportunity more than the customer's existing relationship. The third sales failure discussed was the lack of trust or commitment. It is hard to establish, during a sales presentation, the ability to identify with the customer's needs and find the core needs of the customer. The last finding was perceived cost. These findings directly address customers' perceived desires when evaluating a prospective vendor. Therefore, individually or collectively, these findings can be key determinants of why these customers did not switch. As Naumann et al. (2010) stated, push and pull determinants are two ends of the spectrum. A customer's current poor service versus a perceived better service is a determinant for switching.

Third-Party Logistics Service Loyalty Intentions

In 2010, Briggs and Grisaffe addressed the concern of loyalty intentions in the B2B service industry. Their study provided strong findings that address this research, as they reviewed the third-party logistics (3PL) industry and used the SET as the model to research loyalty intentions in the face of service performance and perceived value. 3PL provides outsourced services to a customer base looking to outsource management of daily movement of their inventory. Where UPS and FedEx do not provide direct 3PL services to the eight researched defection stories, UPS and FedEx do provide the final leg of service delivery on behalf of the company. Briggs and Grisaffe described the 3PL industry to be highly competitive and relationship intense. Their model suggested that service performance directly affects the SET values of social and economic value.

The primary finding in Briggs and Grisaffe's (2010) study stands in contrast to B2C research; their analysis supported that a relationship between service performance and customer loyalty is fully mediated by relationship outcomes. Furthermore,

> Consistent with SET, desired customer loyalty responses appear to occur as a function of the social (i.e., trust) and economic (i.e., value) outcomes of service performance, rather than resulting directly from servicer performance itself. That the loyalty of these business customers would be more heavily dependent on relationship outcomes than service performance. (Briggs & Grissafe, 2010, p. 46)

This finding is in line with Tahtinen's (2002) case study findings where relationship performance was a contributing factor in the defection process. An additional finding from the Briggs and Grisaffe study that directly impact this study is the finding that strategic outsourcing relationship is to be maintained, grown, and positively recommended by others. The 3PL provider must contribute to the economic advantages that help the buyer succeed. In addition, unlike B2C transactional services, performance is less impactful in loyalty intentions in B2B service services.

Defection Studies

The following studies are the only identified studies that directly correspond to actual customer defection. Most published research addressed the banking, telecommunications, credit card, and mobile-phone industries. These surveys addressed possible antecedents to defection by querying existing customer bases. They identified potential reasons for defection or perceptions by customer bases on what would make them switch. The benefit of reviewing the six existing studies on defection is that they are the only identifiable research where actual defectors were interviewed.

The first and most cited research in the customer switching/defection literature is Keaveney's (1995) work titled "Customer Switching Behavior in Services Industries: An Exploratory Study." This research has been cited by 1,764 articles, based on an analysis by Googlescholar.com, with the next most popular article on defection by Roos (1999) cited 84 times. Keaveney's research became the initial starting point for marketing researchers to address her findings in future research.

Keaveney's (1995) research started with 50 trained graduate students collecting qualitative data from a total of 526 respondents who had been through a critical incident with a service provider. This critical incident had caused the participant to defect or switch to an alternative provider of services. From the 526 respondents, Keaveney was able to identify eight core critical incidents that participants identified as final reasons for switching: pricing, inconvenience, core service failure, failed service encounter, response to failed service, competition, ethical problems, and involuntary switching (vendor closing or moving. More than 72% of respondents identified pricing, inconvenience, core service failure, and failed service encounter as primary reasons for defection. Although intuitive in nature, the findings provided avenues for future research on service recovery (Sabharwal et al., 2010; Valenzuela, Pearson, & Epworth, 2005) and relationship switching (Roos, 1999). An important finding from Keaveney's research is that 45% of respondents switched after only one critical incident, whereas 55% switched after two or more incidents. Keaveney pointed out that 15% of respondents who noted two incidents said there was a core service failure along with a poor response. This finding led to future research on the impacts of service recovery and the use of distributive justice and procedural justice in handling consumer complaints.

However, the limitations of Keaveney's (1995) study, when trying to apply results to the present study, is that Keaveney's breakdown of industries has no parallel to the small-parcel industry. Keaveney's study pulled defectors from beauty salons, auto mechanics, dry cleaners, and restaurants, to name a few. These industries do not have a daily interaction with a service provider and additional resource in charge of account management, as does the small-parcel industry.

In 1999, Roos extended Keaveney's (1995) model by extending the service relationship from where the customer comes from to where they switch to. Roos considered switching to be more of a process and sought to identify reasons the customer switched and why the new provider was chosen. Roos added to the defection process by identifying switching determinants. Roos labeled the determinants the *pushing, swaying*, and *pulling* determinants. A *pushing* determinant is defined as the main reason for the customer switching to an alternate supermarket. These consisted of price, range of goods, location, and variation. These determinants are consistent with a root-cause failure that the consumer or buyer needs to validate a decision. The *swaying* determinants that Roos identified are similar to the *pushing* determinants with price, range of goods, habit, and location. However, the main swaying determinant that Roos discussed is personnel. This aligns with the small-parcel industry, where the daily driver pick-up and delivery can mitigate or expand an existing *pushing* determinant. The final determinant Roos identified is the *pulling* determinant. These determinants were location and range of goods. However, in the small-parcel industry, a pulling determinant would most likely be an attraction to a competitor. This is a small limitation to Roos's research on defection because of the industry researched. Additional findings in Roos's research showed that the average time for a customer to decide to switch was between 2 and 8 weeks. This finding allows researchers and companies to try to identify the potential loss of revenue, minimize the customer's concerns, and retain this revenue stream.

A limitation of Roos's (1999) results comes from the 27 interviews that identify 34 switching stories in the supermarket industry in Finland. Like Keaveney's (1995) research, the defection process is in a retail industry where customers do not have daily interaction and see the vendor as an extension of their own brand. Although the identification of a switching path extends Keaveney's model, it has some limitations in application to the small-parcel industry because of the disparate industries being compared.

The third study for review was conducted by Hollmann (2008), which was a broad-based qualitative review of 19 participants in the B2B marketplace who had recently left an established supplier of goods or services. Hollmann identified this qualitative study as only the second known study of defection in the B2B marketplace. The only previous study of defection in the B2B marketplace was by Tahtinen (2002, as cited in Hollmann, 2008) and involved a case study of a single defection. Hollmann identified the following key points in the study: business relationships are seen as continuous events, and negative events violate the customer's goals or values, which leads to a build-up of energy that will eventually lead to defection. Hollmann added that the final event is usually not the main reason for switching but simply the final determinant. This outcome aligns with Keaveney's (1995) study, in which 55% of participants switched after two incidents rather than just one. Last, Hollmann also addressed the implementation of switching barriers by identifying key values and goals of the customer. For barriers to be intrinsically valuable to the customer, the relationship needs to be sufficiently connected to allow for the personal and professional exchange of information.

The last direct review of B2B customer defection was published by Naumann et al. (2010) and reviewed the correlation between satisfied customers and defection. Naumann’s research is a two-step study using qualitative and quantitative analysis of defection in the facilities-management industry. The study was initiated by a Fortune 500 company seeking to identify defection trends in their industry and the reasons for defection. The study involved interviews with 87 defectors to identify their reasons for switching, alongside a telephone interview of individual customers in the facilities industry. Of the 87 defectors, a surprisingly 89.7% had recently completed a survey saying they were satisfied or completely satisfied with their current vendor. However, within 1 year, these customers had defected to another provider of similar services. The single largest cause of defection was a better price at 51.4%, followed by a better relationship at 11.7%, and better service at 9.0%. Fully 71% of 87 defectors in a current B2B market would switch for the preceding three reasons. This finding runs counter to current research which indicates that high customer satisfaction leads to loyalty among customers (Cronin & Taylor, 1992). In contrast, Garbarino and Johnson (1999) pointed out that high relational customers’ satisfaction has no influence on future purchasing decisions. Naumann et al. (2010) inferred several managerial implications in their findings. First is that price is a significant pull factor for customers in lieu of a value statement from the current supplier that differentiates them from the competition. The combination of high satisfaction and high a willingness to switch due to lower price showed a market that is highly commoditized with very little differentiation. A second key finding is that 11.7% of defectors identified relationship as a reason for switching. This is a key finding that impacts the small-parcel industry, as every participant had been managed by a representative and moved to a new company.

Relational Marketing and Defection

A significant delimitation of this study was that every participant had a minimum of two interpersonal relationships with their logistics provider. The two relationships were the daily activity with the pick-up and delivery driver and the as-needed visits with a local account manager. This repetitive interaction creates a repeated social interaction that builds familiarity and trust. The logistics service provider (either FedEx or UPS) is a natural extension of the brand of the participant and therefore a trusted partner. That extension can also be thought of as an employee of the company and not just a service provider. By delivering the final product for a customer, the logistics service provider is the final employee in the cycle of a business transaction. As a result of this trusted partner status, it is imperative to understand the current literature on trust and relational marketing.

Trust

According to Doyle and Roth (1992), relationship selling is about developing trust in key accounts over time to become a preferred supplier. Trust is generally considered essential for successful relationships, business and personal (Berry 1995). As already noted in Blau (1989), social exchange engenders feelings of personal obligation, gratitude, and trust. Psychological benefits of trust outweigh special treatment in consumer relationships with service firms (Gwinner, Gremler, & Bitner, 1998). Trust by itself does not guarantee that decision makers will not defect to an alternative carrier, but trust can negate feelings of risk and neglect that could lead to a decision to exit. The salesperson's behaviors have small effects on trust, whereas the salesperson's firm has medium effects on trust (Swan, Bowers, & Richardson, 1999). In addition, According to buyers, the only social characteristic in the relationship that buyers valued was trust (Burca, Fynes, & Roach, 2004). Commitment-trust theory maintains that those networks characterized by relationship commitment and trust engender cooperation and a reduced tendency to leave the network (Morgan & Hunt, 1994).

Because trust is such a valued social trait, it is imperative to understand how trust is created and leveraged. Trust in a salesperson is developed through repeated interactions between parties in which the customer observes actions that show honesty, fairness, competence, and benevolence (Roman & Ruiz, 2005). These observable actions create an operant history that the customer uses to judge future outcomes. In one study, decision makers felt a psychological-contract violation had a strong negative impact on the level of trust, a central aspect of the social exchange relationship (Kingshott & Pecotich, 2007). Psychological contracts comprise mental models that facilitate the framing of promises that bind the customer and supplier in an exchange relationship. Additionally, whereas psychological contracts can increase trust and commitment, failure to live up to standards of the psychological contract can severely erode the foundation of the relationship (Kingshott & Pecotich, 2007; Robinson, 1996) and lead to defection. In situations where psychological contracts or service quality fail to meet expectations, the impact on trust is immediate and significant. Further research shows that mitigating failures through service-recovery efforts can minimize the loss of trust. In a recent study, procedural fairness served as the foundation for increased commitment and reduced behavioral uncertainty after a service interruption (Jambulingam, Kathuria, & Nevin, 2009). Suppliers with fair procedures and practices develop a reputation (E. Anderson & Weitz, 1992) that leads to stronger credibility with their buyers (Ganesan, 1994). In conclusion, trust has been shown to positively affect the current relationship strength in existing B2B environments.

Relationship Marketing

Morgan and Hunt (1994) defined relational marketing as all marketing activities directed toward establishing, developing, and maintaining successful relational exchanges. In several studies, salesperson behavior has been shown to impact relationship quality and satisfaction (J. Johnson et al., 2001; Swan et al., 1999). Repurchase intent is closely tied to customer satisfaction (Cronin & Taylor, 1992). The effects of trust on satisfaction are only moderate (Swan et al., 1999). Later research on satisfaction showed that customer satisfaction may not be the strong antecedent of future purchase intentions (Hollmann, 2008). This finding corresponds to previous research indicating that low relational customers are driven by overall satisfaction whereas for high-relational customers, overall satisfaction has no significant influence on future intentions (Garbarino & Johnson, 1999). The present study researched the highly relational logistics industry. In the logistics industry, it is incumbent on the customer and on the logistics provider to work together to provide a timely and effective delivery solution.

The impact of the salesperson's communication style and trust have also been researched and shown to effect defection decisions. Jacobs, Hyman, and McQuitty (2001) researched exchange-specific and personal self-disclosure to determine the effects they had on personal selling. Their research showed that social self-disclosure is related positively to commitment of future business. From this self-disclosure, participants derive psychic satisfaction that elevates their level of satisfaction in the exchange relationship (Jacobs et al., 2001; Macneil, 1978, 1980). Crosby et al. (1990) first noted that self-disclosure, that is, providing personal information during the course of a business transaction, promotes long-term relationships. Customers trust service providers who openly communicate with them (J. C. Anderson & Narus, 1990; Morgan & Hunt, 1994).

In the services industry, the characteristics most commonly repeated are low margin, high competition, and low switching barriers (Colwell, Hogarth-Scott, Jiang, & Joshi, 2009). Customers focus on their own outcomes and the level of salesperson inputs when assessing equity in the buyer–salesperson interaction (Oliver & Swan, 1989). Equity, in the context of the buyer–salesperson relationship, is a form of social-exchange balance. When the buyer feels they are gaining the better deal in the exchange they will most likely continue the relationship. Inequitable relationships are at risk of exit as customers are less likely to commit to an unfair relationship (E. Anderson & Weitz, 1992). A salesperson plays an important role in reducing customer defection (J. Johnson et al., 2001). In addition, an equitable relationship, customer commitment, and ethical account management increase customer commitment and minimize defection. These findings are confirmed in the 2006 logistics study by Davis and Mentzer in which an executive stated that there are two kinds of loyalty: emotional and economic. The executive's belief is that economic loyalty to the account is more significant than the emotional or attitudinal loyalty the study addressed.

In most relational marketing exchanges, a strong bond between vendor and supplier will develop over time, based on repeated successful transactions as well as the review and service recovery for service failures. Relational-exchange partners create complex, personal, noneconomic satisfaction and engage in social exchange (Dwyer et al., 1987), which leads to trust and open communication (Morgan & Hunt, 1994). These close, long-term relationships create a competitive advantage to the supplier (Weitz & Bradford, 1999) that allows for price premiums and occasional failure allowance that first-time suppliers or new suppliers would not be allowed. By transacting repeatedly, partners develop social attachments and norms (Bercovitz, Jap, & Nickerson, 2006; Lazzarini Miller, & Zenger, 2008); in turn, these relationships form strong actor and resource bonds along with resource ties that increase the cost of switching to an alternative carrier (Halinen & Tahtinen, 2002; Heide & Weiss, 1995; Ping, 2007).

Halinen and Tahtinen (2002) described a process theory for relationship ending. Parties in a professional relationship build an infrastructure for repeated business exchange that includes personal relationships, inter-firm knowledge, social norms, contracts and technical links. The underlying theory is that relationship ending is temporal and contextually embedded. The six overall stages of the ending of the relationship are the communication, consideration, disengagement, enabling, restoration, sense making, and aftermath. These six stages have a temporal flow where relationship concerns are addressed. When trust is lost and relationship equity is no longer in favor of the customer, the likelihood for the relationship to end is significant (Halinen & Tahtinen, 2002).

Anchoring Events

In the small-parcel industry minimum acceptable on-time performance is routinely greater than 98%. At UPS alone, 13 million packages are delivered daily. A 2% failure rate at UPS means 260,000 package deliveries will not comply with their guaranteed service commitment. Each of these packages represents a broken contract for service on a daily basis. These service failures are anchoring events that that can be encoded in autobiographical memory (Conway & Pleydell-Pearce, 2000). Repeated service failures cause the relationship to update according to an anchoring process (Bolton, 1998). These events now create instances where service recovery, the ability to right a perceived wrong, becomes a higher priority. Exchanges are important in determining the future form of a relationship, and the availability or recall ability of information is usually weighted to intense events (Ariely & Zauberman, 2003). Those intense events typically are those failures that add negative weighting to the relationship and affect the future direction. When discrepancies between expectation and experience arise, a particular memory places added weight and importance on that memory (Caruso, 2008).

These changes in relationship standards create a “phase shift” event, changing the relationship from use mode to judgment mode (Lind, 2001). The phase shift causes the individual buyer to become more critical of future transactions, which leads a more transactional relationship. In a transactional relationship, the buyer reviews all transactions—standard and contractual—to verify that the perceived value is still positive for the relationship until such time that the buyer has rebuilt trust and confidence in the relationship. It is during this time that the nature of the transaction can move to grudge-holding, defection, or status-quo, or advance to an increasing trusting and relational business relationship. The negative states of grudge-holding, defection, and status-quo adversely affect future profitability and relationship governance. These negative states provide an understanding of options for customers when service failures redefine the current relationship.

Ballinger and Rockman (2010) theorized three revisions to the current SET. The authors established that anchoring events set future rules for the relationship and that the characteristics of this exchange are more important than the timing of the event. The final revision was that the negative anchoring event may bypass the judgment mode of account review and create long-term damage. This long-term damage could lead to a more transactional nature of business, which minimizes price premiums and trust up to and including complete defection.

Service Recovery and Justice Theory

Service Recovery is a multifaceted process which involved apologizing, explaining, making offers of compensation, and being courteous in the process (Blodgett et al. (1997). In Keaveney's (1995) study on customer switching behavior, 30% of defection results had a core service failure as a reason for defection. Complaint and service-recovery rates are important service parameters for improving customer satisfaction (Hayes & Hill, 1999). However, poor service recovery magnifies the negative evaluation of the provider (Bitner, Booms, & Tetreault, 1990). The theoretical framework used to understand service recovery are the theories of procedural, interactional, and distributive justice. Procedural justice reflects the fairness of the complaint-handling process including timeliness (Homburg & Fürst, 2005; A. K. Smith, Bolton, & Wagner, 1999; Tax, Brown, & Chandrashekaran, 1998). Interactional justice refers to the perceived fairness of the behavior and includes customer perceptions (Homburg & Fürst, 2005; Tax et al., 1998). Distributive justice addresses the outcome received by the customer (Homburg & Fürst, 2005; Tax et al., 1998). The findings from the Homburg and Fürst (2005) study show that there is a high risk of defection from customers who exited a service failure less than satisfied. In addition, it is only the satisfaction with the service-recovery effort and not the overall satisfaction of the relationship that determines the customer's future intentions.

Price

A significant and often under-researched aspect of defection is the impact of price on purchasing and defection decisions. Price pressures are a strong antecedent to customer loyalty and retention in the services market (Varki & Colgate, 2001). UPS and FedEx have no significant competitive advantage and research showed satisfaction with each carrier was similar (Li et al., 2006). Assuming services have no discernible differentiators other than price or perceived value to the purchaser, the criteria for purchase defaults mainly to price. In Keaveney's study (1995), 30% of service purchasers switched over price and in the Naumann et al. study, 51.4% of B2B vendors switched suppliers over price. In 1995, Kalwani and Narayandas argued that customers in long-term relationships required lower costs and expect vendors to reward loyalty (Wathne, Biong, & Heide, 2001). This reciprocal pricing arrangement is similar to the *payment equity* described by Bolton and Lemon (1999) where the price paid for a firm's services is closely related to price perceptions. Heavy users of a firm's services are more likely to defect than small customers, as they are more price sensitive (Madden, Savage, & Coble-Neal, 1999).

Companies fight the downward pressure on pricing through value justification, relationship integration, and satisfaction. In their study on price perceptions, Varki and Colgate (2001) addressed the price perceptions and satisfaction:

> Price perceptions have an important influence on customer value perception. In addition, by managing the comparative price perceptions of their customers, managers could simultaneously influence overall customer satisfaction and behavioral intentions, because of comparative price perceptions direct effect on these variables. (p. 238)

This finding addresses how companies need to address perceptions of value in their product by addressing the price perceptions in the market. Price perceptions are also impacted by several factors. In the services industry and the small-parcel industry in particular, it is common for customers to use both carriers in some capacity. This provides open avenues for price and service discussions among decision makers. Constant price pegging is an important antecedent to defection intention. Choice relies heavily on the price of alternatives (Engel, Blackwell, & Miniard, 1995), and performance of that service along with the relative price could impact a customers' satisfaction and behavioral intentions directly (Varki & Colgate, 2001). Although price is not the only decision criteria, price is a weighted item in the decision criteria for a decision maker. Naumann et al. (2010) noted that in the B2B service-switching context, a key decision maker is induced if a reputable alternative provider is available and offering an attractive benefit of sufficient magnitude to offset switching barriers. Switching barriers are economic and psychological incontinences that consumers have to endure when switching to a new service provider (Kim et al., 2004). Switching barriers in the small-parcel industry are training on new software, new account management, risk of service failure in comparison (personally and professionally), and change in operational standards. Because of these risks, equity and SET indicate that rewards from the new exchange relationship must be greater than what is currently known.

Summary

Over the last 25 years the marketing literature has burgeoned with new and existing theories to explain sociological, psychological, economic, and anthropological decision making by consumers. In a 10-year period from 1993 to 2003, theorists proposed 322 distinct theories to explain marketing phenomenon and consumer actions (van der Merwe, Berthon, Pitt, & Barnes, 2007). These theories became the theoretical foundation researchers used to identify and empirically test why consumers choose to stay or exit a particular relationship. The present study intertwined multiple disciplines, aiming to understand and explain defection in a B2B market. These disciplines originate from economic exchange, social exchange, utility theory, and transaction theory. The current literature on the defection process is based on three researched literature streams.

The first literature section addressed KAM and findings in recent research on what is important in highly relational business relationships. Researchers found key reasons why sales proposals failed to be won or, when looked at differently, what the salesperson or company failed to do to win business from an existing competitor. The last finding in the account-management section addressed loyalty in a similar industry like third-party logistics fulfillment, describing key criteria to maintain buyers’ loyalty for logistic services.

The second literature stream addressed defection from a process basis. Roos (1999), Tahtinen (2002), and Hollmann (2008) used a qualitative foundation to identify actual defectors and create a framework for future research. Roos created a framework that identified characteristics that push, pull, and sway customers in their decision process. Roos's pushing characteristics identified price, range of goods, and location as key determinants of pulling characteristics. The swaying determinant was most notably personnel, whereas the pulling determinant was location. The limitation of this study for comparison to the small-parcel industry is that the customers were supermarket shoppers.

Tahtinen's six stages of dissolution were created from a case study of a software-company relationship failure. The framework created allowed defection researchers to look at the process of a business relationship as it flows from start to exit. The six stages of relationship dissolution are communication, consideration, disengagement, enabling, restoration, and the sense making and aftermath stages. The final study that addressed defection more closely was Hollmann's emerging defection process framework. The sampling used to create the framework was a generalized sampling of B2B defectors, paralleling this study's participants. Hollmann's research centered on the idea of energy as the ultimate reason for defection. As negative energy builds in a business relationship, times of intensity and complacency result. A key finding was the notion that the "final straw" is not necessarily the reason for the defection. It simply provides the additional energy that forces the decision maker to look for or identify alternative providers. These three key defection-process theories have yet to be empirically tested. In particular, Hollmann addressed the need to perform an industry-specific review of defection to allow for comparison and review.

The third portion of this literature review addressed the causes of defection identified in the past literature. The causes of defection have typically been identified and researched in B2C markets. These tend to be more non-relational transactions like cellular and banking, whereas the SPLI is a highly integrated and complex relationship neither easily entered into nor exited from because of the switching and relational costs of defecting. The antecedents to defection have been widely researched and include trust in a relationship (Crutchfield, 2001), relationship strength (Halinen, 1997), price (Varki & Colgate, 2001), and service failures and recoveries (Valenzuela et al., 2005). Key findings showed that relationship trust builds a switching barrier where existing customers fear the unknown risk of starting with a new provider. Trust allows purchasers to establish baseline service and relationship standards that, if attained, lower relationship costs. Those lower relationship costs allow purchasers to avoid timely contract negotiations, retraining of personnel, and monitoring. Service failures and recovery have significant impacts on customer perceptions. When providers fail to deliver on the psychological contract established at the start of the relationship, the outcome can push relationships to a more transactional nature rather than a relational nature. Transactional-nature relationship require more effort from both parties are more price sensitive to the market, thereby creating situations where emotional responses interfere with business decision making.

CHAPTER III

METHODOLOGY

Restatement of the Purpose

The purpose of this study was to understand and identify the defection process of customers in the SPLI through qualitative research methods. The research involved the identification of eight individuals who have switched service providers in the SPLI. By focusing on these defection narratives, the results provide additional data to extend the current published frameworks of defection (Åkerlund, 2005; Hollmann, 2008; Tahtinen, 2002) and provide the ability to further understand relationship-based defection in B2B markets.

Research Design

The methodology used in this study is a qualitative-based grounded-theory design. Previous research in the defection field has employed many different methodologies, but all have their origin in grounded theory (Åkerlund, 2005; Friend, 2010; Hollmann, 2008; Keaveney, 1995; Roos 1999; Tahtinen, 2002). Keaveney (1995) used grounded theory mixed with critical-incident theory; Roos (1999) used critical-incident theory to create the switching-path-analysis technique, Tahtinen (2002) required a simple case study, and Hollmann (2008) used long-depth interview techniques to create an emergent-defection theory based on 19 generalized defection narratives in B2B customers.

This research addresses strictly B2B defection in a highly relational industry. Mello and Flint (2009) addressed logistics management decision making as an accumulation of process management, customer-perceived logistics-service quality, logistics innovation, and customer-service perceptions as a social process. After splitting from the rigid rules and procedures preferred by Strauss, Glaser addresses the objective of grounded theory for the author to explain a “basic social process” (Creswell, 2008, p. 438). The decision to defect to an alternative carrier requires understanding of the thought processes based in the social sciences and therefore can best be reviewed using long-depth interviews and grounded theory.

Grounded theory researchers generate a theory when existing theories do not address a particular problem or the participants they plan to study (Creswell, 2008). Although defection theories have been published, no specific research addresses the SPLI, and in line with Hollmann (2008), future research in specific industries is needed to further understand the defection process. This research adds to the defection process created by Hollmann and provides additional data to increase the fit, work, relevance, and modifiability grounded theory suggests (Creswell, 2008).

The current defection research emerged from the grounded-theory methodology to evaluate data with slight variations, depending on the type of defection. B2C switching addresses the critical-incident theory methodology to identify “triggers” for defection, whereas B2B switching has been addressed through more naturalistic or phenomenological study. The findings from this research blend with existing theory to understand the social process of defection in a B2B environment that is highly relational and extend the current understanding of defection in the services industry.

Population and Sample

This research was conducted using a purposeful-sampling methodology. In particular, as described by Onwuegbuzie and Leech (2007), critical-case sampling brings to the fore the defection phenomenon in the SPLI. To maximize content and data on defection in the SPLI, I conducted eight interviews with recent defectors (within the 24 months prior to the interview) in the SPLI industry.

> The logic and power of purposeful sampling lie in selecting information-rich cases for study in depth. Information-rich cases are those from which one can learn a great deal about issues of central importance to the purpose of the inquiry, thus the term purposeful sampling. Studying information-rich cases yields insights and in-depth understanding rather than empirical generalizations. (Patton, 2002)

The use of critical-case sampling allowed me to build on the existing non industry-specific defection process.

I chose respondents from northern California companies in which a recent defection to either UPS or FedEx occurred within the last 24 months at the time of the interview. A delimitation of this study is that all participants needed to have moved a minimum of $100,000 dollars in net spending to the competitor to participate and 90% of all the SPLI spending with one carrier. This was done to avoid customers who dual source their SPLI spending with the competitor. This delimitation was used to produce richer data on the defection process, because customers who spend $100,000 or more on the SPLI are considered key accounts and in the top 10% of all customers using the service. Customers of this size or larger become highly integrated and have significant switching costs that add depth and significance to a defection decision.

Listed in the Table are characteristics of the population sample. To minimize researcher and company bias, I conducted interviews with an equal number of defections for each company, to improve the findings from the study. I conducted a total of eight long-depth interviews, accumulating 408 minutes of recorded narrative. I interviewed six male decision makers and two female decision makers. The 408 minutes of recorded narrative resulted in a 326-page transcript of codeable data.

Table

Characteristics of Interviewed Sample

Interview name[1]	Title	Company name	Company defected to	Est. net spent in USD	Primary reason for defection	Defection period	Relationship length [2]
Daniel	V.P. of Operations	Women Shoes Corporation	FedEx	$750,000	Account representation	Summer 2011	10 years
Sanjog (female)	Operations Manager	Onlinevitamins.com	FedEx	$175,000	Service offering/ Account representation	Fall 2012	9 years
Thomas	Operations Manager	Military Shoes Corporation	UPS	$300,000	Account representation	Winter 2012	2 years
David	Managing Partner	Fruitbasket.com	UPS	$1,000,000	Service flexibility/ Branding/ Past experience	Fall 2011	3 years
Ming	Chief Operations Off.	Modern Furniture Corporation	UPS	$250,000	Portfolio offering/ Account representation	Winter 2013	2 years
Dean	President	Women's Apparel Corporation	FedEx	$250,000	Service failure resolution/ Account representation	Winter 2012	10 years
John	Chief Operations Off.	Home Brewing Incorporated	FedEx	$1,000,000	Service offering/ Account representation	Spring 2012	15 years
Lisa	Wine Club Manager	Whistle Wines	UPS	$300,000	Service failure resolution/ Account representation	Winter 2011	18 months

Note. 1 - name is a pseudonym for actual participant; 2 - Reflects the length in time of the relationship with previous carrier prior to switch to alternate carrier.

I located these eight participants through a network of industry contacts in UPS and FedEx. I collected contact information and asked current direct-sales resources if there were any concerns with the individual being asked to participate. In total, I requested 12 participants who fit the requirements of the study and completed eight interviews (see Appendix A). Of the four nonparticipants, two agreed to be interviewed but later declined to participate and two participants did not respond to initial e-mail requests for participation. I informed all participants that I am still an employee of UPS and that all data would be held confidential, and that pseudonyms would be used for their name and their company name. Through network contacts, I was able to purposefully sample only those individuals who made the final defection decision.

The final number of eight participants provided a saturation point for this study. Previous research (Hollmann, 2008; Keaveney, 1995; Roos, 1999) provided significant theory on the defection process for B2C and B2B customers. This study added to existing defection theory by addressing a single industry, as Hollmann (2008) noted. After eight interviews, I felt no new defection data was likely possible. Based on 19 years of personal experience in the logistics industry, the topics of price, branding, unique service offerings, service failures, operational inefficiency, account representation, and grudge-holding identified in this study accounted for nearly all defection possibilities in the SPLI industry to date.

Listed below are eight brief biographies of the participants who took part in this research.

Interview 1: Daniel

Daniel is a Vice President of Operations for a company called Women's Shoes Corporation (WSC, pseudonyms). Daniel has over 20 years of retail-industry experience and worked the last 6 years for WSC. Prior to WSC, Daniel was an executive with Spree Corporation and managed their logistics department. Daniel has significant experience in maintaining existing logistics relationships as well as experience in switching relationships for a variety of reasons during his more than 20 years of management. Daniel is a White male in his 50s. Daniel switched his business from UPS to FedEx in 2012 and spends just under $1 million in the SPLI.

Interview 2: Sanjog

Sanjog is the Operations Manager for an online vitamin company. Sanjog started with Onlinevitamins.com beginning 9 years earlier and has been involved in all business decisions regarding the acquiring of inventory as well as the fulfillment of sales orders through the SPLI like UPS and FedEx. Sanjog is a woman of Indian descent in her 30s and was the decision maker who initially started with UPS and managed the relationship for the first 9 years, prior to switching the business to FedEx. Sanjog switched all her company's spending from UPS to FedEx in 2013, accounting for approximately $175,000 in spending in the SPLI. Sanjog estimated her total spending on logistics is now $3 million and her growth in spending in the SPLI is now equivalent to approximately $300,000.

Interview 3: Thomas

Thomas is the Operations Manager for a company that manufactures and sells boots to the military and law-enforcement occupations. In the last 18 months, Thomas has switched his small-parcel shipments from FedEx to UPS. Thomas has over 16 years direct experience with UPS and FedEx capabilities from his previous job in the wine industry. Thomas's overall responsibilities include the logistics of managing the movement of finished goods from Asia to the United States, warehousing, and order fulfillment. In addition, he is responsible for staff hiring. In the last 16 years, Thomas has made several switches between UPS and FedEx, as well as leveraging other logistics carriers against each other to get his desired results. The current logistics budget is $2 million between small package, ocean shipments, and palletized movements. The small-parcel shipments, which are mainly e-commerce and small B2B shipments, account for approximately $400,000 in gain for UPS. Thomas is a White man in his late 30s

Interview 4: David

David is the Managing Partner for Fruitbasket.com and was the final decision maker in a switch from FedEx to UPS in 2012. He has 35 years of experience in small-package shipping and has been working at Fruitbasket.com for the last 6 years. In the last 6 years the business has grown from 10 packages per day to recently sending 22,000 packages per day during the holiday season. The company provides the creation and shipping of unique baskets so other online retailers can brand and sell their products. In 2012, David estimated that the company spent $2 million on small parcels this year with UPS. Daniel is a White man who switched his SPLI account from FedEx to UPS in 2012 and estimates his total SPLI spending to be in excess of $2 million.

Interview 5: Ming

Ming is the Chief Operating Officer of Modern Furniture Corporation (MFC). MFC is a furniture company that imports products from China for sale in the United States. MFC primarily is the original manufacturer of the furniture; then large corporations brand and sell their product online. MFC provides the end-to-end logistics for these mostly large retailers including the final delivery through the SPLI to the consumer. Ming is an Asian man in his 40s who has significant experience in the furniture industry and has been with MFC from the onset of business. MFC switched from FedEx to UPS in 2012 spending an estimated $250,000 in the SPLI.

Interview 6: Dean

Dean is the President of Women's Apparel Corporation (WAC) and co-owner with his wife, who is the primary designer of the brand. WAC is a nationally recognized company producing high-end women's casual apparel. Dean's responsibilities include the manufacturing and operations management of the company, which sources material from around the world to assemble and create unique products. The environment of the company is one of a close-knit workforce, as most employees have worked at WAC for many years and stay based on the unique training and manufacturing requirements. The company values relationships and consistency and allows employees to be valued participants in the success of the company. Dean defected from UPS after a more than a 10-year relationship with UPS in 2012 with a net spend on SPLI of approximately $250,000.

Interview 7: John

John is the Chief Operating Officer of Home Brewing Incorporated (HBI), which is primarily an Internet seller of home-brewing ingredients for beer and coffee. As a personal passion, John originally started brewing his own beer in college in the early 1990s. After moving to northern California, John took his passion for home brewing and found a fellow beer maker who was selling equipment from his garage and decided to partner to create HBI. In 2012, John converted his business from UPS to FedEx after more than 15 years with only UPS. His company grew from a home-garage-based business to a leading online provider of brewing equipment, spending $1 million with UPS to ship small parcels annually.

Interview 8: Lisa

At Whistle Wines (WW), Lisa is the Wine Club Manager in charge of the sales and maintenance of their monthly wine-club shipments. In 2010, Lisa was part of a group of individuals who agreed to switch their $250,000 spending from UPS to FedEx. In 2012, after less than 2 years with FedEx, Lisa was able to unilaterally switch small-parcel spending back to UPS from FedEx. Lisa has more than 10 years of retail-sales management experience and is her mid 30s.

Research Setting

I first approached all 12 identified participants through personal e-mail with a copy of the title page and research questions from the study. I told all potential participants that their participation would be confidential and that this research was not sponsored in by any company.

After agreeing to participate, I scheduled an appointment at the decision makers local corporate headquarters. This was done to allow the participant full access to all necessary data and resources, should additional questions arise and create the need for clarification. In addition, this setting allowed the participant to easily recollect the defection process while being in the same setting as their original decision. In three of the eight interviews (WAC, WSC, MSC), the decision-maker reached out to personnel or had them participate to clarify any inconsistencies in their recollection.

Instrumentation

Each interview for this research followed the guidelines set forth by Creswell (2008) and Patton (2002) addressing the collection of data. The basis of each interview was long-depth interviews, expected to last between 60 and 120 minutes. According to

Woodside and Wilson (1995), the long-depth interview has been used extensively in buyer behavior to better understand the thinking, feeling, and doing process of respondents. This method addressed Creswell's (2008) belief that one-on-one interviews are ideal as long as individuals are not hesitant to speak, articulate, and share ideas comfortably.

The interview procedure consisted of three parts. First I identified participants through e-mail, asking these final decision makers to participate. I provided them with the title page of the dissertation as well as the three research questions that I would be reviewing (see Appendix B). Upon confirmation of participation, I scheduled an appointment and the interview took place.

For the second part, I started each interview with clarification that this was unsponsored UPS or FedEx research and that all information would be kept anonymous. In the final step of each interview, I asked participants to return to the defection event and encouraged them to tell a story from beginning to end of why they chose to switch carriers. Upon turning on the recorders, I used the following phrasing to begin the research.

> What I'm looking to start with is just from the time that you first started thinking about the defection to your final decision, what was your process? How long did that take? What were some of reasons behind your defection? What were your key reasons? What impact did account management have in your reason to defect or convert? So maybe you can just start with how happy were you with UPS, what made you consider UPS or FedEx? Please be as deep as possible with your feelings and thoughts as you went through this process.

This opening was customized and informal based on the known defection from carrier to carrier but was consistent for all interviews. Because there was conversation in advance, some expectations of the data to be collected were already discussed. Following this instruction, I then explained that after the narrative was told, I would ask additional questions to better understand their process, as well as to identify specific data to answer the three research questions. After the initial story, I proffered additional prompts and asked questions based on the story. These prompts and questions can be found in Appendix C. These additional questions helped me identify specific data to address the three research questions this study aimed to answer.

The average interview for this research took approximately 51 minutes, which was shorter than the expected long-depth interview published times. I believe the reason for the shorter length was due to my significant experience in the SPLI and my ability to understand industry verbiage without requiring prolonged elaboration from the interviewee on topics and standards in the SPLI. The interviewee knew my experience and history, so the narrative was allowed to be more direct and high level than if a non-SPLI individual would have conducted the interviews.

Data Collection

I collected the data for this study from digitally recorded interviews of eight participants between July and November 2013. I identified participants through a network of contacts in the SPLI; contacts provided names and e-mails of individuals who met the criteria of the research. Participants needed to have more than $100,000 in spending in the SPLI, with 90% of that spending on one carrier, and be the actual decision maker for defection. After initial identification of a pool of qualified participants, eight of 12 electronically mailed participants accepted the offer to participate in the research.

I conducted interviews based on my 19 years of experience in the SPLI. In addition, I did not segment participants based on industry or product and chose them based on their defection from one carrier to another. To avoid biased results, I chose an equal number of participants from each carrier to provide a balanced and unbiased review of defection in the SPLI. The order of conducting interviews was based on availability. I then sent all digitally recorded interviews to a professional transcriptionist. The transcriptionist provided verbatim transcripts of all recorded data and I amended the transcripts in sections where speech was unclear.

Data Analysis

I conducted the data analysis for this research in accordance with the expectations of grounded-theory design (Creswell, 2008). With 326 pages of transcribed data, I did not need to use electronic coding. I performed a hand analysis based on this small database of transcribed notes. The data took 4 months to collect, averaging two interviews per month. I used the constant-comparative methodology described by Creswell (2008) to create categories of defections along with decision-maker perceptions. This process allowed me to address upcoming interviews to add to or identify new and existing defection processes. In addition, this process also helped me address saturation, as no new defection criteria or data were expected in additional interviews.

While concurrently addressing the theory of defection in the SPLI, I was also able to compare the data to the previous B2B defection theories of Hollmann (2008), Tahtinen (2002), and Keaveney (1995) to extend current published research. As this research was an extension of these theories, the findings here allowed for a more robust theory of defection. My motivation was two-fold: to identify a defection process or criteria customers use in a highly relational industry like the SPLI, and to add to existing defection-process theory without specifically creating a new theory of defection for all industries.

Human-Subjects Approval

Human subjects were protected during the course of this research. I obtained permission from the Institutional Review Board at the University of San Francisco. The list of participants included those defecting from UPS to FedEx and from FedEx to UPS, so I did not need to obtain corporate approval. All data and transcripts are kept confidential and pseudonyms were used in place of individual and company identities. A copy of Institutional Review Board approval for this study can be found in Appendix D.

Background of the Researcher

The personal experience of a researcher may lead to bias in the findings of a study. I have 24 years of direct sales experience in total and 19 years with UPS. I have managed, converted, and lost business to the competition during this time frame and seen significant change in both the SPLI and sales trends in general. The range of customer spending on the SPLI I have managed has fluctuated between $20,000 per year to $6 million per year in a single customer. My single largest customer in a 1-year period was estimated at $5 million in the SPLI for a 12-month period. Although I have worked in the SPLI industry for 19 years, I also have direct-sales experience as a securities analyst (stockbroker) for 2 years and as an assistant manager for Enterprise Rent-A-Car for 2 years.

In addition to my 24 years of direct-sales experience, I also hold a Master of Business Administration degree from University of San Francisco and a bachelor's degree from University of California, Los Angeles in economics. In conjunction with full-time employment as a logistics provider, I currently teach as an adjunct faculty member at a local California community college. Over the last 10 years, I have taught at two community colleges with classes titled Writing for Business, Conflict Resolution, Introduction to Business and Marketing, and most recently, Macroeconomics.

CHAPTER IV

FINDINGS

In this chapter I review the findings from the long-depth interviews of eight decision makers conducted over a 4-month period. These interviews provided the in-depth detail needed to begin to understand the process of defection in the SPLI. From these interviews, I created an analysis and theory of defection in the SPLI to help understand the potential reasons large shippers defect to the alternative carrier available. The names and characteristics of each interviewee appear in Chapter 3 and will be more thoroughly reviewed in the following profiles. Each individual's identity is preserved and a pseudonym was created in accordance with the Institutional Review Board of University of San Francisco.

Findings of Participants

I conducted a total of eight interviews with final decision makers at various companies across northern California during a 4-month time frame. The participants agreed to an open-ended conversation that was recorded on two devices and transcribed verbatim to allow for coding and research. The revenue spending on small-parcel logistics ranged from as little as $250,000 per year to as much as $2 million and the length of transition varied from 1 month to over 1 year in defection from start to finish. Each of the participants provided a vivid narrative on their process of defection along with their perception of account representation and perceived value of the incumbent carrier and the alternative carrier. The following findings first address the direct research questions of this research and, based on the extensive data collected, a second section of this chapter contains additional findings that add to the process of defection in the SPLI.

Research Question Findings

The purpose of this section is to consolidate the eight interview responses into a cogent answer to the research questions in this study. Each research question section will contain an analysis of only those interview responses that most directly answer each specific question and allow the researcher to create findings that advance understanding of defection and customer switching in a B2B environment. These findings are culled from 326 pages of transcribed interviews that took 408 minutes at an average interview length of 51 minutes.

Question 1

What process and factors emerged during the defection process in the small-parcel industry?

The purpose of this research question was to understand the critical incidents or triggers that defined the actual decision to switch to either UPS or FedEx. The goal, through the long-depth interview process, was to understand the individual perceptions and weight that each participant gave to the factors that caused their personal defection decision.

In a review of each transcript, it was apparent that customers arrived at their defection decision after a lengthy process of review and due diligence. Of the eight narratives of confirmed defection, the time required for a defection decision to be reached ranged from 1 month (Military Shoes Corporation [MSC]) to as long as 1 year (HBI). However, during that time of review with the competitor, several companies described that their decision to defect was not 100% certain. In fact, with the exception of WW and MFC, six of the eight defection narratives let the incumbent carrier know they were considering an alternative carrier. In addition, if specific changes and pricing could be addressed, there was a chance to maintain the current business structure.

Each participant specifically addressed during the interview the point at which they decided to switch carriers. Daniel of WSC said his defection decision was based on "quite a lot of animosity out in the office with working with UPS, it was kind of their (staff) recommendation—they were tired of dealing with UPS." Although this was the point at which FedEx was asked to present an alternative solution, Daniel said that up until the final pricing from FedEx, he would have stayed with UPS. Although the issue related to the sales-representative and customer-service concerns, the key point to address here is that it was a consensus of the staff to approach Daniel and address their concerns with UPS. Prior to this building consensus, Daniel had allowed this lack of service to continue for up to 2 years.

Initially, as a sole UPS customer, Sanjog was confident that UPS was providing the highest value options to her company. Approximately 3 to 4 months prior to considering a SmartPost proposal from FedEx, Sanjog needed to use a competitor to fulfill shipments to Europe: "I tried with UPS. It didn't work out. And that's why I was looking for other sources. And FedEx came into the picture. And I said, 'Okay, let me try this out, too.' And it worked." As FedEx worked diligently to bring in other service offerings and solutions, she requested an alternative proposal from UPS to SmartPost and is "still waiting" for a proposal from UPS for a service offering that is available. She is aware that UPS has a competitive offering called SurePost but UPS has not offered her this solution. Based on the need to save "30 to 35%" on her shipping costs and go from a "loss on shipping to a profit," she was given no alternative but to switch her small-parcel shipping to FedEx. She believed "she had a 9-year relationship with UPS and she didn't want to break it without giving UPS an opportunity."

With Thomas at MSC, his defection arrival was solely based on customer service. Unlike most other defectors, Thomas has created an environment where he sees no differentiation in value between carriers and only sees value in the relationship and work product of his resource. When assigned a new account resource, Thomas believed his sales resource was nonresponsive. After a 1-month period to address his expectations, Thomas "immediately made the decision to switch to UPS and … literally walked into my warehouse and said, 'We are no longer shipping FedEx. You move everything to UPS.'" David from Fruitbasket.com provided a review that discussed reasons for his switch from FedEx to UPS. After addressing that "pricing and account representation were the same," Thomas reviewed his criteria for his switch to UPS:

> Do we want to change a relationship that we already have with FedEx, which was a decent relationship, and we want to move that relationship over to UPS? So there had to be something else in the mix, because if the price was the same, the relationship was good, there had to be something else. So there are other factors with UPS that we like, that, personally, I like UPS versus FedEx. There's two factors that are the major mover in my mind.

Thomas reviewed in detail that a later west-coast air pickup and operational pick-up capabilities of not scanning packages at the end of the day increased his vendor and customer satisfaction and made for a lot of "happy customers."

In two cases, the incumbent carrier lost the small-parcel business because of unique capabilities by the competitor. Ming addressed in the interview that UPS and FedEx have been his preferred carrier each on two occasions now. The previous defections usually involved some form of pricing adjustment or account-management change that precipitated a process of defection. However, in this most recent defection to

UPS, Ming addressed a solution from UPS called Capital Corp that provided up to $80,000 in savings and ease of use in financing his global purchases. He stated that with "the nexus point of the UPS Capital, all of a sudden, while we got into UPS ocean freight and we tied into the small package. … So we went ahead because the Capital portion of it was so attractive." In addition, Ming addressed the idea of additional discounts usually used to win business and stated "a rep that just comes in with just pricing, to me, it's not that useful. It has to be someone who's coming in with more." The more in this case provided additional cash to purchase more inventories, which added to the "30 to 35% margins" they have on every dollar sold.

John at HBI took nearly 6 years in review before he switched carriers from UPS to FedEx. His primary point of defection revolved around the ability of FedEx to offer a Saturday Delivery for Ground shipments whereas UPS did not.

> I wouldn't have made the switch because of that (on time performance). It was more of the, if you ship from here to here, this is when it will get there. And it was really all about that Saturday to the east coast, which is the highest-densely-populated part of the country and we happened to at that point shipped 55% of our packages to it.

John took nearly a year to decide on his defection to FedEx and reviewed all possible scenarios and risks. In addition, he reviewed options with UPS to meet the Saturday-delivery need, but in the end, his perception of value for a Saturday delivery to his "hobbyist" customers was more valuable than maintaining the current 14-year relationship he had with UPS.

The final two defections have similar scenarios of service failures and institutional faults. Dean addresses how a $97,000 invoice affected his relationship with a supplier as well as how a Japanese supplier refused to work with UPS.

> UPS Italy sued the supplier, even though it was supposedly billed to our account because we had refused to ship it—to pay for it. So they tried to go back to the supplier. It took 9 months, probably 300 e-mails and phone calls before it got resolved. That combined with the reluctance of a few other vendors to deal with UPS took us back to FedEx. And then FedEx came in and made us an even more attractive rate structure, especially for the inbound stuff, which is huge.

Even though Dean had approached FedEx, he did offer UPS the opportunity to make the pricing issue a neutral matter and possibly make the decision to defect a more difficult decision. However, UPS was not able to make a competitive offering, making the switch to FedEx much easier.

Lisa recounted how the initial switch to FedEx was a senior-management decision based on the perception that Saturday delivery would reduce costs and improve customer perceptions. Those improved perceptions would then lead to “less returns” which inevitably led to her wine-club participation rate growing. However, the stated expectations of the switch to FedEx were not realized and therefore she “switched back to UPS” after consulting with her direct manager. Although she did not initially get the savings and service she wanted, the return to UPS did provide additional savings over the original FedEx savings.

In analyzing these defection narratives, two key points add to the factors of defection. The first factor is that price was not a deciding factor in any of the specific defection processes. With the exception of Thomas as MSC, all other narratives addressed some understanding that price was an issue and that the competitor provided a savings over the current incumbent. However, several companies (Onlinevitamins.com, Fruitbasket.com, MFC, HBI) all addressed improvements in efficiency that were going to provide growth and opportunity that far outweighed any per-shipment savings.

The second key point was that seven of the eight narratives, the exception being WW, found that the service levels of each carrier are nearly the same. The expectation of delivery and on-time performance as a feature of service were never considered a factor in switching. By removing the factors of price and service as primary motivations for defection in the SPLI, the remaining factors of account representation, unique product offerings, and value statements bring a clearer picture to the reasons for defection in the SPLI.

Question 2

What impact did the direct-sales resource have in reducing or extending the defection process?

The purpose of this question was to understand the impact of and culpability of the direct-sales resource assigned to represent the account. With a highly relational industry like small-parcel logistics, it is imperative that assigned sales resources work to mitigate risk from competitor attraction and service-failure outcomes.

The impact of the existing sales resource in the SPLI was evident in five of the eight defection narratives. In the remaining three narratives, two decision-makers (Fruitbasket.com & HBI) specified the qualities and values they preferred in a sales resource. Only WW' defection process could not be fully attributed to the direct-sales resource as a reason for defecting. In addition, the decision makers were expansive on their preferred qualities and expectations of what direct-sales resources can and should do to minimize any possibility of future defection.

The five narratives that revealed account-management issues or positive aspects that led to a defection were WSC, MSC, WAC, MFC, and Onlinevitamins.com. Of these five defections, only MFC had an account representative who was not specifically responsible for the defection.

The WSC decision maker specifically stated that “they probably would not have switched to FedEx if the representation had changed.” For over 3 years, the decision maker had worked with UPS to attempt to resolve this issue and even addressed the matter with “a regional manager” to attempt to get improvements in account management. In addition to the push from UPS to FedEx, Daniel addressed the positive representation from FedEx saying “the customer service side of it, the personal attention, was night and day compared to what we were getting with UPS. So, the big deal was customer service.” Daniel pointed out that there are only two viable carriers to choose from and after difficulty with UPS “it was stupid not to work with someone who wanted their business and could help them.”

The account-management expectations at MSC were also the key reasons for defection in a process that only took 1 month. Thomas maintained a long-term relationship with an account manager who was reassigned. After the initial introductions, the new account manager failed to maintain Thomas’ minimum expectations. Thomas indicated that the new direct-sales resource “was not receptive to phone calls, didn’t return phone calls immediately, would consistently feed us to the 800 number, which to me is probably the most unprofessional thing you could do.” This was addressed with a FedEx Vice President of Sales along with the previous account manager in the hopes of maintaining FedEx usage. Thomas’s perceptions after this review was that “things are going to change, he’s going to pick our product up on time and he’s going to help us out with our problems." Within a short period of time, the direct-sales resource returned to his old methods and Thomas "immediately made the decision to switch to UPS."

The account manager for UPS was a known sales resource from Thomas's past and he was comfortable to switch to UPS knowing his acquaintance was available. Over the next 18 months Thomas stayed with UPS and during the interview, I learned that Thomas had switched back to FedEx. He initiated this move because his acquaintance had moved away from his account and UPS had replaced him with someone who failed to understand Thomas's requirements and expectations.

With WAC, the issue of account representation was not the direct reason for defection, nor the reason for switching. Institutional externalities created an environment where the opportunity for an alternative carrier opened. The decision maker, Dean, did not specifically state his defection was the result of account management. Rather, he specified that vendors in Japan and Italy refused to work with his company moving forward, impacting his ability to source future product. Dean expressed his frustration with his direct-sales representative because he "could never get a clear explanation from our UPS representatives as to why these companies either couldn't get or wouldn't accept UPS service, both in Japan and Italy, and that's where 95 percent of our shipment come from." Upon reflection, after the switch from UPS to FedEx, Dean commented that his representations for the last 12 years has been "lacking" in comparison to what his new representation provides.

This restriction in service capability could either be addressed as an institutional matter, where UPS was unable to meet the expectations of the customer, or a lack of capability on the part of the direct-sales resource to resolve problems. In my experience as a small-parcel account manager, this failure falls on the account representative's inability to identify and resolve this issue. Dean mentioned over "9 months of time and probably 300 e-mails and phone calls before the issue got resolved." This delay in resolution led Dean to expand on his expectations for his account representative as "taking responsibility for dealing with issues; being our champion."

The defection process at MFC was ultimately a decision based solely on a unique service offering provided by UPS. The Capital Corp solution provided financing that allowed the customer to save "$80,000" and "borrow against receivables and inventory," which his current bank was unable to provide. However, the ability to win this business originated by the "aggressive" nature of his direct-sales resource from UPS. As described by Ming directly, the UPS sales resource "was very aggressive in seeing what other needs we had and really trying to pull in all different kinds of products from UPS, even though it had nothing to do with him." The Capital Corp solution provided unique benefits that differentiated UPS from FedEx and allowed Ming to be able to defect. The benefits of "branding" and "leveraging of purchasing power" allowed the defection to move smoothly. Ming then addresses the value he placed on sales resources which provides additional insight into his defection process:

> In my industry we're a very sales-rep-driven industry. There's different opinions on how effective sales reps are, but for my business partner and I, we both are very, very strong proponents of sales reps, because a lot of times, especially the bigger your company gets, that's the face of the company for you.

At the core of Ming's four defections were aggressive account managers who either "bundled" services to provide savings as FedEx did, or provided IT integration and easy access to capital that dramatically helped MFC improve efficiency.

The Onlinevitamins.com defection narrative addressed a unique situation where the customer defected as a price matter. However, Sanjog reviewed how FedEx was able to advance in the company due to UPS-service failures with international shipments to the UK. Several months later, she was approached by FedEx to present a service offering called SmartPost to take the small-parcel business away from UPS. The UPS sales resource was aware of the FedEx penetration and could have been proactive in offering a competitive solution against SmartPost that would have kept the business with UPS.

Sanjog explicitly stated that had UPS offered the comparable service when FedEx was offering SmartPost. “To be very honest, I might have given FedEx more business, because we are growing. We are still growing. So I might have given like a certain portion of the business to them, but not the entirety.” The complete defection was as a result of the direct-sales resource choosing not to offer comparable service. In sales, this is a failure to perform one’s task and resulted in complete defection of Onlinevitamins.com.

The remaining three defection narratives did not explicitly address poor account management as a core reason for their defection to a competitor. However, two of the three decision makers expressed significant opinions about their expectations and the qualities they seek from their direct-sales resource. This information is invaluable in understanding the value placed on direct-sales resources in a highly competitive B2B environment.

At HBI, John reviewed his history of 14 years with UPS and detailed the defection to FedEx. Additional data gained during the interview addressed the weak sales management UPS had up until the switch to FedEx and the strong sales management he is now receiving from FedEx. John stated, “we had bounced about three or four service reps who, not to belittle them, but didn’t have anything near the hard-working ethic or ability to communicate on a regular basis as Michael.” In addition, when asked if HBI would still have switched if Michael was his representative, he commented that he “may have looked harder at other options” but that “but it wouldn’t have been like, ‘No, I’m not changing,’ because of the rep. That’s a very emotional-based decision and that’s not quite what I’m going to do.” Therefore, because John did not have a strong direct UPS account manager, his decision was more logic- and business oriented rather than the possibility of an emotional defection decision similar to the loss of a marriage (J. Johnson et al., 2001; Pressey & Matthews, 2003).

With WW, the first defection to FedEx was primarily a group decision. After the implementation of FedEx, the expected value from the defection in savings and increased customer satisfaction failed to be achieved. Several attempts to address the failures resulted in a loss of confidence with FedEx. Although UPS won the business back primarily based on a service issue, Lisa noted that “the one thing that Thomas from FedEx wasn’t at all was, proactive. And when he lost the account, it was kind of like—I think he knew that he screwed up because he wasn’t proactive.” This comment reflected that partial blame was to fall on the direct-sales resource from FedEx for failing to address service concerns.

Question 3

What impact did perceived value have in the defection decision?

In Emerson’s (1976) review of SET, a definition of value from Homan stated that value is the “degree of reward” that an individual receives from making a decision (p.340). Individuals will therefore choose between those alternative options that provide the greatest value and the perceived value. However, during this research, identification of “value” and its meaning to each customer was less identifiable and more abstract. In the operant approach to SET, value is the result of prior conditioning in longitudinal exchange relationships (Emerson, 1976). Therefore, the findings presented here on the defection process are based on intangible comments addressing those items not already addressed as direct reasons for defection in Research Questions 1 and 2.

The current categories of defection in the SPLI addressed in this research show that account representation, service failures, and unique service offerings have a significant impact on defection outcomes. Additional categories identified as antecedents to defection in this research are a prior positive experience with the small-parcel provider and revenue and growth creation.

In the SPLI, only two available carriers provide a value-oriented solution with a direct-sales resource to provide customer service. Several customers addressed previous relationships and strong reasons why they switched or maintained a high perceived value. At Fruitbaskets.com, David addressed his 35 years of experience in logistics and commented that he has “a UPS mentality,” in that the local management team is flexible to his concerns for pick up. He has high appreciation for account representation and the local drivers. David said that both UPS and FedEx deliveries “have a direct reflection on their business”: customers contact them as an e-commerce provider and address any delivery concerns as “your” driver and not “the UPS or FedEx” driver left the package in a bad location.

At Whistle Wine, Lisa commented that after their first switch to FedEx for perceived gains in reduced returns and lower prices, she found that the outcomes were not in line. Her first thought was whether she could get UPS to return. Lisa addressed her past history and remembered that "We were shipping some stuff out, but not really a lot. And [FedEx] were just—I remember the drivers were just horrible, just not personable at all." Lisa went on to address her perception of the UPS driver "Big Red" and how he treated her at that first job by saying "But I used to remember that [UPS] relationship. And he'd pick up and knew us and it was good. And then we got FedEx and it was like—just didn't care." This history of service allowed Lisa to make a quick return to UPS, based on prior good experience as well as competitive pricing.

Three other customers directly commented on the relationships with UPS drivers that were severed in the defection process. Dean at WAC discussed the difficulty of losing his regular driver of 10 years from UPS because they were switching away. John at HBI addressed his memory of his UPS driver attending their corporate Christmas party with his wife and family. Although not a factor to keep one from defecting, it is a positive relationship that assisted in the defection of Whistle Wine, HBI, and Fruitbaskets.com and could in the future provide the necessary energy to cause a defection.

The second value perception that assisted customers in choosing an alternate carrier was the growth mechanism. In several instances the interviewees described specific financial benefits or potential revenue growth from defecting to the alternate carrier. At Fruitbaskets.com, David was unable to provide a specific amount of savings or growth, but the defection reduced bottlenecks in his production, which was a "huge" benefit. His comment that FedEx “is hard to do business with” addressed the difficulty he has in working with multiple divisions of FedEx.

Sanjog at Onlinevitamins.com addressed that the new service offerings from FedEx allowed her company to cut costs and move to profitability immediately. Because of this defection, she has seen growth in revenue of “25%” from this one move.

John at HBI was initially interested in FedEx based on his competitors switching to FedEx from UPS, creating an opening for him to consider an alternative to UPS. The key feature on which John placed his defection decision was the ability to deliver on Saturday for his “hobbyist” clientele as well as improve time in transit. He did not specifically identify the outcome of growth from this switch but did say the savings in shipping costs were over $100,000, along with a faster service. The primary reason given by John was to get his product to its destination faster with a Saturday delivery, which he perceived to create increased interest in his product offering.

A surprise finding in the context of perceived value was the finding that neither price nor end-service performance was a defection causality. At WSC, Daniel defected because of poor account representation and, while negotiating with FedEx, found that the switch would have financial benefits in the form of lower pricing. Daniel mentioned that “service was never an issue on delivery” but only account representation. It was account-representation failures that led to the byproduct of savings.

At Onlinevitamins.com, an initial service failure created an instance where FedEx was able to penetrate and offer a solution called SmartPost. However, UPS has a matching service at comparable pricing so the “25%” savings was a result of a service failure in international services along with poor account management in not offering a viable comparable service that was available.

Thomas at MSC switched because of poor account management but was also additionally rewarded with less expensive pricing, as was Dean at WAC. In both instances, the decision makers were expecting to switch and pricing was a final component of a negotiation. Lisa at Whistle Wine also switched because of poor delivery service and upon asking UPS to return, she was able to find a savings in shipping costs.

Thomas at Fruitbasket.com and John at Home Brewing Inc. found additional savings in shipping costs. John initially expected to pay “10% more” than his current UPS pricing to switch to FedEx, but actually received a significant savings. Thomas negotiated over several months to get matching rates with UPS to switch from FedEx, even though he saw a significant savings in using UPS.

This finding conflicts with Keaveney’s (1995) study in which 30% of all defections addressed price as a key reason for defection. In Friend’s (2010) study on sales failures, price and adaptability were key components to businesses not winning a sales proposal, and thus does not parallel this study.

Additional Findings During Research

The following section addresses key comments, thoughts, and statements made by participants that could not be confined directly to the previous research questions. The long-depth interview process allowed participants to freely flow their thoughts on their personal defection process. The following perspectives are important data to be analyzed, as they can provide additional findings. These findings are separated and presented by each narrative to allow their individual voice to be heard.

Daniel

At WSC, Daniel expressed his history of working with vendors and having a preference for loyalty and strong customer support "I'm not one to go look around. … If I have somebody that I'm comfortable with, I'm not always out looking for the lowest price. I want the service, and the service is both the performance and the relationship." Daniel's work history has shown him that service and performance are better than price.

> Our CFO put us in this one warehouse because of price. We went in this warehouse with our shoe, happened to be our shoe business, and we had nothing but problems. They were not used to our business. They could not perform. We struggled in that place for probably a year before we decided, okay, we're getting out. It cost, I don't know how much money and time and it just bad.

This switching experience imprints valuable personal coding on vendor management requirements and a historical standard on which future defection decisions will be evaluated.

The most important aspect of Daniel's business is the movement of shoe samples back and forth to China and the UK. These samples are the key to future revenue and profit because trade shows and store buyers review these seasonal samples and make future purchase decisions based on samples. When final samples miss shows and meetings, the risk of significant profit loss is substantial.

> It's very important. Because our business all starts with China, with our getting our samples in here and getting them here timely. Not just here, but to the UK, to both the primary offices. It's important and the nature of our businesses. … It's samples that we're sending for productions, for shows, it's primarily show samples. So they're absolutely critical. And in our company, and I don't know if it's like that in other companies, but you know, in the whole design process, you're making changes to samples at the very last minute. And these samples are turned around in just days. They're making them and we're having them here in days—just a matter of a few days and having to send them to a show, or for a sales meeting. So it's absolutely critical.

The largest risk under Daniel's job responsibilities may be the failure to oversee the supply chain of samples from factories in China. Failures in sample delivery will affect the marketing department as well as affecting future sales when finished product does not get onto store shelves. This is the outcome of a store buyer failing to see important samples because of delivery concerns. Therefore, in future years, opportunity to sell shoes is diminished, as buyers build relationships with other manufacturers and retailers, mitigated by these missed opportunities.

In 2010, Daniel became aware of concerns with their current carrier (UPS) and began to address poor account management directly. During some transitions from non-UPS vendors, the need for UPS assistance increased and the account representation failed to meet expectations. This issue expanded the aggravation and created an issue where support staff at WSC was looking for help from Daniel in getting their daily tasks completed. Because the UPS follow up was insufficient, Daniel's job performance was put on notice as the staff looked for assistance and needed help to complete their jobs. The issue described below was not a core-service issue but addresses the internal impact employee dissatisfaction can have on decision makers' defection perceptions.

> Which is a coincidence this was all going on, we started having service issues again. And it wasn't service issues related to UPS making deliveries and things, it was more related to on the IT side, billing, anything related to the—whatever you want to call it—the back room, the back office scenario. Again, going back to the UPS account rep, calling, "Hey, we have a problem." And it wasn't so much just me. It was primarily our logistics person, our IT person, which was Sue at the time. I was dealing with the international piece. There was quite a lot of animosity out in the office with working with UPS, it was kind of their recommendation. They were tired of dealing with UPS because of the rep. And I said, "Okay, now I've got—I don't have anything really, any reason not to seriously consider making a switch."

Although Daniel made the decision to switch, it is important to note that there was an escalation of failure that necessitated a switch of carriers. The failure in account representation directly relates to the research question of account representation and its effect on defection. In addition, although it took WSC nearly a year to completely divert to FedEx, the process of defection shows that small failures to manage the account led to a critical mass of negative energy that could not be overcome. When combined with appropriate timing and “significant savings from FedEx in shipping costs,” the decision to defect became a viable and attractive solution.

Sanjog

Sanjog made the final decision to switch from UPS to FedEx for all her small-parcel shipments in 2012. The prior 12-month period, she estimated her total spending on UPS and USPS logistics at $2 million; of that amount, small parcel was $200,000. During this growth from a startup website to switch in 9 years, she had seen many different UPS account representatives and felt UPS satisfied all her shipping needs.

The initial need for an integrated carrier arose in 2004 because of the heavier and higher value orders the company received. “In 2004 we first introduced USPS as a shipping carrier. And then we introduced UPS to handle our heavier weight shipments.” Initially, UPS was the only integrated carrier used by her company until 2011 when the need for a more viable international carrier arose. UPS was requested to offer pricing for higher value international transactions, as this was a growth and revenue area for Onlinevitamins.com. However, UPS failed to carry her international volume in a timely manner and she was forced to consider an alternative.

> I tried with UPS. It didn’t work out. And that’s why I was looking for other sources. And FedEx came into the picture. And I said, “Okay, let me try this out, too.” And it worked. … I contacted them. I was just brainstorming, like who all is available in the market?

Although FedEx had attempted to win her business in the past, she was loyal to UPS as she had no issues, and UPS had brought in many solutions that helped Sanjog reduce costs and provide increased customer service. However, once UPS had failed to provide a viable international service, Sanjog was forced to use and listen to all FedEx offerings. Within 4 months of initial FedEx international usage, FedEx was positioning their own domestic service level called SmartPost. This less expensive service offering saved her "30 to 35%" in shipping costs that turned her loss on shipping into a profit. Prior to FedEx, Sanjog was losing several dollars on shipping, to be competitive in the marketplace.

FedEx took the opportunity to grow their revenue gain from Onlinevitamins.com by providing a service that UPS offers but was not positioning to Onlinevitamins.com. Most companies do not offer lower revenue and lower value services to existing customers, as it tends to dilute revenue. However, when seeking to penetrate revenue from a competitor, both carriers will offer this service of reduced residential fees to a customer. Because UPS did not make this offer in advance or offer to compete with this service once she was made aware of this offering, she had no other choice than to switch all her business to FedEx.

The core needs of Sanjog's business model is to remain competitive in the market and allow her company to compete with the aggressive nature of online sales.

> Last couple of years, like if I want to see the trend like last 3 to 4 years, and if I have to compete with all my competition, so, their people are like giving free shipping on everything, which I still cannot, as of today, as I cannot afford. But then like we felt like especially for the past 3 years, we have been getting a feeling that pricing and just service is not the only thing, but the pricing is becoming a key factor.

Because this is her environment, it is imperative that her vendors address all avenues to assist her in meeting her needs. Unfortunately, in this particular instance, UPS failed to address her needs and was removed from the account. FedEx gained the Onlinevitamin.com business by offering a lower valued service at a less expensive price. In addition, they gained additional revenue, as sales have grown “25%” since the introduction of SmartPost. Although Sanjog has switched to FedEx for this service, she is awaiting a proposal from UPS and plans to offer both UPS and FedEx 50% each of the volume she ships, as she exited UPS with strong positive impressions.

Thomas

The interview with Thomas addressed several key issues in customer defection. The primary reason he switched carriers was poor account representation. However, Thomas had a 15-year relationship with an existing FedEx representative who was transitioned out of managing Thomas’ account. When there is a transition in account representation, comparisons are made and expectations are set based on the current management.

> I guess a year ago when we switched, it came down—to me, it comes down one thing, the service that’s being provided. You’re always willing to pay a little bit more, actually, if you get better service. … The gentleman that took over for him was not receptive to phone calls, didn’t return phone calls immediately. Would consistently feed us to the 800 number.

This scenario reflects a unique situation in the SPLI when account management is switched or removed from an account. The opportunity for competitor penetration opens and the vendor is reevaluated based on the old relationship.

In addition to reevaluating account representation, MSC also had a third-party software package that creates labels for either carrier and is integrated with each carrier. This allows MSC to use either carrier with the switch of a notation in the database. With no technological switching barriers, the only barriers to exiting a relationship are service, account representation, and service offerings. Thomas addressed this ability to quickly make a defection decision in the following quotation:

> I don’t wait to make a decision. There’s no milestone for me. There’s no thinking about what we needed to—we needed to slowly start this transfer. To me, it’s literally walking into my warehouse and saying, “We are no longer shipping FedEx. You move everything to UPS.” … But it came down to one factor. And the factor was where were we going to get better customer service from and better responsiveness from? And it was—at that time it was UPS.

Thomas established this same pattern with Ocean logistics, leveraging carriers against each other to ensure his requirements were met.

In addition, Thomas established the characteristics that are key to earning profit in his business. Thomas felt that the account representatives should be more proactive than reactive. In some instances he described situations in which his previous account-management person proactively reduced his rates to benefit his company and not FedEx.

> “Your volume has increased and we’re not giving you the best rates possible. So I got you a new rate.” We didn’t have to ask him. He would do it for us. These other guys seemed to ignore that. They just—they’ll keep charging us the higher rate until we decide—until we question it, until we say, “Hey, our volume is way up and we got somebody down the street that’s doing less volume’s got better rates than me.” And then they’re like, “Oh, yeah. Well, let’s reexamine them.” Well, I shouldn’t have to do that. It should be sales representative’s responsibility to do that.

This type of proactive response created loyalty and perceived value to Thomas and established credibility that outweighed price and competitor offerings. When describing the perceived value of an unsolicited reduction in rates, Thomas expressed his thoughts on why this behavior created loyalty beyond reproach.

> It made me feel—it makes you feel like you don’t have to do as much, right? I don’t have to work as hard, because these guys are working for me. And they’re true partners. And it shows me that they actually care about our business and they want to keep growing that business.

The defection of MSC provided a unique experience to learn about the issues of transitioning between account-management teams. Although this transition away from FedEx was known, during the interview I learned that the customer then switched back to FedEx over a UPS account-management transition as well.

David

The process of defection for David had two key issues that he specified as the reason for his move to UPS. The first key issue for David was an operational issue that affected his potential growth and customer's service. After working with FedEx for several years, David had added several large clients that caused the business to grow significantly. With this growth, several operational concerns arose. First was that FedEx created a bottleneck at shipping by forcing the FedEx driver to scan every package. This bottleneck limited the number of packages that Fruitbasket.com could process. In addition to this bottleneck, FedEx refused to help with late package drop off that would allow for up to 2 more hours of processing.

> And FedEx would not budge on late drop offs. So that was pretty important for us. The second thing and equally as important is FedEx, they scan every package when they put them in their truck. So there is always an issue—and this—again, it doesn't—it's not an issue when you're doing 50 packages a day and the FedEx driver comes at 3:00 o'clock in the afternoon and he's scanning one package at a time. No problem. But when we're doing 10,000 packages and FedEx—they have to come here with a staff of, like, three or four people and scan the pallets before they even get into their truck. And what happens is, again, we're doing production all day long. So just say on a peak day we could do 5,000 packages in the afternoon. Sometimes they don't have enough people to scan the packages; and there's, like, this huge bottleneck at 4:00 o'clock for the East Coast shipments.

These two issues created a significant hurdle to potential growth and impacted David's final decision to switch. However, even though these two items were noted by David as key factors to switch, an additional mitigating factor was that several carriers like FTD and Hickory Farms had directed Giftbasket.com to ship their orders via UPS.

Therefore, the operational capability of UPS to pick up and provide late pick-up service was evidenced.

A second key feature for David was his past experience with UPS from his first business venture. David used to have a strong relationship with UPS at his other northern California business and detailed the personal relationship he had with his account manager. Much like the relationship Thomas had with his FedEx representative, David described a personal relationship in Ukiah that left a strong bond with UPS.

> But I do like that—which we had again in that old business in Ukiah—I do like that relationship where, hey, you know, I had, for example, the direct number of Frank. And if there was any issue at any time weekend, whatever, I could call and he would—he was like—and also he was a little bit of a permanent friend. … The branch manager at Ukiah, his boss was like the district manager. So I had, like, a relationship with both those people. And when there was something—if we needed like some crazy thing, those two would work together and make sure that it happened. And that was—we had a good relationship. It was a strong relationship. We knew each other. We knew—like, the families knew each other. It was a good relationship.

This strong relationship history with UPS became a significant motivating factor in switching and with this history, eliminating a major concern most people have in switching, which is comfort. David assumed he would have the same positive relationship with the sales person and with the operational staff, as history had shown him. However, David expressed some concerns that the UPS relationships did not meet his expectations and that UPS was not on as stable ground. In conclusion, David's conversion to UPS was primarily a business decision about growth and opportunity that was made easier by a positive history with UPS, established over 35 years of experience.

Ming

Over the course of the 10-year history of MFC, Ming and his partner have switched between UPS and FedEx on four occasions. Initially, they chose FedEx because of pricing and perceived interest by FedEx and lack of interest by UPS. The first move to UPS was in 2007 after a move to Oakland, CA from Los Angeles.

> The first time we saw a UPS rep for small package. And her name was Doris and she was wonderful. She was incredible but … she said she really wanted to see us succeed. So she looked at the FedEx deal that we had and she beat it for the small package. And at that point we switched to UPS for ground. … I think the price was—I mean it was really important, because we were—at that point we were a very small company. We were still trying to manage every little penny everywhere. So I don't want to, like, discount it and say that it wasn't important or wasn't the primary reason. But her being a good rep was also a very, very, very—it had a big deal to do with that.

Ming specifically addressed price as a primary concern but added, unsolicited, that the representative's interest in helping their business succeed was a contributing factor to his switch. Over the next several years the relationship between UPS and MFC was strong and growing as MFC's revenue grew from $7 million to approximately $12 million.

The next transition back to FedEx from UPS happened when MFC transitioned to a new building and Doris transitioned away from managing the account for MFC. After this transition, Ming specifically stated that "when she left we didn't see another UPS ground rep again. We just didn't have as aggressive as a rep come in to deal with our business." This lack of interest created an opportunity for FedEx to regain the MFC business. Because a primary portion of MFC's business is in the palletized business and not small parcel, the new FedEx pallet representative bundled all the services and was able to create a savings solution unique to MFC that UPS could not match. For the next 2 years, FedEx was the sole small-parcel-logistics carrier for MFC.

The final switch back to UPS is the most recent change to be addressed here. In 2013, MFC's logistics partners in Asia aggressively requested he consider UPS for more of his ocean-container shipments to the United States. These movements of bulk production are the least expensive form of bringing inventory to the United States and

MFC averaged around 500 containers per year. This is an estimated expense of nearly $1.5 million on the movement of products. Ming and MFC received a visit from the local UPS representative in the United States to discuss UPS's capabilities in this service offering. Ming addressed a key characteristic of the representative in again using the term "aggressive" to denote an account representative and what he remembers about the individual.

> And the rep that was helping us was really aggressive with our business. I don't [know] what the mandate was from head or whatever, but he was very aggressive. And not only was he aggressive with selling his product, he was very aggressive in seeing what other needs we had and really trying to pull in all different kinds of products from UPS.

From this meeting, UPS was able to bring in an additional service offering that provided Ming with a unique offering from a division of UPS. The Capital Corp division identified a solution allowing MFC to purchase more inventories with greater ease than was currently available. The additional inventory allowed MFC and Ming to increase their offerings and revenue by providing easy access to capital that usually would be managed through the banking industry. To gain this service offering, MFC switched its ocean business and small-parcel business to UPS, while leaving the pallet business with FedEx.

During the course of the interview, an insightful perception by Ming regarding his perception of an "aggressive" salesperson was the value a representative can bring to an executive. Ming relied "on either our employees or whatever sales and marketing is available through companies to find me." Because, as a small entrepreneur, he cannot know everything available in all industries, aggressive sales people need to "go to every customer of yours and say, "What can I do for you?" This open-door policy requires constant diligence by account representatives and companies to bring information and opportunities to this type of customer.

Dean

In November of 2012, after months of frustration and review of UPS, WAC switched its logistic needs to FedEx. Dean raised several issues about why he made the final switch. The two key issues involved his production manager reaching a frustration level with UPS that caused him to approach Dean and say “I’m finished with UPS. … I don’t want to see them in here again.” This emphatic statement was on the heels of a long issue with a supplier where an outstanding balance of $97,000 was being disputed in a foreign country. The supplier believed they were not at fault; the balance was reversed to the supplier for payment and they were sued. The supplier refused to do business with WAC moving forward, impacting their ability to source raw materials for production.

The second key issue was a less important initial issue of competitor presence. With three main shippers in this one building, UPS had 100% of the business from the entire building. However, FedEx was able to identify and win a small account on one of the floors. This opened the door to the other tenants speaking with Dean and praising their switch to FedEx. This placed the first opportunity for FedEx to meet Dean and present their initial proposal. Although their first proposal was declined, the embers of dissatisfaction were growing and willing and capable competitors were identified.

With over 10 years of experience with UPS and its capabilities, it was very difficult for Dean to switch to FedEx initially. The competitor’s pricing offer “at that time the rates were not terribly attractive or much better than or different than what we were getting from UPS" so Dean initially stayed with UPS. However, frustration mounted when issues with other vendors and the $97,000 balance in Italy was not being resolved.

> And we had these—a few minor inconveniences with the not being able to get service from a couple of our vendors. But when this $97,000 mistake popped up and just the aggravation level and the frustration level just built and built and built and built … we couldn't find anybody at UPS in the United States who would be a single point of contact for taking responsibility for the dealing with this Italian issue. … And that was the straw that broke the camel's back.

Shortly thereafter, the FedEx representatives were asked to return with another proposal to address the opportunity of using FedEx instead of UPS. The second attempt at pricing by FedEx was more attractive according to Dean: "They offered a much cheaper inbound rate, especially from Japan … which was huge." At the same time, Dean requested that UPS provide a new agreement for pricing and the reply was that UPS could not increase the current incentives.

In review of Dean's switch to FedEx, he specifically addressed account representation and a billing issue. Although his comments at the beginning were that UPS account representation "was tolerable. Whoever the account—we had never really had a decent account representative," his willingness to seek an alternative was nonexistent. It was only after service issues became a problem that Dean identified characteristics that were now important to him. Dean specified that his account representative should "take responsibility for dealing with issues, be our champion" and that his current account representative is around weekly and is quick to address all concerns. Dean also validated his new perspective on account management by saying that if a new representative from FedEx were brought in and "were as proactive and responsible as she is, we're fine. If it gets to be some sort of flaky situation again, which we unfortunately experienced with some of the UPS reps, yeah, then it could be an issue." In conclusion, a confluence of events seemed to create an opportunity that over a 9-month period allowed FedEx to gain a new account based on a price savings, account-representation improvements, and positive word of mouth to a customer who had been loyal for over 10 years.

John

In 2012, after 16 years of usage, John decided to switch the business from UPS to FedEx. During the interview process, John identified several key issues that necessitated this change. John detailed that FedEx's Saturday Home Delivery, which UPS does not offer, along with better time in transit and pricing, were the primary reasons he switched his business to FedEx. The process of research, negotiation, and comfort building took 18 months from the first thought of using FedEx to actually converting all his shipments to FedEx. Unlike all other interviews, John was the only interviewee who minimized account representation or service failures as a reason for switching.

John recalled he had usually had great account management at the beginning and described what he felt made a great account manager.

> We had actually a fantastic rep…when Michael became our rep and really worked with us and found us ways to save proactively, it was like, "Hey, have you ever thought of this?" Or, "Have you ever done this"? "Did you know we have equity this?" And, "Do you know we can do this?" And, "Do you know we can talk to you about this?" And really brought service to our account. To be honest, at that point I stopped thinking about (competitors), "Well, what else is out there?"

In time, Michael had left the area and a series of account representatives flowed through to manage his account. Michael noted that his typical "UPS service level was great," meaning that the day-to-day pick-up and delivery of orders was in line with expectations. However, John addressed his UPS account representation as "nothing" and noted that "unless I e-mailed or called four or five times" he didn't get his requested data or issues resolved.

The key factor for John to switch his business to FedEx came down to the Saturday-delivery option. John noted that, personally, he is a “hobbyist” himself and enjoys getting packages when he is home and can plan for the delivery. In 2012 he noted that a large percentage of his orders were going to the east coast and shipping with UPS takes 5 business days. Therefore, orders on Monday, which are his largest shipping day, will not be delivered until the following Monday. However, with FedEx’s Saturday home delivery, he was able to ship on Monday and get delivery on Saturday.

> We are a business-to-consumer and the consumer is a hobbyist. Well, as your hobby, you generally do your things on the weekends and such. So we started seeing Saturday delivery. We started looking at, “Ooh,” from—we are out of California. So shipping to the east coast, where a good chunk of our shipments go, it’s—if we ship on Monday they’ll get it on Saturday, as opposed to the following Monday. So looking at the competitive advantages, I was like, “Okay. It’s time to bring them in.” And, to be honest, at that point Michael was no longer our service rep. We had bounced about three or four service reps who, not to belittle them, but didn’t have anything near the hard-work ethics or even ability to communicate on a regular basis as Michael did. In fact, most of the time we didn’t know who our rep was.

Although John placed great value on the ability of FedEx to deliver on Saturday as a reason to consider switching, he did specifically note the lack of UPS account representation as a reason to consider looking at the competition. Later in the interview, when asked if Michael had still been his account manager, whether he would have still switched to FedEx, his response was that he would have. John was consistent that this particular service offering by FedEx create a perceived value that he needed to implement to continue to increase his business. In fact, unlike previous interviewees, John stated that “price at that point wasn’t important. It was us to stay competitive. That was important and that was the service we were able to give our customers. And speed of transit. That was the reason I brought FedEx in.”

Lisa

As the Wine-club manager for WW, Lisa was the decision maker to switch her small-parcel shipments from FedEx to UPS in 2013. Lisa's responsibilities include the management and growth of the wine club, which is a revenue stream for her winery. She also aids other wineries in their shipments so her experience and management is highly valued. Because her focus in mainly on increasing the revenue of the wine club, she is in constant review when customers report concerns or difficulties that may cause her to lose customers. Alternatively, she is open to those solutions and opportunities that can help her expand her wine club and revenue stream.

In 2010, after recently coming to WW, her winery was approached by FedEx to switch their small-parcel shipments. WW initially left UPS and went to FedEx in 2010 for several key reasons. First, senior management " thought the prices were very competitive and were better than UPS and they offered a Saturday delivery." In the wine industry, a big concern is delivery of a controlled substance, so delivery personnel require a signature. Typical wine shippers have about 6% returns, which means they have no revenue for the shipment and to cover return shipping costs. The group thinking was "with Saturday delivery we'd have less returns, hit more people right off the bat, and just make more people happy." This was supposed to reduce costs, minimize customers cancelling their memberships, and potentially increase their business. In addition, a conflict between senior UPS management and the controller of the winery helped make the move to FedEx an easier option.

With senior management deciding to switch, the process of implementation fell to Lisa and her staff. Her initial perception was the FedEx was easier to work with than UPS and its technology. Lisa worked with her local FedEx representative to begin the transition process, but as it started, she was notified of a change in the account-representation team. Her first representative was a woman that she “liked,” but shortly after introductions she was moved. Between the start and completion of the integration, she had two additional account managers. The final account manager, Bob, was not someone she considered to be effective. She commented, “we got switched to Bob and the weird tech guy, Kevin. They were just weird together. And it was like we just let them—we got to leave. They’d sit in the office and be weird.” Lisa didn’t experience a comfort level moving forward.

After the implementation, the key issue of dissatisfaction for WW that caused the move back to UPS in 2013 was that FedEx did not delivery promised savings and customer service. Lisa stated that “once we got FedEx started, it didn’t really make a difference in the returns versus UPS … the biggest issue was the customer service and their delivery people. Just a lot of complaints from our wine club members.” After the implementation, Lisa continued to try to make the new service work but the problems with account management and service could not be overcome. She described the worsening situation as follows:

> We were having all these issues and having tons and tons of returns, like at least double the returns that we got with UPS that—and a lot of people quitting the wine club because of these bad delivery experiences. And then I told FedEx about it. And they—they cared, but our rep was just not—didn’t really do a ton about it. He was upset, but nothing really changed. So I wanted to switch back to UPS

Shortly after these service issues were not being addressed, she approached UPS and returned her small-parcel shipping to UPS. Lisa reported it only took 3 to 4 months to switch back to UPS, and because she had years of experience with UPS, the decision was fairly easy to make. Even though WW switched for better pricing and perceived gains in service, they switched back to UPS and received an even better offer to return.

In conclusion, Lisa switched back to UPS after a poor implementation and an overestimation of potential savings and benefits from FedEx. The initial decision to switch to FedEx was a senior-management decision that had consensus on its merits. However, after 18 months, the loss in revenue and customer dissatisfaction became too much to continue. The defection back to UPS was seamless and beneficial financially to WW with only one decision maker instead of a senior-management team. The intriguing portion of this switch back to UPS is that none of the other seven defectors noted poor service, and on many occasions considered UPS and FedEx to be at parity for service reliability. Therefore, it is interesting to note that maybe the issues were more account management and responsiveness than pure service and returns.

CHAPTER V

DISCUSSION

In this chapter, I discuss the findings from this qualitative research and how they advance current research on defection. The first portion of this discussion addresses the three research questions specifically and how this research answers the defection process in the SPLI. The second section addresses additional conclusions reached regarding defection in the SPLI. These findings from research provide additional defection findings as well as address SET related concerns by Lambe et al. (2001) on the viability of SET in B2B environments. The discussion and conclusions addressed in this chapter are the first of their kind, presenting research from defectors in a B2B setting where a specific industry is targeted and used to comprehend and learn impactful defection criteria used by ultimate decision makers. Previous research on defection addressed the creation of a general theory (Hollmann, 2008), case study (Tahtinen, 2002), or consumer services in a B2C setting (Keaveney, 1995). Here, the findings answer each research question independently and conclusions, extrapolated from the narratives, identify managerial implications in sales management for highly relational B2B industries while also providing implications for future advancement of defection theory. The following discussion reviews each research question after coding for analysis. From the coding, extrapolated findings delineate and express results based on the relevant research question to which they most accurately apply.

Research Question 1

How did these participants arrive at the defection decision?

The narratives' from the eight interviews of defection showed that these executive-level decision makers did not arrive at a defection decision without serious reflection. The predominance of decisions took from a minimum of 1 month to as long as 2 years to switch carriers. Each decision maker made several attempts to address concerns with account management (WSC & MSC), service recovery (WAC & WW), price (onlinevitamins.com), and compelling growth solutions from a competitor (Fruitbaskets.com & HBI) to stay with their existing carrier. Only one of eight executives did not address returning to their current carrier to renegotiate or ask for an alternative to the competitor's offer.

Hollmann (2008) addresses a theory of "defection energy" whereupon

> events create defection energy by violating the image the customer holds about three distinct areas of evaluation: goals, values and practices (GVP) … decision-makers progress towards the images on the basis of the compatibility between the forecast for continuation of the status quo and the desired outcome. ... Violations of GVP at either the organizational or individual level create defection energy. (p. 161)

These narratives seem to confirm Hollmann's (2008) defection-energy theory, as each decision maker addressed specific goals and values that were violated and ultimately led to their defection. As addressed in Chapter 4, each narrative spoke to a series of events that led to the decision maker not feeling they were appreciated for their business patronage.

Specific to these defections in the SPLI, it appears that the predominant process of defection started with some form of service or operational failure that was not properly resolved to the satisfaction of the decision maker. With the exception of Ming and John, who left over growth opportunity and significant cost savings, the six other executives switched carriers because of poor problem resolution. This problem resolution led to an attraction to a competitor who then lowered their price to reduce the perceived switching costs of changing competitors. Generally, dissatisfied customers may stay with a provider because they perceive that the time, effort, and convenience costs required to switch service providers outweigh the potential benefits (Jones, Mothersbaugh, & Beatty, 2003). The previous two findings effectively addressed the defections of the eight companies. All had long relationships with each carrier and used their preferred carrier for more than 90% of their logistics spending. Each interview addressed the month- to year-long process they took in uncoupling themselves from a valued supplier to an alternative.

Part of the process of uncoupling was to measure the benefits of defecting versus the benefits of inertia. Benefits derived from a long-term relationship include convenience, time savings, and improved decision making, and such benefits intensify a customer's asymmetric dependence on the service provider (Palmatier, Dant, Grewal, & Evans, 2006). Inertia, however, typically leads to loyal customers paying higher prices and potentially receiving less overall service satisfaction. This was seen in this study as every defection was rewarded with a reduction in logistics costs and improved services. A key note to address is that even though customers stated they would have paid more to switch, they all seemed to receive lower rates for the same services. Price is an important factors affecting customer-choice behavior (Keaveney, 1995), and the economics literature has highlighted its important role in the management of customer-switching costs (J. Farrell & Klemperer, 2007). Reducing switching costs for the executives in this research made the defection decision more acceptable, as the economic gains from switching provided a "why-not" perspective in a highly competitive industry where product and service differentiation is low. The main point of uncoupling for these decision makers was to gain confidence in the new management team. Competitive service capabilities were not a concern, as each carrier made complete switches and did not transition or test the competitor.

Research Question 2

What impact did the sales resource have in the defection process?

In a recent study by Briggs and Grisaffe (2010), the authors found that relational exchange in the 3PL industry can mediate loyalty intentions of customers. The 3PL industry is a form of outsourcing that companies use to avoid having to manage a logistics network. The SPLI, for the purposes of this study, only covers the ground, air, and international shipments of FedEx and UPS. However, the findings from this study agree and extend these findings to the SPLI. In seven of the eight interviews, the decision maker addressed both a push and a pull factor from the account-management perspective that impacted their decision to defect. Specifically, the executives of WSC, MSC, MFC, and WAC addressed how their current account representation failed to provide a minimally satisfactory outcome from a service failure or service concern. These four companies directly left because of existing account representation whereas the other three left because of competitor account representation. The three companies that left due to competitor account representation left because of a pronounced absence of an existing incumbent sales representative. Onlinevitamins.com, HBI, and WW addressed that they were pulled to defect by the competitor's account representative, yet the presence of the existing account representative was severely lacking.

The decision makers addressed specific issues and expectations with their direct account representatives and what drew them to or pushed them from their existing supplier. In short, most executives sought an account management team as their "point person" with their supplier. Daniel wanted an account manager who would return calls and assist his operations team. His existing service was not an issue, only the account manager and his ability to assist in daily problem solving. Thomas wanted an account manager who was proactive and interested in his business growth. David switched because his account manager solved problems that allowed him to service his customers in a more timely matter and reduce delays in service that his current carrier and account manager would not address. Each of these narratives addressed problem solving, lack of communication, and the contribution to revenue growth as key reasons for defection.

Additional findings regarding account management address key account transition. Account transition is the time between an account losing a current sales resource and the introduction of a new assigned representative. The reasons for transition include an account manager resigning, being promoted or demoted, moving territories to change personnel around, and conflicts with an existing customer base. In a long-term exchange relationship, consumers perceive increasing exchange efficiency from confidence, social benefits, and special-treatment benefits (Gwinner et al., 1998) and having a high level of comfort with a service provider produces psychological benefits to the customer in the form of reduced anxiety and greater self-esteem (Schneider & Bowen 1999). Much like a marriage or long-term friendship, a relationship with an account manager can build strong bonds between a business and service provider. These positive bonds or relational benefits can be categorized into psychological, social, economic, or knowledge bonds (Liljander & Strandvik, 1995). However, on five occasions, the defectors described that their preferred account manager was removed from their account.

At MSC, this directly led to a defection and at WAC, HBI, MFC, and Onlinevitamins.com, led to a situation where the customer was indifferent to a differentiating resource to the competitor. In these instances, defection occurred because of alternative factors, but had the resource (account manager) the customer felt most attuned with been available, would the defection have still occurred? Because seven of eight attempted to return to their original SPLI provider before defecting, it is possible that some of these defections could have been prevented by their preferred account manager resource.

Research Question 3

What impact did perceived value have in their decision to defect?

Perceived value is a cognitive consequence of a consumer's overall evaluation of the balance between benefits and sacrifices in a transaction (Zeithaml, 1988). Perceived value is a subjective assessment of the defection process and not objective, as seen in this study. In this study, no specific customer could advance a specific savings in cost or known growth in revenue from the defection process. Only Ming at MFC had an estimated quantified number of $50,000 in savings he expected to realize from his defection to UPS. His main defection decision was based on UPS providing a more global solution and ability to help him increase his business. David at Fruitbasket.com saw value in defection because his current carrier created bottlenecks in production and sales. He knew that removing these bottlenecks would increase his productivity and increase profit, but after 1 year, he still did not identify a specific number. John at HBI addressed his defection as a potential for growth. He believed a new service offering by a competitor would allow him to see significant growth. When asked about confirmation that his perceptions were correct, John said he had not specifically been able to verify that the defection was responsible for the growth in revenue. These three narratives speak to a perception of value that the decision maker could not directly quantify. Therefore, perceived value may be a hard construct to validate and measure in the SPLI.

The customers who defected over mainly account management and service performance or service-related concerns also failed to report a tangible “value” proposition. The main concern for each customer was a price concern. In fact, every defection narrative included price as a concern, however, every executive was able to negotiate a cheaper price when defecting for similar services. Therefore, even though service firms have to compete on price to acquire clients and initiate relationships, their ability to charge full prices for their services increases as the scope of the relationships expands (Kumar, 2002). The expectation for firms on pricing in the SPLI seems to be that a less expensive price is needed to convert customers, and over time, customers will pay more in the long run through price increases.

Conclusions

The findings from this research should provide the current SPLI executives and highly relational B2B sales forces with pause on how they currently manage the sales process. The SPLI industry garners approximately $80 billion in combined revenue for small-parcel shipments between FedEx and UPS. Gosman and Kelly’s (2002) research estimated that key accounts are between 50 and 80% of the revenue a company will generate. Therefore, FedEx and UPS generate a minimum of $40 billion in sales in their key-accounts market. A defection rate in key accounts of 5% would accrue a pool of defection candidates worth approximately $2 billion per year that UPS and FedEx regularly turn over. This research was limited to customers that spent more than $100,000 but were not considered to be multinational accounts, which could spend more than $5 million at multiple locations. Therefore, even at 50% of the $2 billion share of yearly defection, this research has dramatic findings on why customers defect and possible solutions to gain a larger share of the defection pool of profit. The following themes address findings from this qualitative research on defection in the SPLI.

Account Management Breakage

With three specific accounts switching (MSC, MFC, and WW) due to account transition to new management, it would seem important for the sales-management team to address ways to minimize transition. In addition, previous research showed that long-term relationships lead to greater profitability, increased trust, and perceived value by the customer (Schneider, White, & Paul, 1998). The present study showed that account transition led three of eight accounts to defect directly. In addition, those three accounts received better pricing, which reinforced the decision to consider periodic reviews of pricing. This outcome creates a scenario where customers become less committed to a current carrier and more price conscious, knowing the outcome of defection or possible defection is potential cost savings. In addition, as defection becomes easier to complete and shows success financially, future commitment to either SPLI carrier diminishes. This was noted by Daniel at WSC who said that the next time he sees concerns from his staff, he will be more likely to switch more quickly than the nearly 2 years it took him to switch this time. Concurrently, MFC and WW switched from one carrier and back (within 18 months of the original defection) to the old carrier and received a reduction in price at both occurrences compared to the previous contract.

Social Exchange Theory (SET)—Key personnel change

SET specifies economic and social rewards as the key determinants of partner behavior (Briggs & Grisaffe, 2010). However, Lambe et al. (2001) addressed four specific concerns with using SET in a B2B relational matter. The findings from this research specifically addressed one of the four concerns regarding the use of SET when there is change in key personnel in a B2B relationship. Based on the narratives from this study, it is apparent that changes in key personnel have a significant effect on the B2B relationship and potentially lead to customers reviewing the economic and social rewards they receive from the relationship.

The concern for Lambe et al. (2001) was what happens to relational trust and commitment when key personnel change and findings suggest the customers enter into a period of review. In the SPLI, a highly relational industry where SET is of primary value, the outcome of key-personnel change created three specific instances where shortly after, a defection occurred. At WW, MSC, and MFC, shortly after key-account management changes, decision makers reviewed the perceived value and trust (economic and personal) that was originally established. Based on the response of new personnel, customers quickly perceived a need for defection and made the necessary changes. The narratives of Onlinevitamins.com, WSC, and WAC show that personnel changes took time to be addressed and took competitor attractiveness to complete the defection process. The only narrative that addressed a solid exchange relationship and still defected was Fruitbasket.com. However, economic value provided by the competitor in the form of efficiency improvements that the current carrier unwilling to provide was the only incidence where the relationship was considered in good standing.

Account-Management Communication

In coding the narratives, five customers (WAC, MSC, WW, WSC, and Fruitbaskets.com) also addressed the ability of the existing account manager to handle service concerns and service recovery. Service failures in the SPLI are a rare occurrence where on time performance averages over 99 percent on time performance. However, large shippers can send hundreds of packages per day making service failures by delivery time or late by day fairly common. Findings from this research showed that customers seek definitive help in solving service issues. MSC, WAC, and WSC left due to a lack of appropriate response from the account manager to service issues and failures. Rarely can all service failures and concerns be resolved in a way that both parties are satisfied. However, placing more emphasis on reaching a conclusion where the customer agrees will allow for less rumination from the customer.

Rumination typically decreases positive intentions and increases negative behaviors toward the transgressor (Pronk, Karremans, Overbeek, Vermulst, & Wigboldus, 2010; Worthington, 2006). Customers who are dissatisfied with providers at the time of switching (i.e., who hold a grudge and are likely to ruminate) are more likely to engage in negative post-switching word of mouth (Wangenheim, 2005). This was specifically responsible for the defection of WAC, as Dean commented that his building mate had switched to FedEx and told him how well FedEx was working for her. She had switched from UPS to FedEx over an unsatisfactory experience over an unpaid claim. Taking a more thorough view of service recovery and its potential impacts could significantly reduce defection, when resolved with an agreeable understanding.

Revenue Creation

Two examples of nonservice-related or account-management-related defections were customers identifying an opportunity to increase their existing business through unique service offerings. HBI and MFC both agreed to unique propositions that would be valuable to the research question on “perceived value.” MFC saw an opportunity to save money and expand his available inventory using a unique solution offered by UPS. Ming was able to identify a value to his company of $50,000. In addition, he specifically addressed the value of a sales resource bringing a unique value propositions to his attention, as he is not versed in logistics and feels it is the vendor’s direct-sales resource to bring opportunities to his attention. As a Chief Operating Officer, Ming has time to look at high-level value solutions and appreciate the “aggressive” nature of the UPS account manager. The account manager provided solutions that can help him increase his gross profits by providing additional inventory to the market, an area in which he was restricted, prior to the sales-resource visit.

At HBI, John defected to FedEx based on the opportunity to use a unique FedEx proposal that allows for Saturday delivery and faster time in transit from west- to east-coast locations. John felt he was at a disadvantage against his competitors on the east coast as his product took 1 week to arrive after ordering, whereas his competitors could attain delivery in less time. John addressed this new service offering as a game changer, as he is in the “hobbyist” industry and his clientele would appreciate the opportunity to brew over the weekend. After a 14-year relationship with UPS, John attempted to stay with UPS but said that even with the best account representation, he would still have switched.

Price

A significant finding from this study was that price was never the first reason to switch for any defector. Past research (Keaveney, 1995; Roos, 1999) showed price to be one of the key purchasing criteria in B2C markets. However, in this highly relational and competitive industry, price was not the main reason for defection. Every defection narrative addressed that the customer was primarily dissatisfied with their existing carrier and were interested in an alternative. HBI even believed that to make the conversion to FedEx he would need to pay 10% more in logistics spending and expected to pay more. Daniel at WSC was willing to pay a premium to refrain from switching at the last minute, if effective representation could be in place moving forward.

This finding contests the research in economics (Einhorn, 1994; M. D. Smith & Brynjolfsson, 2001) that price plays a central role in the acquisition of new consumers. Additional research showed that competitors may use price to subsidize switching costs and alleviate the negative consequences that switching can cause them (Chen, 1997) psychologically and financially. However, subsidizing switching costs for new customers does create an expectation for those negotiating a change that future savings are available should future defection be considered.

Service Recovery

The issue of service recovery has been significantly studied in the B2B literature and as recently as 2012, Komunda and Osarenkhoe showed that high levels of communication during service recovery impacts customer loyalty. In the SPLI, with an average on-time performance of 98.5%, a service failure is expected in 1 of every 100 packages. However, service recovery typically becomes significant in the SPLI when the customer has a loss of revenue or loss of reputation from a particular event. In the eight narratives coded for this study, only WAC described a service-recovery issue that was worth $90,000 dollars and took nearly 9 months to resolve with negative outcome. Because I delineated daily account management and maintenance from significant service-recovery issues, the delayed delivery or returned packages from WW and the unreturned calls of WSC are listed as account-management activities.

With this delimitation, service recovery is now addressed as a financial hardship that is unexpected by a customer, addressed at a high level. WAC left UPS after a protracted negotiation on a balance. A trusted business relationship had recently negatively impacted service recovery. The executive initiated word of mouth to address her displeasure with UPS and her strong confidence in her new carrier. Service recovery is a significant negotiation involving personal and business emotions on both sides. Reaching an agreeable resolution is difficult and customers may not always agree with providers. However, a fair resolution, if possible, will prevent rumination and grudgeholding on the part of the customer. Long-term grudgeholding minimizes future opportunities and leads to negative word of mouth in the customer’s sphere of influence.

Implications

This research on defection in the SPLI provides three opportunities to reduce defection in Key Account Management. The first solution is to review the current account-transition methodology used to match existing KAM with new sales resources. Currently, new account managers are introduced and expected to advance the relationship immediately. Possible solutions could be allowing the decision maker to have some ownership in the new relationship matching process. If the decision maker is able to meet and interview several candidates, it would allow the customer to be more emotionally connected and express expectations and requirements. In addition, rather than transitioning account managers over periods of time, account managers could keep certain high-value customers in perpetuity. Because research shows that accounts typically pay a premium in long-term stable relationships, allowing an account manager to maintain a book of business, as in the financial-services industry, is likely to positively affect profitability for the SPLI competitor.

A second managerial recommendation is to address more retention issues rather than conversion opportunities. This research shows that the defection process for SPLI key accounts is not undertaken with expediency and recklessness. Therefore, positive benefits of increased profitability and stronger long-term relationships from committed customers would lead to less conversion activity. Less conversion activity could increase profitability, as the push to increase offered incentives will not skew the market with aggressive counterproposals, as competitors attempt to reduce switching costs to attract new customers. Growth is a key finance figure but this research shows that strong account management and proactive management will save more defected customers at a higher profit than attempting to ignore existing customers, as they may be considered loyal and committed.

The third managerial implication from this research for the SPLI is the advancement of unique service offerings compared to those of the competitor. This research shows that 25% of the defection came from the customer's perception or actual validation of a unique service offering that provided the customer differentiation against the competitor. In addition to product differentiation, SPLI competitors should be proactive in considering solutions that will provide revenue growth for its customers. Some of these solutions may come at the cost of profitability, as customers downsize or outsource to less expensive solutions, but the end result is a customer who sees a company that is "working for them," as Thomas and Sanjog addressed in their narratives. Providing the new service to Sanjog allowed her business to see significant growth and turn profitable. The competitor provided a solution that advanced her growth and she is now growing 25–30% more, year over year. The service offering was available from both competitors, but only offered by one. The competitor provided differentiation whereas the incumbent protected revenue and profitability.

Recommendations for Future Research

This study addressed the defection process of highly relational B2B customers in the SPLI industry. This study was limited to a specific customer segment and geographic location. The findings from this study provide significant additional data that can be added to the current B2B defection framework initiated by Hollmann (2008) to advance the understanding of defection.

Based on these findings, additional research could be addressed on customers with revenue spending of less than $30,000, as these customers do not typically receive local account representation. Identifying defection criteria in this segment of customers should provide invaluable data that impacts the profitability of each carrier. The small revenue-spending customer pays premium prices with minimal discounts and accounts for significant profit for each carrier. A second research opportunity could be multinational companies where decision makers are usually less involved with daily operations and may have different defection criteria than customers in this study who were active in daily operations of their company.

Additional research opportunities could include the use of technology to help identify and minimize future defection. Avenues of pro-active notification of failure and automatic service recovery could positively reduce the defection process and research on the likelihood of defection when a pro-active approach to service failure is used versus the current reactive approach to service failures could immensely help understand the customer perspective.

Based on data collected, the relationship of the driver and customer had an impact on both customer loyalty and brand perception. Additional research on the service provider's ability to minimize the defection process is greatly needed. Because the service provider is the daily representative, how much value is the driver to the defection process? Could the service provider or driver be as important as the account representative in gaining and losing market share to a competitor?

The defection process and timeline seems to create significant negative perceptions of the incumbent carrier as they leave to the alternate carrier. Nearly all participants addressed a positive relationship with the new carrier. Future research could address how long the decision makers of defection hold onto any grudges or perceptions of poor service and performance. In addition, with only two available carriers, if a decision maker has switched to both carriers, does that make the person more open to defection?

The current accumulating data on B2B defection provides additional research opportunities in other industries to validate or expand the findings of this study. Specific industries could include medical-equipment sales, pharmaceutical sales, industrial tool and equipment sales, and large-wealth financial services and banking. These industries provide daily B2B usage and maintenance that require the use of a sales force to maintain and increase current revenue.

Parallel research, published by Friend (2010), provided valuable data on why sales proposals are won and lost. Friend’s research objectives provided an additional stream of data to understand why customers accepted or declined sales proposals for large multinational companies. Decision makers typically used a group decision process to address proposals, unlike this current study. Therefore, additional research could address the group dynamics of defection in situations where companies and sales executives are selling to a group of decision makers and not a single decision maker. Large multinational corporations with revenue spending over $5 million review proposals by committee and typically spread success and failure of decisions over many layers when agreeing to defect from carriers. Understanding this process will add significantly to the defection literature and may require an alternative theoretical framework from the SET used in this research.

Concluding Thoughts of the Researcher

After 18 months of research, the findings from this study yielded several key findings. The primary finding was that account representation plays a key role in the defection process, which parallels my personal beliefs, experienced in more than 24 years of sales and account management. The SPLI is a unique market to research because of its nearly identical participants (UPS and FedEx) and limited number of competitors. This industry provides a unique ability to understand defection, as it reduces the process of defection to a social and economic process that is uniquely captured in SET.

Additional findings from this research show that price is a key component of the decision process. However, price is not the sole criteria, in contrast to Keaveney's (1995) work and other B2C studies. Price simply acts as the final negotiated item that allows the decision maker to reduce the switching costs of defection and provide a cover for the risk of using an alternative carrier. No customer expressly stated that price was the reason for the defection, but each discussed the negotiations and outcomes of the defection process.

This research attempts to understand the process of defection in the Small Parcel Logistics Industry by studying actual cases of defection. These narratives show that defection is an emotional decision made under duress as the decision maker feels their expectations, trust, and rights have been violated. These are typically exploited by the new carrier through better pricing and significant attention paid to their needs. Unfortunately, the incumbent carrier has now created a negative perception that seems to create a higher hurdle to re-claim the lost business. However, that lost business may only be to new carrier and its associated new account management team.

If defection was addressed as an account management issue, it seems that the losing carrier is waiting for a similar account management failure to occur in order to be reconsidered. Therefore, a high priority should be placed on the skills customers need in their account management team and what expectations each business has for their business relationship. Identification of service and communication skills may be of higher priority to an SPLI company than sales skills in converting business as it seems that nearly all of the defection starts with service based issues. When a customer leaves over service issues, the decision maker will most likely defect and express to the new carrier the reason they left. This now creates a standard of service performance and account maintenance that the new sales team will continue to maintain.

There is one potential issue to address as a cause for some defection. All industries have pushed account management teams to be more new sales driven and less customer service. Sales forces are rewarded with commission and promotion based on gaining competitor revenue. A negative to this thrust for business is that if customers are not dissatisfied with their current competitor it then becomes a potential price issue. This can create a price only sale to a customer that doesn't have a significant reason to switch and validate to the customer that price is negotiable. This research showed that price was a negotiable during the defection process but that people didn't switch for the price, it would seem a possibility that being less aggressive on conversion and looking for customers that show signs of neglect or dissatisfaction with a competitor should be a larger priority for targeted conversion.

The findings published in this research, if implemented, will have immediate impact in both the retention of existing customers and the opportunity to convert distressed customers from the competitor. Both competitors are fully entrenched with existing sales-management strategies and therefore dramatic changes discussed in this study would take significant time to implement and validate. It is my expectation, based on the narratives of these eight defectors, that if the findings from this research are fully implemented, the results will lead to significant increases in profitability and positive customer experiences that increase brand loyalty and commitment.

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APPENDIX A

PROSPECT LETTER/E-MAIL REQUEST FOR PARTICIPATION

Good Morning Dissertation Participant:

My name is Darrell Gualco and I am the person that Bob has mentioned who is doing a dissertation at Univ. of San Francisco. I am wondering if you might be willing to provide me an available time of yours in the upcoming weeks to conduct the interview.

Aside from my full time job at UPS as an Account Manager, I am also finishing a Educational Doctorate at University of San Francisco . I'm in the final stages of research and am identifying interview candidates that fit my research and your recent defection to FedEx fits my scope. My research is on why customers in the Small Parcel delivery industry switch from both UPS to FedEx or FedEx to UPS.

In brief, my interviews (10 total customers) have been taking about 45-60 minutes to discuss the defection process from start to end and the history and thoughts on the process. This will be completely anonymous and confidential and will help me create a theory on why customers switch vendors.

Darrell Gualco
UPS Account Manager
USP Doctoral Candidate
Cell 925-336-0061

APPENDIX B

COVER PAGE AND RESEARCH QUESTIONS ATTACHED TO PROSPECT LETTER/E-MAIL REQUESTING PARTICIPATION

Good Morning Dissertation Participant:

My name is Darrell Gualco and I am the person that ??? has mentioned who is doing a dissertation at Univ. of San Francisco. I am wondering if you might be willing to provide me an available time of yours in the upcoming weeks to conduct the interview.

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Darrell Gualco
UPS Account Manager
USP Doctoral Candidate
Cell 925-336-0061

The University of San Francisco

A SYSTEMIC ANALYSIS OF THE DEFECTION PROCESS IN THE SMALL PARCEL
LOGISTIC INDUSTRY

A Dissertation Proposal
Presented to
The Faculty of the School of Education
Department of Leadership Studies
Organization and Leadership Program

In Partial Fulfillment
Of the Requirements for the Degree
Doctor of Education

by

Darrell Gualco

San Francisco, California

April 2013

Research Questions

The following research questions establish the broad nature of data to be collected from the specific defected customers. The findings here should help identify the overall emotions defectors put on the product, relationship, and the intermingling of these disparate parts of a B2B relationship.

1. How do customers in the Small Parcel Industry arrive at a continuation or defection decision?
2. What impact did the direct sales resource have in reducing or extending the defection process?
3. What impact did perceived value have in the defection decision?

The first question addresses the steps that the customers perceived their decision making process took them. The second question addresses the potential impact of a direct sales resource within this process. This will extend current research by addressing unknown emotional and relational processes that impact a defection decision. The final question addresses current research on value as a switching barrier to a competitor.

Definition of Terms

The following section will address industry specific terms for the purpose of the story and to operationalize the use within this study.

Small Parcel Logistics Industry (SPLI): The Small Parcel Logistics Industry incorporates companies that provide pick-up and delivery services of parcels that are typically less than 150 pounds. The following definition by Morlok et al. best describes the value of the SPLI:

APPENDIX C

INTERVIEW QUESTIONS AND PROMPTS:

1. How do customers in the Small Parcel Industry arrive at a continuation or defection decision?
    a. When in the relationship did the first thought of switching carriers occur?
    b. What was the incident that caused this consideration?
    c. From the time of the first thought to the first action taken to consider an alternative, how much time passed and why?
    d. Did your criteria to switch at the outset match your decision making criteria at the end?
    e. Did the competitor provide alternate services concurrently while you were fully utilizing your existing carrier?
        i. Did that existing relationship provide a better opportunity for them to be considered?
    f. What were the perceived switching costs in going to a competitor?
    g. What were the perceived fears in switching to a competitor?
        i. Personally?
        ii. Professionally?
    h. The final proposal from the competitor, did it provide savings versus your current carrier? If the competitor had not beaten your current offer for services, would you have still switched carriers?
        i. Based on your current criteria, what would be a minimal savings you would need to see in order to consider switching back?

2. What impact did the direct sales resource have in reducing or extending the defection process?
    a. How long had you had a relationship with the sales resource that managed your account?
    b. How would you describe the relationship you maintained with the carriers company?
    c. Had there been transitions between sales resources?
        i. Did those transitions affect your relationship comfort?
        ii. Did you judge the company or the sales resource based on their effectiveness in managing your account?
        iii. Did transition of account managers create opportunities for you to consider switching carriers?
    d. What are the most important attributes you need in a SPLI sales resource?
    e. How did the potential loss of the relationship affect your decision to switch?
    f. What was an example of a positive incident that created goodwill with your previous sales resource? What was a negative incident?
    g. What attributes would best identify the account representative that won your business?
3. What impact did perceived value have in the defection decision?
    a. Did the initial offer from the competitor provide any subjective perceptions of the value of the current relationship?

b. How did you perceive the value of the old carrier prior to switching and after the defection to a competitor?

c. If the losing supplier were to have offered a significant discount to keep your business, would perception would you have and what impact would it have had on your decision?

d. Could you have foreseen any way that the incumbent supplier could have kept your business once you had decided to switch carriers?

    i. Change in account manager

    ii. Better pricing

    iii. Executive level involvement

    iv. Complementary items

e. Would you consider your decision to switch more subjective in nature or objective and based more on facts and financials?

APPENDIX D

IRB APPROVAL

IRBPHS - Approval Notification

To: **Darrell Gualco**
From: **Terence Patterson, IRB Chair**
Subject: **Protocol #80**
Date: **05/10/2013**

The Institutional Review Board for the Protection of Human Subjects (IRBPHS) at the University of San Francisco (USF) has reviewed your request for human subjects approval regarding your study.

Your research (IRB Protocol **#80**) with the project title **A SYSTEMIC ANALYSIS OF THE DEFECTION PROCESS IN THE SMALL PARCEL LOGISTIC INDUSTRY** has been approved by the IRB Chair under the rules for expedited review on **05/10/2013**.

Any modifications, adverse reactions or complications must be reported using a modification application to the IRBPHS within ten (10) working days.

If you have any questions, please contact the IRBPHS via email at IRBPHS@usfca.edu. Please include the Protocol number assigned to your application in your correspondence.

On behalf of the IRBPHS committee, I wish you much success in your research.

Sincerely,

Terence Patterson,
Chair, Institutional Review Board for the Protection of Human Subjects
IRBPHS - Univeristy of San Francisco
Counseling Psychology Department
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2130 Fulton Street
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